FRANCHISE DISCLOSURE DOCUMENT

STOCKADE FRANCHISING, LP
a Nevada limited partnership
1611 Chisholm Trail
Round Rock, Texas 78681
(512) 352-5030
www.stockadecompanies.com

The franchisee will develop, construct, own and operate one or more "MONTANA MIKE'S STEAKHOUSE®" restaurants ("**Franchised Restaurant**"). The MONTANA MIKE'S STEAKHOUSE® concept offers patrons a variety of beef, chicken and seafood entrees at affordable prices offered in a rustic, outdoorsy setting, reminiscent of a hunting lodge. The area granted may encompass a single restaurant site or an area intended to be developed with multiple restaurants.

The total investment necessary to begin operation of a Montana Mike's restaurant franchise is $689,000 to $2,708,000 for a newly constructed restaurant and $439,000 to $1,983,000 for a restaurant converted from an existing steakhouse, including $35,000 that must be paid to the franchisor (or $20,000 for certain existing franchisees). An Area Developer entering into an Area Development Agreement will also pay a minimum Area Development Fee of $10,000 multiplied by the number of restaurants it is required to develop. The Area Developer will receive a minimum credit of $10,000 against each Initial Franchise Fee at the time the Area Developer signs each new Franchise Agreement until the total of all credits equals the total of all Area Development Fees.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Stockade Franchising, LP at 1611 Chisholm Trail, Round Rock, Texas, 78681 or at (512) 352-5030. The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

The issuance date: **August 18, 2020**

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, Exhibit C.
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 D 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 Franchised Restaurant 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 Montana Mike's franchisee?	Exhibit C 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.

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A. The states where we are registered, and the effective dates of the registrations are listed in Exhibit J.

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 arbitration only in Denver, Colorado or Austin, Texas. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and arbitrate with the franchisor in Colorado or Texas than in your own state.

2. **Franchise Brokers**. We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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

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ITEM 1
THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, "**SF**," "**us**," "**we**," or "**our**" means Stockade Franchising, LP, the franchisor ("**Franchisor**"). "**You**" means the franchisee ("**Franchisee**"), which is the person who buys the franchise, whether the person be a natural person, a corporation, a partnership, or other entity. "**You**" also includes the Franchisee's owners, including shareholders, partners, or members.

The Franchisor, Its Predecessors and Affiliates

Stockade Franchising, LP is a Nevada limited partnership which maintains its principal place of business at 1611 Chisholm Trail, Round Rock, Texas 78681. Our agents for service of process are disclosed in **Exhibit A**. On January 9, 2004 ("**Closing Date**"), SF acquired the right to franchise and sublicense the Sirloin Stockade®, Montana Mike's Steakhouse® and Coyote Canyon® restaurant concepts ("**Stockade Concepts**") along with all existing franchise agreements previously granted for the operation of Stockade Concepts in the United States and Mexico, from Stockade Companies, Inc. SF is responsible for all licensing and franchising activities for the Stockade Concepts operating throughout the world. As of the close of our last fiscal year end on September 30, 2019, SF franchises 25 Stockade Concept restaurants in the United States and 33 Stockade Concept restaurants in Mexico, but does not operate any Stockade Concept restaurants. Stockade Restaurants has three company-owned Stockade Concept restaurants and one other company-owned restaurant named George's on the Town, a concept which we have not yet franchised.

SF is owned by Stockade Companies, LLC, a Nevada limited liability company, and Stockade Franchising Management, LLC, a Nevada limited liability company and wholly owned subsidiary of Stockade Companies, LLC. Stockade Companies, LLC holds all the intellectual property rights, including the Proprietary Marks and the System (as defined below), for all of the Stockade Concepts. Stockade Companies, LLC has granted SF the exclusive license to franchise and sublicense the Proprietary Marks and the System throughout the world. As of the date of this Disclosure Document, Stockade Companies, LLC also owns and operates two Montana Mike's Steakhouse® restaurants. Stockade Companies, LLC does not provide any post-sale services to franchise owners. Both Stockade Companies, LLC and Stockade Franchising Management, LLC are located at 1611 Chisholm Trail, Round Rock, Texas 78681.

Stockade Companies, Inc. ("**SCI**") is the predecessor of SF and Stockade Companies, LLC. SCI had been franchising the System and operating certain Stockade Concept restaurants since 1984. Prior to the Closing Date, the principal business address of SCI was 2908 North Plum Street, Hutchinson, Kansas 67502.

Other affiliates ("**Affiliates**") of the Franchisor include Stockade Restaurants, LLC ("**Stockade Restaurants**"), Stockade Management Corporation, Inc. ("**Stockade Management**"), and J-B Equipment Company ("**J-B Equipment**"). Stockade Restaurants is a Nevada corporation and, as of the date of this Disclosure Document, owns and operates one Sirloin Stockade℠ restaurant. Stockade Management is a Nevada corporation that provides employee leasing services to SF and its Affiliates. J-B Equipment is a wholly-owned division of Stockade Companies, LLC and is a recommended supplier of equipment for use in operating Stockade Concept restaurants.

Effective January 2015, Stockade Restaurants, Stockade Management, and J-B Equipment are all located at 1611 Chisholm Trail, Round Rock, Texas 78681.

Except as previously described, SF does not do business under any other name.

The Franchisor's Business

SF sells franchises which grant to franchisees the right to develop, construct and operate restaurants ("**Franchised Restaurants**") utilizing the Montana Mike's Steakhouse® system ("**System**"). You will be expected to operate a Montana Mike's Steakhouse® restaurant in accordance with all applicable rules and regulations of the food service business. SF, in its discretion, may offer qualified candidates an Area Development Agreement to develop and operate an agreed number of Franchised Restaurants utilizing the System. Upon establishing each additional outlet under an Area Development Agreement, you may be required to sign our then-current Franchise Agreement, which may different from the current Franchise Agreement included with this Franchise Disclosure Document.

The Franchised Business

A Montana Mike's Steakhouse® Franchised Restaurant is a family-style steakhouse restaurant offering patrons a variety of beef, chicken, pork and seafood entrees, homemade appetizers and side dishes, salads, sandwiches, and desserts at affordable prices. This food concept focuses on the mid-scale casual dining sector of the restaurant market, catering primarily to families, and features a specially priced children's menu. The restaurant features a contemporary and attractive décor package, operated in a rustic, outdoor setting, reminiscent of a hunting lodge. It also includes a full service bar. SF reserves the right to alter, add or eliminate any of these items, and to change the décor at any time.

Montana Mike's Steakhouse® Franchised Restaurants cater to on-premises business with take-out sales projected to be less than 5% of total sales, although the results of individual Franchised Restaurants may vary. The typical Montana Mike's Steakhouse® Franchised Restaurant occupies approximately four thousand five hundred (4,500) to seven thousand (7,000) square feet and seats approximately one hundred sixty (160) to two hundred forty (240) customers.

The Montana Mike's Steakhouse® menu presently features a variety of beef, chicken, pork and seafood entrees, as well as appetizers and alcoholic and non-alcoholic beverages. The décor package, rustic setting, varied and distinctive menu, friendly service and comfortable atmosphere will appeal to families and a broad range of other customers looking for a high quality, fun and casual place to dine. Each Montana Mike's Steakhouse® Franchised Restaurant typically requires approximately fifty (50) to ninety (90) employees.

You will be licensed to use the service mark "MONTANA MIKE'S STEAKHOUSE®" and logo, as well as related trademarks, trade dress, service marks, logos and slogans ("**Proprietary Marks**"), and the proprietary operating System licensed to SF, for the operation of a Franchised Restaurant. Franchisees are also licensed to utilize SF's confidential operations manuals ("**Manual**") which set forth the standards and specifications for the management and operation of the Franchised Restaurant.

SF has offered franchises for the Stockade Concept restaurants since January 2004. SF's predecessor, SCI, offered franchises for Sirloin Stockade℠ restaurants since 1984, and offered franchises for the Montana Mike's Steakhouse® restaurant concept and the Coyote Canyon® restaurant concept since 1999. Except as described above, neither SF nor SCI has ever offered franchises in another line of business.

SF will grant you a territory, based upon geographic population, in which to establish and operate your Franchised Restaurant. SF will provide you with guidelines and specifications for the operation and management of the Franchised Restaurant, including advertising and promotional techniques.

Your Franchised Restaurant will be subject to various federal, state and local health and sanitation laws that apply to restaurant operations. See **Exhibit I**, which summarizes certain special laws applicable to this business. In addition, your business will be subject to various employment regulations concerning wage rates, mandated employee benefits, employment taxes, tip reporting, worker safety, unemployment compensation, workers' compensation, teenage labor practices, disabled employees and discrimination in employment practices. Environmental regulations will impact your restaurant operations, particularly in the area of sewer discharge. You will be subject to the Americans with Disabilities Act which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities. You must report and pay various sales, excise, property, income, use and inventory taxes. Additionally, you must obtain various licenses and permits at the federal, state and local level in order to conduct business including, but not limited to, those related to food preparation. Failure to comply with the above governmental regulations could have a material adverse impact on you.

You must also obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You will need to understand and comply with those laws in operating the Restaurant. You should consult with your attorney to determine what federal, state and local laws may affect your Restaurant operations.

J-B Equipment is a wholly-owned division of Stockade Companies, LLC which provides equipment meeting SF's specifications as a courtesy to its franchisees. J-B Equipment is a recommended supplier for SF franchisees, but you are not required to purchase any equipment from J-B Equipment. You may choose an alternate supplier, but only if the supplier offers equipment meeting SF's specifications. J-B Equipment is not a franchisor and has never conducted a business of the type to be operated by you, has never offered franchises for the same type of business as that to be operated by you, and has never offered franchises in other lines of business.

Market and Competition

The market for your services will be the general public. The market for your services is fully developed, and SF and its Montana Mike's Steakhouse® franchisees will compete with other restaurant chains, individually-owned restaurants and an increasing number of specialty food restaurants, including those which feature traditional beef, chicken, pork and seafood dining. The restaurant industry is highly competitive and is often affected by changes in tasks and eating habits of the public, by local and national economic conditions affecting spending habits, and by population and traffic patterns. Montana Mike's Steakhouse® restaurants compete for customers with restaurants ranging from national and regional chains to local establishments. There are no warranties of your success, as there exist risk factors applicable to similar businesses.

ITEM 2
BUSINESS EXPERIENCE

Chairman of the Board – Douglas W. Frieling

Douglas W. Frieling has served as the Chairman of the Board of Stockade Franchising, LP and Stockade Companies, LLC since December 2012. Mr. Frieling has been a member of Stockade Companies, LLC since its formation in 2004 and he co-owns and operates eight Stockade Concept restaurants in Oklahoma and Texas.

Chief Operations Officer – Rick Pastorek

Rick Pastorek has served as the Chief Operations Officer for Stockade Franchising, LP since January 2017. He was the Vice President of Operations for Stockade Franchising, LP from July 2012 to January 2017.

Director of Operations – Jorge Serrano

Jorge Serrano has served as the Director of Operations for Stockade Franchising, LP since November 2015 encompassing Sirloin Stockade Buffets in the United States and Mexico. He was the Projects and Development Manager for Stockade Franchising, LP from July 2011 to November 2015.

Vice President of Research and Development and Training – Edward Sadler

Edward Sadler has served as the Vice President of Research and Development and Training for Stockade Franchising, LP since June 2006.

ITEM 3
LITIGATION

On Feb. 24, 2017, in the Western District of Texas, Stockade Companies, LLC and Stockade Franchising (jointly, "Stockade") brought suit against Kelly Restaurant Group, LLC (KRG) and Michael Kelly (No. 17-143) seeking a preliminary injunction to compel KRG from using Stockade's trademarks and misappropriating Stockade's trade secrets and confidential information. On May 31, 2017, following a hearing, the Court issued the injunction compelling KRG to de-identify as a Stockade franchise.

After KRG de-identified, Stockade filed a Second-Amended Complaint and moved to compel KRG to cease operating family-style buffet restaurants on the basis that they were using Stockade's confidential information and trade secrets. Following a hearing, the Court denied Stockade's motion on the grounds that Stockade did not produce sufficient evidence to meet its burden to obtain a preliminary injunction. Following denial of the preliminary injunction, Stockade dismissed the suit without prejudice so as to pursue its damages case in arbitration.

On April 6, 2017, Stockade filed an arbitration demand against KRG, Kelly Investment Group, LLC, Michael Kelly, and Gale Premer (the "Kelly Defendants") based on, among other claims, breach of the franchise agreements and violation of the Lanham Act, seeking, among other things, recovery of past due fees, damages under the Lanham Act, lost future profits, recovery of attorneys' fees, and guarantees. KRG filed a counterclaim based on breach of contract and the covenant of good faith and fair dealing, unfair competition, defamation, and tortious interference, seeking damages and attorneys' fees.

On July 5, 2018, following a hearing, the arbitrator issued Stockade an Interim Award of $797,482 for past due fees, Lanham Act damages, and interest and requested that Stockade submit its attorneys' fee request. On October 1, 2018, the arbitrator awarded Stockade an additional $312,911.06 in attorneys' fees and expenses, for total damages of $1,110,393; and, required the Kelly Defendants to pay the compensation and expenses of the arbitrator and the fees of the American Arbitration Association.

On May 9, 2019, the United States District Court for the Western District of Texas (Civil Action No. 1:18-cv-00918) issued a Final Judgment granting Stockade's motion for summary judgment and confirming the arbitration award against the Kelly Defendants.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES PAID TO THE FRANCHISOR

Single Unit Franchises

The Initial Franchise Fee for a Montana Mike's Steakhouse® Franchised Restaurant will be $35,000. If you are an existing franchisee within the System as of December 31, 2013, the Initial Franchise Fee for a Montana Mike's Steakhouse® Franchised Restaurant will be $20,000. The Initial Franchise Fee is payable in full upon the execution of the Franchise Agreement, a form of which is attached to this Franchise Disclosure Document as **Exhibit F**. The entire Initial Franchise Fee is deemed fully earned by SF upon receipt and is non-refundable.

During our last fiscal year, SF did not award any Montana Mike's Steakhouse® franchises and, therefore, did not collect any Initial Franchise Fees.

Area Developers

SF, in its discretion, may offer qualified candidates an Area Development Agreement, in the form attached to this Franchise Disclosure Document as **Exhibit E**. Each Area Developer must pay an Area Development Fee equal to the sum of $10,000 multiplied by the number of Franchised Restaurants to be opened under the Area Development Agreement. There were no variations of the Area Development Fee in our last fiscal year. The Area Development Fee is due upon execution of the Area Development Agreement, is deemed fully earned by SF upon receipt, and is non-refundable. Each Area Developer must pay the then-current Initial Franchise Fee for each Franchised Restaurant upon execution of each Franchise Agreement. The $10,000 Area

Development Fee will be credited against the then-current Initial Franchise Fee paid for each Franchised Restaurant. Area Developers are not permitted to enter into sub-franchise relationships. During our last fiscal year, we did not collect any Area Development Fee.

Area Developers must own at least fifty-one percent (51%) equity interest in each Franchised Restaurant, unless otherwise approved in writing by SF.

ITEM 6
OTHER FEES

NOTE: Unless otherwise noted, all fees in table are uniformly imposed.

Type of Fee	Amount	Due Date	Remarks
Royalty and Service*	3% or 4% of Net Sales***	Payable Monthly	All franchisees will pay 4% of Net Sales unless you are an existing franchisee within the System as of December 31, 2013, in which case you will pay 3% of Net Sales. To the extent taxes, other than income taxes, are levied this fee is increased by the amount of the taxes.
Advertising** (Notes 1, 5)	Maximum – 3% of Net Sales***	Payable to Vendors Monthly	
Marketing Fund* (Notes 2, 5)	Maximum – 1% of Net Sales***	Payable Monthly	SF maintains and administers a fund for advertising, public relations, production, costs of preparing and producing video, audio and written marketing materials.
Cooperative Advertising (Notes 3, 5, 6)	Maximum – 2% of Net Sales***	As required by Co-op	Only applies if Franchised Restaurant is located in specific geographical area.
Grand Opening Campaign** (Note 4)	Based upon actual costs of the plan incurred by you.	Payable as incurred	Must spend on advertising and promotional activities when Franchised Restaurant first opens for business and during 45 days thereafter.
Supplemental Training	Based upon actual costs incurred by SF in providing guidance and assistance.	Payable as incurred	You must obtain a minimum of twelve SF-approved supplemental trainers, some of whom may be SF employees.
Supplemental Guidance	Based upon actual costs incurred by SF in providing guidance and assistance.	Payable as incurred	Payable only if you request supplemental guidance and SF agrees to provide supplemental guidance.
Transfer*	$5,000	As agreed	Payable when you sell your franchise rights, the Franchised Restaurant, or any ownership interests.

Type of Fee	Amount	Due Date	Remarks
Audits*	Costs of audit plus interest at the highest applicable legal rate for open account business credit, up to a maximum of 2% per month.	15 days after receipt of audit report	Payable only if audit shows an understatement of more than 2% of Net Sales for any four week period.
Successor Franchise Fee*	Cost of services or expenses incurred by us at time of the extension of your rights to operate the Franchised Restaurant	At time of the extension of your rights to operate the Franchised Restaurant	There is no required Successor Franchise Fee, but we may charge you for services we render to you or expenses we incur in connection with extending your rights to operate the Franchised Restaurant.
Late Fees and Interest	$500 per late payment or late report; plus 2% interest per month or the maximum allowed by law	As incurred	Payable if you fail to pay amounts owed to us when due, or file late reports.
Cost of Enforcement or Defense*	All costs including accounting, expert witness and attorney's fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Liquidated damages	The sum of the estimated future Continuing Royalties ("**Liquidated Damages Amount**") that you would have otherwise been obligated to pay to us (had such termination not occurred) for each month remaining under the Term of the Franchise Agreement at the time the Franchise Agreement is terminated	Upon termination of the Franchise Agreement relating to a default by you	Such Liquidated Damages Amount will be equal to the amount of the average monthly Continuing Royalty during the most recent twelve (12) month period prior to the month during which you committed any default that led to the termination of the Franchise Agreement.
Equipment replacement upgrades** (Note 7)	Cost of upgrade or replacement	As incurred	You must replace or upgrade worn out improvements, fixtures, furniture, furnishings, equipment, signs and utensils as needed or according to SF inspection reports.
Computer software and hardware upgrades** (Note 7)	Cost of computer hardware or software upgrades	As incurred	You must purchase upgrades for your computer hardware and software when we require you to do so.
Insurance** (Note 7)	Cost of insurance	As required	Insurance requirements are set forth in Section 8.10 of the Franchise Agreement.
Remodeling** (Note 7)	Cost of remodel	At time of remodeling	You must upgrade or remodel your Franchised Restaurant at intervals determined by us.

* All fees are imposed by and are payable to SF and will be automatically debited from the bank account designated on the ACH Authorization Agreement form which you will sign and provide to us when you execute the Franchise Agreement. All fees payable to SF are non-refundable. SF may apply all amounts received from any franchisee or from third parties (for example, vendor rebates) toward the payment of any outstanding obligation owed by such franchisee. All amounts owed by you to SF and which are not punctually paid bear interest at the highest rate allowed for open account business credit, but not exceeding two percent per month.

** These fees are payable to a third party. The amounts of the fees may be unknown and may vary depending upon factors such as the third-party supplier selected.

*** "**Net Sales**" are broadly defined in the Franchise Agreement to include all receipts from all business conducted at or in connection with the restaurant location established pursuant to the Franchise Agreement, but exclude sales taxes, promotional and discount sale coupons, and gratuities.

(1) Currently, franchisees must spend 2% of Net Sales for local advertising and promotional activities.

(2) Franchisees must remit .5% of Net Sales to the Marketing Fund. A separate marketing fund is maintained for each SF-franchised concept.

(3) The advertising cooperative will include only Franchised Restaurants that are in Metropolitan Statistical Areas ("**MSA**"), as that term is defined by the United States Office of Management and Budget, or another comparable index or guide.

(4) Any changes to the grand opening plan or marketing materials used must be approved in advance by SF.

(5) The maximum percentage required for local advertising, marketing fund and cooperative advertising is limited to 5% of Net Sales.

(6) No cooperatives have yet been established by SF. Restaurants owned by Stockade Restaurants must also participate in any cooperatives that might be organized in the future to the same extent that Franchised Restaurants must participate. If established, the Franchise Agreement provides that each member is entitled to one vote for each location, but that no member, no matter how many Franchised Restaurants it operates can have more than 50% of the cooperative's voting power. SF has the right to cast the deciding vote if a voting deadlock occurs.

(7) We have established no caps or limitations on the amount or timing of these types of expenditures.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT PER FRANCHISED RESTAURANT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	$20,000 or $35,000 (Note 1)	Lump Sum	At signing of Franchise Agreement	SF
Area Development Fee	(Note 2)	Lump Sum	At signing of Area Development Agreement	SF
Training Fees and Salaries, Travel and Living Expenses While Training	$20,000 to $50,000 (Note 3)	As Incurred	During Training	SF or franchisee(s) owning and operating a Franchised Restaurant at which any aspect of your training program takes place, Employees, Airlines, Hotels, and Restaurants
Land	$0 to $1,000,000	(Note 4)	(Note 4)	(Note 4)
Building and Site Work	$400,000 to $1,000,000 ($150,000 to $300,000 for conversion of an existing steakhouse)	(Notes 4, 5)	(Notes 4, 5)	(Notes 4, 5)
Equipment	$100,000 to $350,000 (Note 6)	Lump Sum (unless otherwise agreed)	Prior to opening (unless otherwise agreed)	SF or Suppliers
Payroll for pre-opening training of Restaurant Staff	$28,000 to $35,000 (Note 7)	Lump Sum (unless otherwise agreed)	Prior to opening (unless otherwise agreed)	Employees
Salaries, Travel and Living Expenses of Trainers	$15,000 to $60,000 (Note 8)	Lump Sum Deposit	Deposit due 30 days prior to opening and balance (if any) during initial operations	Airlines, Hotels and Restaurants incurred by Employees, Independent Contractors, and SF's Employees
Signs	$15,000 to $50,000 ($15,000 to $25,000 for conversion of an existing steakhouse)	Lump Sum (unless otherwise agreed)	Prior to opening (unless otherwise agreed)	Suppliers
Miscellaneous Opening Cost	$20,000 (Note 9)	As Incurred	As Incurred	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Opening Inventory	\$20,000 to \$30,000	Lump Sum (unless otherwise agreed)	Prior to opening (unless otherwise agreed)	Suppliers
Marketing Fund – 3 months	\$1,000 to \$3,000 (Note 10)	Monthly	Monthly	SF
Additional Funds – 3 months (Note 11)	\$50,000 to \$75,000	As Incurred	As Incurred	Employees, Suppliers and Vendors
TOTAL	**\$689,000 to \$2,708,000 (\$439,000 to \$1,983,000 for conversion of an existing steakhouse)**			

(1) See ITEM 5 for the conditions of payment of this non-refundable fee. SF does not finance any fee. The Initial Franchise Fee for a Montana Mike's Steakhouse® Franchised Restaurant will be \$35,000. If you are an existing franchisee within the System as of December 31, 2013, the Initial Franchise Fee for a Montana Mike's Steakhouse® Franchised Restaurant will be \$20,000.

(2) See ITEM 5 for the manner in which the Area Development Fee is calculated and conditions of payment of this non-refundable fee. SF does not finance any fee.

(3) You are responsible for paying any training fees charged by us or any of our franchisees owning and operating a Franchised Restaurant at which any aspect of your training program may take place. The figure provided for salaries, travel and living expenses while you are training represents the estimated cost incurred for three persons to train for eight weeks, including estimated salaries of \$11,500 to \$20,000.

(4) You must obtain your own real estate and improvements for a Franchised Restaurant. Accordingly, you must purchase and/or lease real property which is suitable for this purpose. A free-standing Franchised Restaurant will require a 40,000 to 66,000 square foot lot depending upon such factors as the size of the Franchised Restaurant being built, availability of common parking, governmental and zoning regulations and other factors. The terms and conditions of all agreements relating to the purchase, lease, construction and/or alteration of the real property will be negotiated solely by you. These costs will vary widely and may be significantly higher than projected in this table depending on such factors as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of real property and extent of alterations required for the real property. You should investigate all of these costs in the area where you wish to establish a restaurant.

(5) You must construct and/or alter the real property so that the building and improvements can be adapted to SF's prescribed design and decor. The size of the Franchised Restaurant building can range from 4,500 square feet to 7,000 square feet depending on market demographics. However, building size may deviate from these ranges if an existing structure is converted and remodeled. Typical costs would be expected to range from \$400,000 to \$800,000 for the construction costs of a new building and up to \$200,000 for site work and parking but these costs may be significantly higher than projected in this

table. The conversion of an existing facility may or may not be more expensive than new construction. SF provides prototype architectural blueprints and specifications to its franchisees, including initial architectural consultation up to 4 hours. These costs are included in this range of costs. You bear the expense of obtaining all requisite professional modifications and certifications of same.

(6) You must purchase or lease equipment (including kitchen equipment, dining equipment, cash registers, interior decor and advertising signs) which will enable you to operate the Franchised Restaurant pursuant to the specifications of SF's prescribed system. For additional information, see ITEM 8.

(7) This represents the estimated salaries for approximately 90 store employees (full and part time) for the five days prior to opening.

(8) You must obtain a minimum of twelve individuals to assist with training of your employees before and immediately after the initial opening of the Franchised Restaurant, typically for not less than two weeks. The determination of the number and qualifications of these individual trainers will be at the discretion of SF and may include your own employees, employees of SF or its franchisees, or independent trainers. Unless otherwise agreed to by SF, a deposit equal to the estimated amount of payroll, payroll taxes, workers compensation expenses, travel costs and other reimbursable related expenses is payable by you to SF (or to the franchisee providing the trainers) 30 days prior to the commencement of training. After all costs have been finally determined (typically 30-60 days after the actual opening date) SF will prepare a final cost analysis and prepare an invoice (if costs exceeds deposit amount) or a credit (if costs are less than deposit amount) and submit to you.

(9) Includes $5,000 for new store opening local advertising and the anticipated costs of licenses to do business, insurance and utilities deposits.

(10) Currently, franchisees must remit .5% of Net Sales to the Marketing Fund. A separate marketing fund is maintained for each SF-franchised concept.

(11) This estimates your initial startup expenses, including payroll costs, excluding revenue generated by your Franchised Restaurant during the first 3 months of operation. These figures are estimates and SF cannot guarantee that you will not incur additional expenses starting the business. Your costs will depend on such factors as: your management skill, experience and business acumen; local economic conditions; local restaurant market; prevailing wage rate; competition; and the sales level reached during the initial period. SF has relied on the experience of its management and franchisees in the restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a Montana Mike's Steakhouse® Franchised Restaurant.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approvals. SF does not require franchisees to purchase any items from SF. However, SF does have quality standards for all restaurant inventory products and equipment. All presently existing product specifications are in SF's confidential Manual.

Specifications. You must purchase 100% of food and equipment supplies and lease inventory according to specifications in the Manual. SF issues and modifies specifications by requiring equipment suppliers to match the identical brand and model of equipment and smallwares. SF does not issue its food product specifications to its franchisees. SF will issue such specifications to approved suppliers and/or manufacturers. Food suppliers must demonstrate that they can provide exact products by brand name or identical specifications. In addition, they must show that their warehouses and delivery trucks meet sanitary standards, temperature requirements, and make consistent on-time deliveries. SF charges no fee to approve a supplier. These criteria are available to you. SF does negotiate arrangements with suppliers, including price terms, for the benefit of franchisees that may only be available through approved suppliers or distributors. Historically, SF has returned volume-based rebates directly to franchisees. In cases where SF has been unable to specifically match various rebates to the applicable franchisees, SF has contributed such rebates to the Marketing Fund (as defined below), SF may in the future derive revenue from the sale of certain proprietary food products or receive rebates from franchisee purchases, and SF retains the right to utilize this revenue for any purpose. You must obtain our prior written approval in order to operate one or more food trucks using the Proprietary Marks and the System, and we may grant or withhold our approval for any reason or no reason.

Designated and Approved Suppliers. J-B Equipment, a wholly-owned division of Stockade Companies, LLC, provides equipment meeting SF's specifications as a courtesy to franchisees. By virtue of their ownership interests in Stockade Companies, LLC, certain officers own an indirect interest in J-B Equipment. J-B Equipment is not a manufacturer, but rather, acting as a purchasing agent, is intended to make equipment available for purchase at lower than off-the-street retail prices. Some franchisees have purchased equipment from J-B Equipment, but you are not required to purchase any equipment from J-B Equipment. Computer and information system specifications are described in more detail in ITEM 11. It is estimated that the cost of a typical equipment package will range from $50,000 to $350,000, of which $25,000 would be used for smallwares, and the balance for equipment. These items can be purchased through J-B Equipment and the estimated costs reflect a 5% to 7% markup, depending on the volume of purchases, and estimated freight. For the fiscal year ended September 30, 2017, the revenues received on all J-B Equipment sales for Stockade Concepts restaurants amounted to $11,088 as the result of franchise purchases, which was equivalent to less than 0..15% of SF's total revenue for that fiscal year.

J-B Equipment may occasionally receive rebates in the form of cash or credit for future equipment purchases from manufacturers. J-B Equipment may require you to provide a standby letter of credit for purchases made through J-B Equipment prior to the opening of your initial Franchised Restaurant or if you subsequently substantially remodel your Franchised Restaurant. SF reserves the right to impose more stringent payment requirements by, for example, requiring the payment of cash in advance. For the fiscal year ended September 30, 2019, J-B Equipment received $0 in rebates.

Stockade Companies, LLC and staff organizes and hosts an annual convention for franchisees (and franchisees management) of all concepts of SF. As a method to defray the costs associated with hosting the convention and covering certain expenses for franchisee participation, Stockade Companies solicits sponsorships of various levels from suppliers, manufacturers and distributors. For the fiscal year ended September 30, 2019, Stockade Companies received cash contributions totaling $172,676. These contributions were applied to the expenses incurred for the benefit of our franchisees at our annual franchise convention, winter operations meeting for all franchisees, and other franchise support meetings and materials in our discretion.

SF has approved MBM Corporation as the sole primary distributor. The products distributed by MBM Corporation have been approved by SF and are offered at prices negotiated with various suppliers. SF believes these prices are competitive in comparison to items purchased from other distributors or suppliers. If you choose to pursue an alternate supplier or distributor, the suppliers' product must meet SF's specifications and be submitted to SF for approval. Our criteria for approving alternate suppliers are available to franchisees. There is no fee associated with securing approval to purchase from alternate suppliers. We will notify you of our approval or disapproval of an alternate supplier within 30 days of receiving the proposed product of the alternate supplier for our review. We have rarely revoked an approval for an alternate supplier. We would revoke our approval if an alternate supplier's products did not continue to meet our specifications. PepsiCo is the designated beverage supplier for the related products distributed by that company, to the exclusion of any other supplier of cola syrup and related products. No purchasing or distribution cooperatives presently exist which purchase SF-approved supplies for franchisees. We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

We estimate that the cost of purchases and leases of goods and services from approved and designated suppliers is 15% to 30% of your initial costs and 30% to 40% of your ongoing expenses.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	ITEM in Franchise Disclosure Document
a. Site selection and acquisition/lease	§§4.01, 4.03 ADA* §2.01 FA**	ITEM 6 and ITEM 11
b. Pre-opening purchases/leases	§4.03 ADA §2.05 FA	ITEM 8
c. Site development and other pre-opening requirements	§4.01 ADA §§2.01, 2.02, 2.03 §2.04 FA	ITEM 6, ITEM 7, and ITEM 11
d. Initial and ongoing training	§§3.01, 3.02, 3.03 FA	ITEM 11
e. Opening	§2.04 ADA §2.04 FA	ITEM 11
f. Fees	§§5.01, 5.02 ADA §§6.01, 6.02 FA	ITEM 5 and ITEM 6
g. Compliance with standards and policies/ Operating Manual	§8, §§1.03, 3.06 FA	ITEM 8 and ITEM 11
h. Trademarks and proprietary information	§7 ADA §4, §§5.02, 16.02 FA	ITEM 13 and ITEM 14
i. Restrictions on products/services offered	§§7.02, 8.04, 8.05, 8.07 FA	ITEM 16

Obligation	Section in Agreement	ITEM in Franchise Disclosure Document
j. Warranty and customer service requirements	§§8.06, 8.07 FA	ITEM 11
k. Territorial development and sales quotas	§2 ADA §§1.01, 1.02 FA	ITEM 12
l. Ongoing product/ service purchases	§8.04 FA	ITEM 8
m Maintenance, appearance and remodeling requirements	§§8.01, 8.03 FA	ITEM 11
n. Insurance	§8.10 FA	ITEM 6 and ITEM 8
o. Advertising	§§2.04, 9, FA	ITEM 6 and ITEM 11
p. Indemnification	§12, §5.04, FA	ITEM 6
q. Owner's participation /management/staffing	§§3.01, 3.04, 3.03 FA	ITEM 11 and ITEM 15
r. Records/reports	§10, FA	ITEM 6
s. Inspections/audits	§11, FA	ITEM 6 and ITEM 11
t. Transfer	§10 ADA §12 FA	ITEM 17
u. Renewal	§13 FA	ITEM 17
v. Post-termination obligations	§16 FA	ITEM 17
w. Non-competition covenants	§§7.04, 12.04 FA	ITEM 17
x. Dispute resolution	§21.01 FA	ITEM 17

* ADA means SF's standard form Area Development Agreement. See **Exhibit E**.

** FA means SF's standard form Franchise Agreement. See **Exhibit F**.

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. We do not currently place financing with anyone and do not receive payment for placement of financing. We do not have any past or present practice of intention to sell, assign, or discount to any third party, in whole or in part, any financing arrangements. Financing is normally arranged by you with the financial institution of your choice. SF may, however, choose to assist you or other franchisees in developing a business plan and presenting the business plan on your or their behalf. We may also introduce you or other franchisees to a financial institution or third party financing source after the Area Development Agreement or Franchise Agreement is signed.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM, AND TRAINING

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

Before you open your Franchised Restaurant, SF will:

1. If you sign an Area Development Agreement, grant the development rights for a defined geographical area for restaurant development by you. (See Section 2.02 of the Area Development Agreement and Section 1.01 of the Franchise Agreement).

2. Approve, if it meets our standards and specifications for approval, the location selected solely by you to be used for the operation of the Franchised Restaurant (See Section 4.01 of the Area Development Agreement and Section 2.01 of the Franchise Agreement). No time limit exists for the approval or disapproval of a location for the Franchised Restaurant, and you and we will agree on a location before executing the Franchise Agreement.

3. Provided you obtain an approved site, SF will grant you a franchise to operate a Franchised Restaurant at the approved site, including the right and license to adopt and use the System and Marks for such location. (See Section 4.04 of the Area Development Agreement).

4. Provide non-stamped standard architectural plans and specifications for a prototype Franchised Restaurant or if the Franchised Restaurant is a conversion, SF will provide copies of plans for restaurant conversions already completed. In either case you must pay for any modifications, whether required by local zoning or building laws or ordinances otherwise required. All professional certifications ("stamps") of the architectural plans are paid exclusively for by you. Any modifications or additions to any such plans belong to us (See Sections 2.01 and 2.02 of the Franchise Agreement).

5. Assist in preparation of a grand opening advertising and promotional program for your Franchised Restaurant that will contain standard opening activities and publicity. SF will also offer advice and guidance to you with regard to the staffing, decoration, promotional activity and operation of the Franchised Restaurant during the grand opening period. (See Section 2.04 of the Franchise Agreement).

6. Provide, at least 12 weeks prior to the opening of the Franchised Restaurant, a management training program of up to eight weeks duration for you or the person responsible for the day-to-day management of the Franchised Restaurant ("**Restaurant Manager**") (and up to two assistant managers) of such location, with such training to be held at the times and places specified by SF. You, or the Restaurant Manager, if other than you, must attend and successfully complete the training program to SF's satisfaction. SF or any of its franchisees owning and operating a Franchised Restaurant at which any aspect of your initial training takes place may charge you for this initial training, and you must also pay the cost of all salary, benefits, travel, hotel and other expenses for all employees attending the training program of SF. (See Section 3.01 of the Franchise Agreement). SF's formal training program is as follows:

TRAINING PROGRAM

Subject	Time Begun	Hours of Classroom Training	Hours of On-The-Job Training	Location
Skill Training	12 weeks before opening	24	156	Des Moines, Iowa or at a location selected by us
Management Skills	12 weeks before opening	48	106	Des Moines, Iowa or at a location selected by us
Field Training	12 weeks before opening	16	40+	Des Moines, Iowa or at a location selected by us

The instruction materials for our training program include the Co-Worker Training Manual and the Management Manual.

Training can occur at any restaurant owned by Stockade Restaurants or at franchisee-owned restaurant location selected by SF. Currently, training is conducted at a restaurant located in Des Moines, Iowa or at a location selected by us, and is the primary responsibility of Mr. Ed Sadler who is the Vice President of Research & Development and Training for Stockade Companies, LLC. Mr. Sadler was promoted to this position in June 2016 after serving as the Director of Training since December 2010. He joined Stockade Companies, LLC in June 2006. Mr. Sadler has more than 20 years of experience working in the restaurant industry. Mr. Sadler's experience relevant to skills and field training includes training employees about food service operations, food preparation, customer service, cost analysis, workplace harassment, and teaching ServSafe® classes. Mr. Sadler's experience relevant to management includes serving as the managing partner for Ted's Montana Grill for two years, and a training supervisor for K.C. Hopps restaurants. Training is scheduled as needed based upon the number and anticipated operating dates of projected store openings existing at any time. SF may require you, any previously trained Restaurant Manager, or any current Restaurant Manager to attend periodic refresher courses at a location selected by SF. Currently, no refresher courses are offered or required. You will be responsible for all salaries, benefits, travel, meals and living expenses which would be incurred by you or your Restaurant Manager and any assistant managers while attending any training. Any subsequently hired Restaurant Manager must successfully complete our training program within three months of the date he or she is hired by you.

To assist with the store opening, SF will provide one or more management persons for up to a combined 21 days to help with training before and immediately following the opening of the Franchised Restaurant. You must obtain a minimum of twelve individuals to assist with training of your employees before and immediately after the initial opening of the Franchised Restaurant, typically for not less than two weeks. The determination of the number and qualifications of these individual trainers will be at the discretion of SF and may include your own employees, employees of SF or its franchisees, or independent trainers.

During the operation of the Franchised Restaurant, SF will:

1. Furnish a copy of its then current confidential Manual (See Section 3.07 of the Franchise Agreement). SF reserves the right to maintain the Manual in electronic form and to

require you to use the Manual in that format. The table of contents of the Manual is attached as **Exhibit G**.

2. Provide continuing consulting services consisting of periodic advisory visits and inspections by SF's personnel who must advise and consult with you in connection with the operation of each Franchised Restaurant operated by you (See Section 3.05 of the Franchise Agreement). The nature and extent of these consulting services is reserved to the discretion of SF. There are no contractual limits on SF's independent access to the information and data stored on the required cash register system. To determine your compliance with the Franchise Agreement and with all specifications, standards, and operating procedures prescribed for the operation of a Franchised Restaurant, SF has the right at any reasonable time and without prior notice to inspect the Franchised Restaurant, observe the Franchised Restaurant operations and interview employees and customers.

3. Provide continuing advisory services related to the type and quality of food to be served in each Franchised Restaurant and keep you advised of new developments, modifications, changes and improvements in and to the System (See Section 3.05 of the Franchise Agreement). The nature and extent of such advisory services is reserved to the discretion of SF.

4. Subject to the terms of the Franchise Agreement, permit you to make use of all of SF's existing and future Proprietary Marks, service marks, trademarks, tradenames, and copyrights relating to the operation of Franchised Restaurants, provided that any and all permitted modifications or additions to such works belong to us. (See Section 4.01 of the Franchise Agreement).

5. At SF's own expense, defend you in the court of first determination against any challenge to your right to or use of SF's Proprietary Marks or the System. SF is also required to indemnify you against certain losses and damages that might be suffered on account of a successful third-party challenge or claim against your use of the Proprietary Marks. (See Section 7.03 of the Area Development Agreement and Section 4.03 of the Franchise Agreement).

6. Consult with you and use its best efforts to assist you in locating sources of products required by SF to comply with SF's then current standards and specifications. (See Section 8.04 of the Franchise Agreement).

7. Provide you with certain specifications regarding items required for the establishment and operation of your Franchised Restaurant as well as a list of all approved manufacturers, distributors and suppliers. (See Sections 8.04 and 8.06 of the Franchise Agreement).

8. Lend to you one or more copies of SF's confidential Manual containing mandatory and suggested specifications, standards, operating procedures and rules (See Section 3.06 of the Franchise Agreement). The Manual will remain confidential and the property of SF. SF will have the right to add to and otherwise modify the Manual periodically as it deems necessary, but the modification will not alter your status and rights under the Franchise Agreement. SF reserves the right to maintain the Manual in electronic form and to require you to use the Manual in that format. SF maintains a secure, password protected intranet site for the benefit of its franchisees and may

make available the Manual and other related information only on this site. Such use will not alter your status or rights and all information will remain confidential, shall not be copied for distribution and remains the property of SF. The current table of contents of the Manual is in **Exhibit G**.

9. Upon your proper request, evaluate new products, supplies or suppliers for listing on the approved products, supplies or suppliers list, as the case may be. (See Section 8.04 of the Franchise Agreement).

SF has established a marketing fund ("**Marketing Fund**") to be used for the promotion of the System. You must pay to the Marketing Fund a monthly marketing fee at a rate to be established by SF periodically, which is .5% of Net Sales as of the date of this Franchise Disclosure Document. SF may increase the required contribution to the Marketing Fund at any time, but the required contribution will not exceed 1% of the Franchised Restaurant's monthly Net Sales. SF's company-owned restaurants also contribute on the same basis to the Marketing Fund. These payments must be made by you monthly along with the payment of continuing royalties due to SF. These monthly advertising fees are deposited along with SF's contributions into an account which SF may expend only for production, advertising, marketing and promotional activities, either nationally or within the media coverage area of your Franchised Restaurant, and for administrative costs incurred in the administration of the Marketing Fund, including the payment of travel costs for any marketing advisory committee meetings. While Franchisor may periodically solicit the input of ideas from franchisees, Franchisor shall nevertheless retain sole discretion over the creative concepts, materials, and endorsements used therein, and over the geographic, market, and media placement and allocation thereof. The advertising material may be created either by an outside advertising firm or by SF, but all activity is done under the input, direction and supervision of SF's marketing director. Actual marketing items (for example, table tents) and promotional items (for example, giveaways) are invoiced directly to franchisees. Amounts deposited in the Marketing Fund and not expended during a fiscal year may be refunded or held over for use in **subsequent** years. Based upon the expenses incurred during our fiscal year ending September 30, 2019, 60% of total expenses were spent on producing advertising and other promotional materials, 36% was spent on agency and staffing costs for creative design and strategic activities, 3% was spent on administrative expenses, and 1% was spent on other expenses such as office expenses, accounting, and miscellaneous costs associated with the Marketing Fund. You will have no rights to direct the application of any of such funds. An unaudited statement of revenues and expenses of the Marketing Fund must be prepared annually by SF and made available to you upon request. (See Section 9.01 of the Franchise Agreement).

Advertising

SF utilizes all forms of media for its advertising including but not limited to newspaper, television, radio, Internet, social media, pamphlets, and point of sale materials (and displays such as table tents). SF is entitled to receive reimbursement for cost incurred in providing goods or services to the Marketing Fund. SF is not obligated to spend any amount in the area where your Franchised Restaurant is located, and SF makes no promises or guarantees that your Franchised Restaurant will benefit equally with other Franchised Restaurants or at all from expenditures of the Marketing Fund. The Marketing Fund is not used to solicit the sale of franchises.

If you operate a Franchised Restaurant within a Metropolitan Statistical Area ("**MSA**"), as that term is defined by the United States Office of Management and Budget, which contains one or more restaurants, whether SF or franchisee-operated, then SF has the right to require you to join a local advertising cooperative. The cooperative advertising contribution will be specified by the standards established by SF periodically. To date, no cooperatives have been created and accordingly, the manner of collection, payment date, refundability and other relevant policies have not yet been established. At a minimum, the Franchise Agreement provides that each franchisee may be required to contribute up to 2% of Net Sales to an advertising cooperative. The contributions are principally intended to be expended for purchasing media. Any advertising material prepared on behalf of the cooperative must be approved by SF. In determining cooperative activity and policy each member will be entitled to cast one vote for each restaurant owned and located within the relevant MSA. However, no one may exercise more than fifty percent of the voting power in any cooperative regardless of the number of restaurants owned by the franchisee. In case of a voting deadlock, SF has the right to cast the deciding vote (<u>See</u> Section 9.03 of the Franchise Agreement). SF has the sole right to create, dissolve or merge advertising cooperatives.

In addition to your other obligations, you must expend up to 3% of Net Sales for local advertising. The actual amount is established periodically by SF. Currently, franchisees must spend 2% of Net Sales annually for local advertising and promotional activities. You may develop advertising materials for your use at your own cost. However, SF must approve all advertising materials (including any materials that are to be posted on an approved web page or other social media site) in advance and in writing. Your use of any social networking website in connection with the Franchised Restaurant, the Proprietary Marks, or the System is our sole property, and you are required to grant to us full access to any such social networking sites or web pages. You are also required to pay for any expenses associated with such social networking sites.

The required combined aggregate of the franchisee's local marketing expenditures and its Marketing Fund and applicable advertising cooperative contributions is limited to 5% of Net Sales. Upon 90 days' written notification, SF may increase or decrease the amount of the Marketing Fund contribution to be paid by the franchisee, subject to the preceding described limitation. (<u>See</u> ITEMS 6, 8 and 9 of this Franchise Disclosure Document).

In addition to the above-described expenditures, you must implement a grand opening advertising and promotional program and spend in a manner approved by SF for advertising and promotional activities during the period commencing with the opening of the Franchised Restaurant and ending 45 days thereafter. (<u>See</u> Section 2.04 of the Franchise Agreement). Although we currently do not do so, we reserve the right to form an advertising council of franchisees.

Computer and Computerized Point-of-Sale Requirements

You must purchase and maintain a computerized point-of-sale system ("**POS System**"). SF has approved the Aloha POS by Radiant Systems and you may purchase the required equipment from any supplier provided that the equipment meets our specifications. Our current specifications are that the POS System must maintain a record of cash sales and transactions and sales mix by product; have an accumulating grand total which cannot be reset and be accessible by modem. The system will include computer(s), modem(s), cash drawer(s), receipt printer(s) and report printer. We also reserve the right to require you to purchase the necessary technology, including hardware and software upgrades, to maintain compliance with payment card industry data security standards, and there are no contractual limits on the frequency and costs of your obligation to do so.

SF does not currently require any maintenance contract of any kind to be purchased for the POS System, but we reserve the right to require you to purchase one or more maintenance contracts in the future, and there are no contractual limits on the frequency and costs of your obligation to do so. We do not have any contractual obligation to provide maintenance, repairs, updates and upgrades to your POS system. Your requirement to replace the cash register is identical to your contractual obligation to upgrade or remodel the restaurant at reasonable intervals as determined by SF in its discretion. All costs for upgrades, updates or changes for your cash register hardware or software shall be paid by you, there are no contractual limits on the frequency and costs of your obligation to do so. We reserve the right to reasonably specify computer, information and communication systems, including Internet access, which must be used by you.

We estimate the cost of purchasing the POS System will range from $15,000 to $40,000.

SF has the right to access and collect any information stored in or produced by the electronic cash register (See Sections 8 and 11 of the Franchise Agreement), including the right to poll or electronically audit or to require you to electronically provide the information as frequently as daily. There are no contractual limitations on this right.

Operations Manuals

The SF Manual is actually a number of different volumes which, as a whole, constitute SF's Manual. The table of contents for the Manual is in **Exhibit G** to this Franchise Disclosure Document. We reserve the right to convert the Manual into electronic form and to require you to use the Manual in that format.

Site Selection and Restaurant Opening

You must select the site of each Franchised Restaurant within your Exclusive Area (See Section 4.01 of the Area Development Agreement). SF, however, must approve each site in writing prior to your signing a lease or a purchase agreement for the property. This approval is subject to the sole discretion of SF and typically takes 30 to 60 days to complete. In considering approval of a site, SF examines a number of factors including population, age, density, income levels, traffic patterns, and proximity of competition.

The typical length of time between the signing of the Area Development Agreement or Franchise Agreement or the first payment of any consideration and the opening of a Franchised Restaurant is estimated to be six to twelve months. Factors affecting this length of time will usually include obtaining a satisfactory restaurant site, execution of a Franchise Agreement, construction of the restaurant facility, weather, financing arrangements, legal (*i.e.* zoning, building permits, etc.), compliance questions, employee training, and delivery and installation of equipment. Failure to commence operation of the Franchised Restaurant within one year of your executing the Franchise Agreement which may result from a failure to obtain SF's approval of a location, may be treated as a default of your Franchise Agreement by SF.

ITEM 12
TERRITORY

Area Development Agreement

If you sign an Area Development Agreement, you will be granted an exclusive territory ("**Development Territory**") covered by the Area Development Agreement. The Area Development Agreement will be negotiated between SF and you. During the term of the Area Development Agreement, SF will not license another franchisee or establish a company-owned outlet to use SF's Proprietary Marks in your Development Territory if you are in compliance with the terms of the Area Development Agreement and all of your Franchise Agreements. Failure to timely meet the development quota prescribed by the Area Development Agreement may result in SF electing, in its sole discretion, to terminate the Area Development Agreement, reduce or eliminate the territorial exclusivity, reduce the size of the Development Territory, or reduce the number of Franchised Restaurants which may be opened in the Development Territory. In turn, the Exclusive Area for any restaurants developed thereunder would be limited to the Exclusive Area granted by their respective Franchise Agreements.

SF does franchise, in addition to the Montana Mike's Steakhouse® restaurant concept, the Coyote Canyon®, and Sirloin Stockade® restaurant concepts and may franchise or operate additional restaurant concepts in the future. See our reservation of rights below in this ITEM 12.

Franchise Agreement

The Franchise Agreement grants you the right to operate the Franchised Restaurant in a specified location. You will operate from that location and must receive SF's permission before relocating. The Franchise Agreement provides that SF will not operate or grant a franchise for the operation of another Franchised Restaurant operating under the same Proprietary Marks within the Exclusive Area (as that term is defined by the Franchise Agreement of your specified location) and there are no circumstances that permit us to modify your territorial rights. However, SF reserves the right to locate or grant franchise rights to other SF concepts in the Exclusive Area. This Exclusive Area will encompass a one (1) mile radius of a restaurant's premises. On the other hand, larger Exclusive Areas may, at the sole discretion of SF, be granted for Franchised Restaurants which are to be operated in small town or rural communities. See our reservation of rights below in this ITEM 12. You are not restricted from soliciting consumers outside your Exclusive Area, including through the Internet (subject to our approval and the policies established in the Franchise Agreement), but you may not offer or sell any food products, including any frozen, pre-packaged items or other products, through any distribution channel or method within or outside your Exclusive Area. Such distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Exclusive Area.

You may not submit a site for consideration which is within a one mile radius of any other SF Franchised Restaurant. Further, if you intend to develop a Franchised Restaurant within one mile of the boundaries of your Exclusive Area, SF may condition its approval of a site on your acceptance of a protected area that is smaller in size than a one (1) mile radius.

Our Reservation of Rights. The Area Development Agreement and the Franchise Agreement contain no limitations other than as stated above to SF's right to establish other franchises or outlets to offer products and services in other channels of distribution. SF specifically reserves the right to:

1. Establish company or affiliate-owned restaurants, grant others the right to operate Franchised Restaurants, or grant other franchises that provide products or services outside of the Exclusive Area and, if applicable, outside any Development Area regardless of proximity to the applicable boundaries, without any compensation to you;

2. Offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names, outside of the Exclusive Area, all without compensation to you. As of the date of this Franchise Disclosure Document, other than our Montana Mike's branded restaurants (which also sell food, albeit via a different restaurant format than your Franchised Restaurant and under a separate Franchise Disclosure Document), we do not currently have plans to operate or franchise a business under a different trademark which will sell goods or services similar to those that you will offer.

3. Grant others the right to operate restaurants or any other business within and outside the Exclusive Area under trademarks other than the Proprietary Marks, including utilizing our other marks, specifically licensed to you in the Franchise Agreement within or outside the Exclusive Area, without compensation to you, except that our operation of, or association or affiliation with, restaurants (through franchising or otherwise) in the Exclusive Area that compete with the Franchised Restaurants in the steakhouse restaurant segment will only occur through some form of merger or acquisition with an existing restaurant chain (except as otherwise provided for in this subparagraph).

4. Offer and sell any food products, including any frozen, pre-packaged items or other products, under the Proprietary Marks, or other marks, through any distribution channel or method within or outside the Exclusive Area, without compensation to you. The distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Exclusive Area, all without compensation to you.

5. Offer or sell any products or services under any other marks through any other channels of distribution regardless of location.

6. Give, donate or contribute products associated with the System (now or in the future) to charitable and community organizations and events for fundraising and other events, and offer products associated with the System (now or in the future) for sampling by customers and

organizations for product testing, promotions and demonstrations at any location except at your Franchised Restaurant unless approved by you.

7. Conduct market research at your Franchised Restaurant for reasons including, but not limited to, understanding customer demographics, customer psychographics, purchasing behavior, new product acceptance, and other similar purposes.

8. Implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We reserve the right to issues mandatory policies to coordinate such multi-area marketing programs.

There is no minimum sales quota.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use SF's Proprietary Marks and various designs and logo types associated with our products and services. You may also use our other current or future Proprietary Marks as we may designate to operate your Franchised Restaurant. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Franchised Restaurant and you shall use only the appropriate and authorized Proprietary Marks as indicated by SF.

The Proprietary Marks are owned by Stockade Companies, LLC and are licensed exclusively to us and our Affiliates. Stockade Companies, LLC has granted us an exclusive, royalty-free license ("**Trademark License**") to use the Proprietary Marks for purposes of franchising the System throughout the world. The Trademark License extends for 30 years, commencing January 2004, but it will automatically renew for subsequent 10-year periods provided we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Proprietary Marks or the goodwill of the System. In the event the Trademark License is terminated, Stockade Companies, LLC has agreed to license the use of the Proprietary Marks directly to our franchisees until such time as each Franchise Agreement expires or is otherwise terminated.

Stockade Companies, LLC has registered the following principal Proprietary Marks with the United States Patent and Trademark Office ("**USPTO**") on the Principal Register.

Pursuant to the Franchise Agreement, you will be licensed to use and SF claims rights to the following Proprietary Marks:

Trademark	Description	Reg. No./App. No.
MONTANA MIKE'S	Montana Mike's®	U.S. Registration No. 2,302,957 Registered: December 21, 1999 Register: Principal

Trademark	Description	Reg. No./App. No.
	Montana Mike's Steakhouse® and design	U.S. Registration No. 2,802,353 Registered: January 6, 2004 Register: Principal
	Montana Mike's Steakhouse® and design	U.S. Registration No. 5,072,289 Registered: November 1, 2016 Register: Principal

All required affidavits have been filed and accepted by the USPTO.

You may only use the Proprietary Marks associated with the Stockade Concept specifically identified in your Franchise Agreement. You must follow our rules and directions when you use any of our Proprietary Marks. You may not use any of our Proprietary Marks as part of a legal entity name or domain name. You also may not use any Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated periodically in SF's sole discretion. You may not use the Proprietary Marks or otherwise market on the Internet except as we specify.

There are no superior prior rights nor infringing uses actually known to SF or Stockade Companies, LLC that could materially affect your use of the principal trademark, if any, in any state in which the franchise business is located. However, there may be federal and state trademark applications or registrations or accompanying use of marks in regional markets by third parties who may be using the names "Montana," "Mike" or "Mike's," or "Steakhouse" or combinations thereof, in conjunction with a restaurant or establishment which offers food or beverages. For example, there is a federally registered trademark for Montana's Cookhouse, registered on December 6, 2005 under Registration No. 3023533. There is also a federally registered trademark for Montana's Cookhouse & Bar and design, registered on December 6, 2005 under Registration No. 3023534.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or court that affect our ownership or use of our Proprietary Marks. There is also no pending infringement, opposition or cancellation, or material litigation that affects our ownership or use of our Proprietary Marks. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us within three days after you learn about another's use of a trademark, service mark, business name, logo, or symbol that you perceive to be identical or confusingly similar to one of our Proprietary Marks or if someone challenges your use of our Proprietary Marks. In accordance with the terms of the Franchise Agreement, we shall have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, USPTO proceeding or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Proprietary Mark.

In accordance with the terms of the Franchise Agreement, we will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Proprietary Marks. To receive reimbursement you must have notified us within three days from the day on which you learned about the identical or confusingly similar mark or challenge and you must have used the Proprietary Marks only in accordance with the terms of the Franchise Agreement and the Manual.

You must add, modify, or discontinue the use of a Proprietary Mark if we instruct you to do so at your expense and we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Proprietary Mark. You must not directly or indirectly contest our rights to our Proprietary Marks, trade secrets, or business techniques that are part of our business.

You understand that there is always a possibility that there might be one or more businesses, similar to your Franchised Restaurant, operating in or near the area(s) where you may do business or otherwise, using a name and/or trademarks, service marks, names, logos, or symbols similar to our Proprietary Marks and with superior rights to such name and/or marks. We strongly urge you to research this possibility, using telephone directories, local filings and other means, prior to your signing the Franchise Agreement, any other documents, expending or paying any sums or making any commitments. You also understand that if you fail to research this possibility, you may be at risk.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Manual is proprietary and is protected by copyright. The designs contained in the Proprietary Marks, including the various SF logos, and the layout of SF advertising materials and website is also protected by copyright. Although we have not filed an application for copyright registration, we claim common law and federal copyright in these items. We grant you the right to use this copyrighted information ("**Copyright Works**") in connection with your operation of the Franchised Restaurant.

All materials created by us and used with the Copyright Works are our property. Any modifications or additions to the Franchised Restaurant concept developed by you, other franchisees, or us during the term of the Franchise Agreement will become our property and we may incorporate them into the System or any other restaurant concept. All Copyright Works and any and all modifications or additions to the Franchised Restaurant concept developed or created by you or another person or entity employed by you are works made for hire within the meaning of the United States Copyright Act and belong to us. We may use and license others to use the Copyright Works unencumbered by moral rights. In the event the Copyright Works are not works made for hire or the rights do not automatically accrue to us, you agree to assign to us, our successors and assigns, all right, title and interest in the Copyright Works. If necessary, you agree to obtain any other assignments of rights in the Copyright Works from any other person or entity in order to ensure our rights in the Copyright Works. After the termination or expiration or your

Franchise Agreement, we may use, copyright, register and protect any modifications or additions exclusively in our name. (See Section 8.11 of the Franchise Agreement).

You must notify us within three days after you learn about another's use of language or a visual image that you perceive to be identical or substantially similar to one of our Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole discretion, to protect our rights in and to the Copyright Works.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Copyright Works. To receive reimbursement you must have notified us within three days from the day on which you learned about the identical or substantially similar language or visual image and you must have used the Copyright Works only in accordance with the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so at your expense, and we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Copyright Work. You must not directly or indirectly contest our rights to our Copyright Works, trade secrets, or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Copyright Works.

SF and Stockade Companies, LLC claim proprietary rights to all confidential information, including proprietary recipes, contained in the Manual. Certain information in the Manual also constitutes Trade Secrets and is identified as such.

You must acknowledge that your entire knowledge of the System, including the Manual, architectural blue prints and specifications, action plans, materials, equipment, recipes, trade dress, and all other information, knowledge and know-how is proprietary and confidential in nature, including any and all of the foregoing which arise due to your relationship with SF and/or operation of a Franchised Restaurant at any time and regardless of who is the creator.

No patents are material to the franchise at this time.

We may access at any time all records with respect to the customers, suppliers, and other service providers of, and/or related in any way to, your Franchised Restaurant including, without limitation, all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, etc. At the expiration or earlier termination of your Franchise Agreement for any reason, all of your business records will become our property, and we may use, transfer, etc. such records in any way we wish after any termination, expiration, repurchase, transfer or otherwise (See Section 7.06 of the Franchise Agreement). We may contact any and/or all of your customers, suppliers, distributors and other service providers for quality control, market research and such other purposes as we deem appropriate, in our sole and absolute discretion. (See Section 8.06 of the Franchise Agreement).

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

SF does not require you to personally supervise the Franchised Restaurant. However, the Franchised Restaurant must be directly supervised on the premises by a Restaurant Manager (See Section 3.01 of the Franchise Agreement) who has successfully completed SF's training program and who has signed a confidentiality agreement, which specifically references our resource library. You must also have any other managers of the Restaurant enter into similar confidentiality agreements. Upon our request, you must deliver to us an execution copy of any and all such agreements. The Restaurant Manager cannot own an interest or have a business relationship with any of SF's business competitors and is prohibited from using, disclosing, copying or duplicating any confidential or proprietary information other than in the ordinary course of the Franchised Restaurant's operations. The same prohibitions apply to the owner (for example, all shareholders) and management (for example, any corporate officer and the Restaurant Manager for any Franchised Restaurant operated by the Franchisee) of any franchisee. The Restaurant Manager need not have an ownership interest in a corporate or partnership franchisee.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer only those food items and beverages (including alcoholic beverages) prescribed by SF. You are prohibited from offering or selling food items and beverages not authorized by SF. You must be open 10 hours per day, 7 days per week for lunch and dinner. SF reserves the right to change the types of authorized food items and beverages. SF has the right in its sole discretion to add additional services or menu items that all franchisees must offer. (See ITEM 8 of this Franchise Disclosure Document). We reserve the right to set maximum resale prices for any food and beverage items sold at your Franchised Restaurant in connection with any multi-area promotion, to the extent permitted by law.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the Franchise Agreement	Section 1.01	15 years.
b. Renewal or extension of the term	Section 13.01	If you are in good standing, you can add a successor term equal to the current term then being offered by us.

Provision		Section in Franchise Agreement	Summary
c.	Requirements for you to renew or extend	Section 13.02	Provide notice, sign Successor Franchise Agreement (which may have different terms and conditions than your original Franchise Agreement), remodel, sign release, and reimburse us for services we provide or expenses we incur to extend your rights to operate the Franchised Restaurant.
d.	Termination by you	Section 14.01	For good cause which means an uncured material breach of the Franchise Agreement by SF.
e.	Termination by SF without cause	None	N/A
f.	Termination by SF with cause	Section 15.01	SF can terminate upon default by you under the terms of the Franchise Agreement, or if SF has delivered to you a notice of termination in accordance with its terms and conditions for cause for any other Franchise Agreement, Area Development Agreement, or license agreement you have with SF, except for a termination of an Area Development Agreement based upon a failure to satisfy a Minimum Development Quota.
g.	"Cause" defined – defaults which can be cured	Section 15.01	You have ten days to cure failure to accurately report Net Sales or failure to pay any amounts due SF. You have 30 days to cure any other default stated in Section 15.10. You have 72 hours in which to cure public health violations. You have 90 days to terminate a co-owner of franchisee, if such owner of franchisee has been convicted or pleads no contest to certain crimes.
h.	"Cause" defined – defaults which cannot be cured	Section 15.01	All other defaults: abandon business, change in control of Franchised Restaurant, misleading franchise application, certain types of involuntary and voluntary bankruptcy/insolvency proceedings, unauthorized "transfers," another agreement with SF is noticed for termination, improper use of Proprietary Marks, improper recruiting of employees, and three defaults within any 12 month period.
i.	Your obligations on termination/non-renewal	Sections 16.01, 16.02, 16.03, 16.04, 16.05, and 16.06	Obligations include payment of all past due and the liquidated damages amount, and complete de-identification; cease use of confidential information; and sell Franchised Restaurant to SF if SF so elects.
		Section 17	Instead of Section 15, SF and franchisee may enter into a temporary de-identification agreement.
j.	Assignment of contract by SF	Section 12.01	No restriction on SF's right to assign.

Provision		Section in Franchise Agreement	Summary
k.	"Transfer" by you – definition	Section 12.03	Includes transfer of ownership of franchisee by owners, merger, issuance of additional ownership interest in franchisee, sale of interests in franchisee by private or public sale; transfer of ownership in franchisee, the franchise or the Franchised Restaurant under a court order or otherwise by operation of law; death of franchisee or owner of franchisee by death, will or intestate succession.
l.	SF's approval of transfer by franchisee	Section 12.04	SF has the right to approve transfers but will not unreasonably withhold approval.
m.	Conditions for SF approval of transfer	Section 12.04	New franchisee qualifies, completes training program, signs franchise agreement, obtains landlord consent, you sign release and non-competition covenant, pay all amounts due SF, and pay the transfer fee (also See "n" below).
n.	SF's right of first refusal to acquire your business	Section 16.05	SF can match any offer for the franchisee's business.
o.	SF's option to purchase your business	Section 16.05	SF has right to purchase your Franchised Restaurant if termination occurs under Section 14.02 or Section 15.
p.	Your death or disability	Section 12.06	Any transfer by your estate to a third party must be accomplished within 12 months.
q.	Non-competition covenants during the term of the franchise	Section 1.03; Section 7.04	No involvement in any competing business wherever located.
r.	Non-competition after the franchise is terminated or expires	Section 7.04 Section 12.04	No competing business for three years within 50 miles of Exclusive Area or any Franchised Restaurant. If you transfer Franchised Restaurant, no competing business for three years after transfer date.
s.	Modification of the agreement	Section 19.07	Modify only by written agreement signed by you and SF.
t.	Integration/merger clause	Section 19.08	The terms of the Franchise Agreement, and, where applicable, the Area Development Agreement, represent the entire agreement of the parties, except that SF acknowledges that to the extent required by federal and state law, franchisee may rely on any representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 21	Arbitration at the American Arbitration Association office in Denver, Colorado, or Austin, Texas, at SF's option.
v.	Choice of forum	Section 19.06; Section 21	Arbitration at the American Arbitration Association office located in Denver, Colorado, or Austin, Texas, at SF's option. Any permitted litigation must be in Texas state or federal court. See also the State Addenda in Exhibit H.

Provision		Section in Franchise Agreement	Summary
w.	Choice of law	Section 19.06	Texas Law. See also the State Addenda in Exhibit H.

Additional Provisions for Area Developers

Provision		Section in Area Development Agreement	Summary
a.	Term of the Area Development Agreement	Section 2.01	As you and SF agree.
b.	Renewal or extension of the term	Exhibit B	If in good standing allows you to extend development time by successive one year terms of indefinite number.
c.	Requirement for you to renew or extend	Exhibit B	Develop one additional restaurant per year.
d.	Termination by you	Section 14	You can terminate for "good cause" which means an uncured breach of the Area Development Agreement by SF.
e.	Termination by SF without cause	None	N/A
f.	Termination by SF with cause	Section 8.01	SF can terminate upon default by you under the Area Development Agreement. Termination of a Franchise Agreement between you and SF will enable SF to terminate the Area Development Agreement.
g.	"Cause" defined – defaults which can be cured	Section 8.01	You have 30 days to cure any default in agreement not enumerated in this Section. You have 90 days to terminate a co-owner of franchise, if such owner has been convicted of or pleads no contest to certain crimes. You have 90 days to release any insolvency action filed regarding your franchise.
h.	"Cause" defined – defaults which cannot be cured	Section 8.01	All other defaults: failure to meet development quota, unauthorized "transfer," misleading franchise application, improper use of trademarks, failure to cure default within 30 days, three defaults within a 12 month period, another agreement with SF is noticed for termination, and certain types of involuntary and voluntary bankruptcy /insolvency proceedings.
i.	Your obligations on termination/non-renewal	Sections 9.01, 9.02 and 9.03	Continued confidentiality; no competing business for three years after termination within 50 miles of any Franchised Restaurant, or within your Exclusive Area; SF has the right to purchase your Franchised Restaurant.
j.	Assignment of contract by SF	Section 10.01	No restrictions on SF's right to assign.

Provision		Section in Area Development Agreement	Summary
k.	"Transfer" by you – definition	Section 10.03	Transfer of capital stock or partnership to third party, private placement, or registration of public offering; merger or consolidation; transfer by court order or operation of law; franchisee or owner of franchisee by death, will or intestate succession.
l.	SF's approval of transfer by franchisee	Section 10.04	SF has right to approve transfers but will not unreasonably withhold approval.
m.	Conditions for SF's approval of transfer	Section 10.04	New developer qualifies, signs new ADA, completes training and reimburses SF for SF's costs; you pay all amounts due SF, sign release and non-competition covenant.
n.	SF's right of first refusal to acquire your business	Section 10.08	SF can match any offer to buy Franchised Restaurant or ownership interest in developer.
o.	SF's option to purchase your business	Section 9.03	SF has right to purchase your Franchised Restaurant if termination occurs under Section 10.08 or Section 8.
p.	Your death or disability	Section 10.06	Any transfer by your estate must be accomplished within 12 months.
q.	Non-competition covenants during the term of the franchise	Section 6.04	No involvement in any competing business wherever located.
r.	Non-competition covenants after the franchise is terminated or expires	Section 9.02	No competing business for three years within 50 miles of the Exclusive Area of any Franchised Restaurant.
s.	Modification of the agreement	Section 11.07	Can modify only by written agreement signed by developer and SF.
t.	Integration/merger clause	Section 11.08	The terms of the Area Development Agreement represent the entire agreement of the parties, except that SF acknowledges that to the extent required by federal and state law, franchisee may rely on any representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 14	Arbitration at the American Arbitration Association office in Denver, Colorado, or Austin, Texas, at SF's option.
v.	Choice of forum	Section 11.06	Arbitration at the American Arbitration Association office located in Denver, Colorado, or Austin, Texas, at SF's option. Any permitted litigation must be in Texas state or federal court. See also the State Addenda in Exhibit H.
w.	Choice of law	Section 11.06	Texas Law. See also the State Addenda in Exhibit H.

ITEM 18
PUBLIC FIGURES

SF does not use any public figure to promote its franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in ITEM 19 may be given only if: 1) a franchisor provides the actual records of an existing outlet you are considering buying; or 2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Information included in this ITEM 19 was derived from information obtained from Montana Mike's franchisees who are responsible for maintaining their own financial records.

Franchisees report sales to SF on a monthly basis, which were used to accumulate the sales information included in this ITEM 19. We requested each franchisee to provide Cost of Sales and Cost of Labor for the months of October 2018 – September 2019, our last fiscal year.

Within our franchise system, the restaurants operated by our franchisees fall into one of three categories: (1) "**Prototypes**", which are franchised restaurants that are designed and built from the "ground up" to be operated as Montana Mike's restaurants; (2) "**Conversions From Full-Service Restaurants**", which are franchised restaurants that were previously designed and operated as full-service restaurants before being converted to Montana Mike's restaurants; and (3) "**Conversions From Buffets**", which are franchised restaurants that were previously designed and operated as buffet-style restaurants before being converted to Montana Mike's restaurants. The table below is designed to highlight the performance metrics of the restaurants in each category.

During the 12 months ended September 30, 2019, there were 12 franchised restaurants in operation for at least 18 full months. Based on the categories described above, four (4) of the 12 franchised restaurants were Prototypes; five (5) of the 12 franchised restaurants were Conversions From Full-Service Restaurants; and, the remaining three (3) of the 12 franchised restaurants were Conversions From Buffets. These 12 restaurants were used in preparing this ITEM 19. Further information is provided in the notes below the tables.

PROTOTYPES

	Highest 40 % S2175ales	Middle 20 % Sales	Lowest 40 % Sales
# of Restaurants [(1)]	2	1	1
Average Net Sales [(2)]	$2,709,846	$1,083,284	$803,441
# of Restaurants that Met or Exceeded the Average Net Sales	1	1	1
Cost of Sales [(3)]	35.1%	35.0%	34.7%
Cost of Labor [(4)]	27.1%	25.5%	29.9%
Gross Margin [(5)]	**37.8%**	**39.5%**	**35.4%**

Range of Net Sales [6]	$2,175,762 to $3,243,929	$1,083,284	$803,441

CONVERSIONS FROM FULL-SERVICE RESTAURANTS

	Highest 33 % Sales	Middle 33 % Sales	Lowest 33 % Sales
# of Restaurants [1]	2	2	1
Average Net Sales [2]	$2,216,927	$1,822,473	$1,052,619
# of Restaurants that Met or Exceeded the Average Net Sales	1	1	1
Cost of Sales [3]	35.9%	33.6%	32.8%
Cost of Labor [4]	26.3%	27.3%	29.6%
Gross Margin [5]	**39.7%**	**40.0%**	**37.6%**
Range of Net Sales [6]	$2,018,612 to $2,415,243	$1,718,459 to $1,926,486	$1,052,619

CONVERSIONS FROM BUFFETS

	Highest 40 % Sales	Middle 20 % Sales	Lowest 40 % Sales
# of Restaurants [1]	1	1	1
Average Net Sales [2]	$1,718,459	$1,110,524	$1,085,643
# of Restaurants that Met or Exceeded the Average Net Sales	1	1	1
Cost of Sales [3]	38.2%	38.5%	36.8%
Cost of Labor [4]	30.2%	30.4%	32.6%
Gross Margin [5]	**31.6%**	**31.1%**	**30.6%**
Range of Net Sales [6]	$1,718,459	$1,110,524	$1,085,643

NOTES

(1) During the 12 months ended September 30, 2019 there were 14 restaurants in the system. Of these 14 restaurants, two (2) company-owned restaurants and 12 franchised restaurants were in operation for at least 18 full months. These 12 restaurants were used in preparing this ITEM 19.

(2) Net Sales are defined to include all receipts from all business conducted at the restaurant location established pursuant to the Franchise Agreement. Net Sales exclude sales taxes, promotional and discount sale coupons, and gratuities. Average Net Sales were determined by the average of the restaurants included in each of the three (3) ranges of sales. Because there were only one (1) or two (2) restaurants in each category within each table, it is not possible to calculate the median within each category.

(3) Cost of Sales includes food, beverage, alcohol and paper and cleaning costs, of which paper and cleaning costs amount to approximately 2.5% of Net Sales.

(4) Cost of Labor includes manager salaries and hourly wages for restaurant staff. Cost of Labor does not include bonuses, payroll taxes, health insurance, workers compensation insurance or any other employee benefit costs.

(5) Gross Margin consists of Net Sales less Cost of Sales and Cost of Labor as previously defined. The Gross Margin represents the amount available to pay for employee payroll taxes and benefits, bonuses, utilities, maintenance, advertising, franchise fees, occupancy costs, administrative costs and any other costs associated with the operation of the restaurant. Such costs will vary depending on your restaurant location, market demographics, weather, seasonality, work force characteristics and economic conditions.

(6) A range of Net Sales for the 12 months ended September 30, 2019 from lowest to highest for the restaurants included in each of the sales ranges.

All company and franchised restaurants, regardless as to which of the three categories they fall into, offer similar products and services. Some restaurants offer a bar with a full liquor license; some offer only beer and wine without a sit-down bar. Some restaurants are closed on Mondays. All of these factors have an effect on Net Sales, Cost of Sales, Costs of Labor and Gross Margin. All of the financial information disclosed in this ITEM 19 is based on unaudited records of the company and information provided to SF by franchisees of SF. Substantiation of the actual Net Sales amounts, Cost of Sales and Cost of Labor set forth in this ITEM 19 will be made available to you upon reasonable request.

Some franchises have earned these amounts. Your individual results may differ. There is no assurance that you will sell as much.

We do not authorize our personnel to furnish any oral or written information concerning actual or projected sales, costs or earnings of a franchisee other than that information set forth in this Item 19 or information which supplements these tables with respect to performance at particular locations or under particular circumstances. If you are purchasing an existing restaurant, however, we may provide you with the actual records of that restaurant.

We recommend you make an independent investigation and consult with an attorney or accountant to determine if your restaurant will be profitable. Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

MONTANA MIKE'S

Table No. 1

Systemwide Outlet Summary
For Years 2017-2019

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	22	14	-8
	2018	14	13	-1
	2019	13	12	-1
Company-Owned	2017	2	2	0
	2018	2	2	0
	2019	2	2	0
Total Outlets	**2017**	**24**	**16**	**-8**
	2018	**16**	**15**	**-1**
	2019	**15**	**14**	**-1**

Table No. 2

Transfers of Franchised Outlets
For Years 2017-2019

State/Country	Year	Number of Transfers
Indiana	2017	1
	2018	0
	2019	0
Texas	2017	1
	2018	0
	2019	0
Totals	**2017**	**2**
	2018	**0**
	2019	**0**

Table No. 3

Status of Franchised Outlets
For Years 2017-2019

State/ Country	Year	Outlets at Start of the Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Opera-tions – Other Reasons	Outlets at End of the Year
Illinois	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Indiana	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
Iowa	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Kansas	2017	7	0	0	0	0	7	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Missouri	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Oklahoma	2017	3	0	0	0	0	1	2
	2018	2	1	0	0	2	0	2
	2019	2	0	0	0	0	0	2
Texas	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	1	3
	2019	3	0	0	0	0	1	2
Totals	**2017**	**22**	**0**	**0**	**0**	**0**	**8**	**14**
	2018	**14**	**1**	**0**	**0**	**0**	**1**	**13**
	2019	**13**	**0**	**0**	**0**	**0**	**1**	**12**

Table No. 4

Status of Company-Owned Outlets
For Years 2017-2019

State/ Country	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Oklahoma	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
Totals	**2017**	**2**	**0**	**0**	**0**	**0**	**2**
	2018	**2**	**0**	**0**	**0**	**0**	**2**
	2019	**2**	**0**	**0**	**0**	**0**	**2**

Table No. 5

Projected Openings as of September 30, 2017 for
the period between October 1, 2019 and September 30, 2020

State/Country	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Totals	**0**	**0**	**0**

The name and last known home address and telephone number of any franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the most recently completed fiscal year and up to the date stated on **Exhibit B**, or who has not communicated with SF within 10 weeks of the application date is attached as **Exhibit B**. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

The names of all SF franchisees, addresses and telephone numbers of their outlets are attached as **Exhibit C**.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with SF. While we encourage you to speak with current and former franchisees, be aware that not all such franchisees will be able to communicate with you.

No trademark-specific franchisee organization exists that is associated with the franchise system being offered.

ITEM 21
FINANCIAL STATEMENTS

Audited Balance Sheets as of September 30, 2019, 2018 and 2017 and the related Statements of Income, Partners' Capital and Cash Flows for the years ended September 30, 2019, 2018 and 2017 are attached as **Exhibit D**, as well as unaudited financial statements through June 30, 2020.

ITEM 22
CONTRACTS

Copies of the Franchise Agreement and the Area Development Agreement are attached to this Franchise Disclosure Document as **Exhibits E** and **F**. The State Addenda is attached to this Franchise Disclosure Document as **Exhibit H**. The following agreements are attachments to the Franchise Agreement: Guaranty and Assumption of Obligations; Collateral Assignment of Telephone Numbers, Telephone Listings, and Internet Addresses; Franchisee Questionnaire; and Authorization Agreement for ACH Payments.

These Agreements and their attachments are the only contracts proposed for use in conjunction with the offering of the Franchised Restaurant.

ITEM 23
RECEIPT

Included as the last document of this Franchise Disclosure Document is a detachable Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least 14 calendar days before signing of the Franchise Agreement or payment of any fee by you.

STOCKADE FRANCHISING, LP

EXHIBIT A

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT A
LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 415-972-8559 1-866-275-2677	Commissioner of the California Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles 90013-2344 1-866-275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 850-245-6000	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 404-656-3790	Same
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1230 "O" Street, Suite 400 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8285	Secretary of State of New York 99 Washington Street Albany, New York 12231

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH CAROLINA	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 919-733-3924	Secretary of State Secretary of State's Office Same Address
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 701-328-4712; Fax: 701-328-0140	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 15th Floor Columbus, OH 43215 614-466-8831 or 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 405-521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-222-3048	Director, Rhode Island Department of Business Regulation Same address
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 803-734-2166	Same
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-475-1769	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 TELE: 801-530-6601 FAX: 801-530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8762	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

STOCKADE FRANCHISING, LP

EXHIBIT B

FORMER RESTAURANT FRANCHISEES

EXHIBIT B

FORMER MONTANA MIKE'S STEAKHOUSE® RESTAURANT FRANCHISEES
(as of September 30, 2019)

STORE: VICTORIA , TX

Tommy M. Ford*, President
Douglas W. Frieling*
Fordtex Operating, LP
P.O. Box 1377
Taylor, TX 76574
(512) 352-8531

* Listed franchisee is also a member in Stockade Companies, LLC

STOCKADE FRANCHISING, LP

EXHIBIT C

LIST OF FRANCHISEE OUTLETS

EXHIBIT C

LIST OF MONTANA MIKE'S STEAKHOUSE® FRANCHISEE OUTLETS
(as of September 30, 2019)

Restaurant Location:	Franchisee:
ILLINOIS	
3215 North Vermilion Danville, IL 61832 (217) 446-1237	John Gregory Frenz Greg P. Schmidtknecht P.O. Box B Vincennes, IN 47591 (812) 882-4519
INDIANA	
6270 Scatterfield Road Anderson, IN 46013 (765) 649-8000	Rob Wardrop Big Sky Steaks, Inc. 6700 Sapphire Village #243 St. Thomas, Virgin Islands 00802 (340) 642-7275
3720 Market Place Drive Edinburgh, IN 46124 (812) 526-6600	Tim Rohrer Hoosier Mike's, Inc. P.O. Box 1647 Columbus, IN 47202-1647 (812) 988-1186
1945 N. State Street Greenfield, IN 46140-1089 (317) 468-1000	David Baker DMB Restaurants LLC 1940 N. State Street Greenfield, IN 46140-1089
1626 Willow Vincennes, IN 47591 (812) 882-2818	John Gregory Frenz Greg P. Schmidtknecht P.O. Box B Vincennes, IN 47591 (812) 882-4519
IOWA	
5030 NE 14th Street Des Moines, IA 50313 (515) 528-2010	David Lilly D&J Foods 5030 NE 14th Street Des Moines, IA 50313 (515) 528-2010
1400 West 18th Street Newton, IA 50208 (641) 792-4582	David Lilly T&L Foods, Inc. 806 SE Michael Dr. Ankeny, IA 50021 (641) 792-4582

Restaurant Location:	Franchisee:
MISSOURI	
3225 West Highway 76 Branson, MO 65616 (417) 334-2766	Paul Bluto Branson Restaurant Inc. 3652 Shepherd of the Hills Expressway Branson, MO 65616 (417) 335-4832
OKLAHOMA	
2020 Lexington Clinton, OK 73601 (580) 323-3333	Doug McKaig D & J Steaks, LLC 2020 Lexington Clinton, OK 73601 (580) 323-3333
1609 SW 27th El Reno, OK 73036 (405) 422-1100	Tommy M. Ford*, President Douglas W. Frieling* Fordtex El Reno, Inc. P.O. Box 1377 Taylor, TX 76574 (512) 352-8531
TEXAS	
6542 S. Staples Corpus Christi, TX 78413 (361) 980-9191	Tommy M. Ford*, President Douglas W. Frieling* Fordtex Operating, LP P.O. Box 1377 Taylor, TX 76574 (512) 352-8531
1153 Oasis New Braunfels, TX 78130 (830) 620-1234	Mark Gonzales M&K Gonzales Entreprises Inc. 547 Raven Ridge New Braunfels, TX 78130 (830) 620-1234
6409 No. Navarro Road Victoria, TX 77904 (361) 576-0333	Tommy M. Ford*, President Douglas W. Frieling* Fordtex Operating, LP P.O. Box 1377 Taylor, TX 76574 (512) 352-8531

* Listed franchisee is also a member in Stockade Companies, LLC

STOCKADE FRANCHISING, LP

EXHIBIT D

FINANCIAL STATEMENTS

UNAUDITED FINANCIALS

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT.

PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Stockade. Franchising LP
Balance Sheet
July 31, 2020

ASSETS

Current Assets		
CASH- SFL x1082	$ 11,244.54	
FRANCHISE FEE RECEIVABLE - US	5,318.90	
FRANCHISE FEE RECEIVABLE - ME	4,981.31	
ACCOUNTS RECEIVABLE--TRADE	345,323.82	
FRANCHISE FEE RECEIVABLE - MM	3,545.86	
ACCOUNTS RECEIVABLE--OTHERS	3,749.57	
DUE FROM STOCKADE RESTAURAN	501.10	
DUE FROM STOCKADE COMPANIES	376,935.90	
DUE FROM STOCKADE MANAGEME	2,700.00	
DUE FROM STOCKADE MARKETING	9,557.03	
OTHER CURRENT RECEIVABLES	6,850.33	
INSURANCE PROCEED RECEIVED -	638.40	
Total Current Assets		771,346.76
Property and Equipment		
PROTOTYPE STORE DESIGN MEXIC	45,000.00	
A/A MEXICO PROTOTYPE	(17,250.00)	
LICENSE AGREEMENT	6,824,706.00	
A/A LICENSE AGREEMENTS	(6,824,706.00)	
Total Property and Equipment		27,750.00
Other Assets		
LEGAL JUDGMENT RECEIVABLE	670,392.77	
NOTE RECEIVABLE - FORDTEX OPE	347,934.96	
PROTOTYPE BLDG IN PROGRESS M	12,000.00	
Total Other Assets		1,030,327.73
Total Assets		$ 1,829,424.49

LIABILITIES AND CAPITAL

Current Liabilities		
ACCOUNTS PAYABLE (SYSTEM)	$ 4,836.33	
DUE TO STOCKADE COMPANIES, LL	(487,765.89)	
DUE TO STOCKADE MANAGEMENT	266,611.10	
DUE TO STOCKADE MARKETING	210,122.14	
Total Current Liabilities		(6,196.32)
Long-Term Liabilities		
Total Long-Term Liabilities		0.00
Total Liabilities		(6,196.32)
Capital		
Beginning Balance Equity	(26,618.97)	
UNALLOCATED EARNINGS	26,619.89	
Foreign Withholding Tax	(58,905.67)	
LIMITED PARTNER - FRANCHISING	1,914,176.00	
GENERAL PARTNER - FRANCHISING	19,335.00	
Net Income	(38,985.44)	
Total Capital		1,835,620.81

Total Liabilities & Capital	$	1,829,424.49

Stockade. Franchising LP
Income Statement
For the Ten Months Ending July 31, 2020

	Current Month		Year to Date	
Revenues				
FRANCHISE ROYALTIES - SS/CC	$ 368,531.67	29.45	$ 368,531.67	29.45
FRANCHISE ROYALTIES - MEXICO	551,115.49	44.04	551,115.49	44.04
FRANCHISE ROYALTIES - M.MIKE'S	330,624.86	26.42	330,624.86	26.42
INTEREST INCOME	996.31	0.08	996.31	0.08
Total Revenues	1,251,268.33	100.00	1,251,268.33	100.00
Cost of Sales				
Total Cost of Sales	0.00	0.00	0.00	0.00
Gross Profit	1,251,268.33	100.00	1,251,268.33	100.00
Expenses				
Salary - Mexico	24,174.90	1.93	24,174.90	1.93
Salary - Mexico	13,417.54	1.07	13,417.54	1.07
Payroll Tax - Mexico	924.72	0.07	924.72	0.07
Payroll Tax - Mexico	513.24	0.04	513.24	0.04
TELEPHONE - U.S.	68.42	0.01	68.42	0.01
TELEPHONE - U.S.	765.00	0.06	765.00	0.06
TELEPHONE - MEXICO	349.08	0.03	349.08	0.03
TELEPHONE - U.S.	170.00	0.01	170.00	0.01
TELEPHONE - U.S.	769.97	0.06	769.97	0.06
TELEPHONE - MEXICO	657.01	0.05	657.01	0.05
TELEPHONE - US	850.00	0.07	850.00	0.07
TELEPHONE - MEXICO	672.97	0.05	672.97	0.05
TELEPHONE - US	744.29	0.06	744.29	0.06
TELEPHONE - US	935.00	0.07	935.00	0.07
BAD DEBTS	20.96	0.00	20.96	0.00
GIFT CARDS-ONLINE REVENUE	939.00	0.08	939.00	0.08
BANK CHARGES	40.00	0.00	40.00	0.00
GROUP INSURANCE	37,179.77	2.97	37,179.77	2.97
OFFICE EXPENSE - U.S.	1,951.80	0.16	1,951.80	0.16
OFFICE EXPENSE - U.S.	4,529.04	0.36	4,529.04	0.36
OFFICE EXPENSE - MEXICO	713.15	0.06	713.15	0.06
OFFICE EXPENSE - U.S.	43.20	0.00	43.20	0.00
OFFICE EXPENSE - U.S.	2,034.38	0.16	2,034.38	0.16
OFFICE EXPENSE - MEXICO	3,175.75	0.25	3,175.75	0.25
OFFICE EXPENSE - MEXICO	61.49	0.00	61.49	0.00
OFFICE EXPENSE - U.S.	1,148.15	0.09	1,148.15	0.09
OFFICE EXPENSE - MEXICO	47.09	0.00	47.09	0.00
OFFICE EXPENSE - U.S.	1,054.56	0.08	1,054.56	0.08
OFFICE EXPENSE - U.S.	700.98	0.06	700.98	0.06
OFFICE EXPENSE - U.S.	128.70	0.01	128.70	0.01
TAXES AND LICENSE	375.00	0.03	375.00	0.03
POSTAGE & FREIGHT - U.S.	53.90	0.00	53.90	0.00
POSTAGE & FREIGHT - U.S.	50.16	0.00	50.16	0.00
LEGAL EXPENSES - MEXICO	20,062.00	1.60	20,062.00	1.60
LEGAL EXPENSES - U.S.	23,554.23	1.88	23,554.23	1.88
RECRUITEMENT	2,924.21	0.23	2,924.21	0.23
RECRUITMENT	3,658.37	0.29	3,658.37	0.29
DUES AND SUBSCRIPTIONS	1,329.75	0.11	1,329.75	0.11
MEETINGS - MEXICO	1,569.68	0.13	1,569.68	0.13
MEETINGS - MEXICO	1,525.14	0.12	1,525.14	0.12
MEETINGS - MEXICO	64.90	0.01	64.90	0.01
CONSULTING FEES - US	6,775.00	0.54	6,775.00	0.54
CONSULTING FEES - MEXICO	44,000.00	3.52	44,000.00	3.52
CONSULTING FEES - MEXICO	63,325.10	5.06	63,325.10	5.06
CONSULTING FEES - MEXICO	38,000.00	3.04	38,000.00	3.04

Stockade. Franchising LP
Income Statement
For the Ten Months Ending July 31, 2020

	Current Month			Year to Date	
CONSULTING FEES - MEXICO	41,433.44	3.31		41,433.44	3.31
LODGING EXPENSE - U.S.	5,381.93	0.43		5,381.93	0.43
LODGING EXPENSE - MEXICO	2,279.82	0.18		2,279.82	0.18
LODGING EXPENSE - U.S.	2,598.10	0.21		2,598.10	0.21
LODGING EXPENSE - US	17,200.37	1.37		17,200.37	1.37
LODGING EXPENSE - MEXICO	2,124.10	0.17		2,124.10	0.17
LODGING EXPENSE - MEXICO	1,851.70	0.15		1,851.70	0.15
LODGING EXPENSE - U.S.	190.41	0.02		190.41	0.02
LODGING EXPENSE - U.S.	2,502.34	0.20		2,502.34	0.20
LODGING EXPENSE - U.S.	1,089.74	0.09		1,089.74	0.09
MEALS EXPENSE - U.S.	3,221.34	0.26		3,221.34	0.26
MEALS - MEXICO	344.83	0.03		344.83	0.03
MEALS EXPENSE - U.S.	1,220.22	0.10		1,220.22	0.10
MEALS - US	2,673.32	0.21		2,673.32	0.21
MEALS - MEXICO	1,410.70	0.11		1,410.70	0.11
MEALS - MEXICO	257.83	0.02		257.83	0.02
MEALS - U.S.	140.02	0.01		140.02	0.01
MEALS - U.S.	678.01	0.05		678.01	0.05
MEALS - U.S.	40.00	0.00		40.00	0.00
MEALS - U.S.	428.67	0.03		428.67	0.03
AIR TRAVEL - US	4,910.13	0.39		4,910.13	0.39
AIR TRAVEL - MEXICO	1,716.20	0.14		1,716.20	0.14
AIR TRAVEL - US	1,113.16	0.09		1,113.16	0.09
AIR TRAVEL - US	322.15	0.03		322.15	0.03
AIR TRAVEL - MEXICO	2,136.31	0.17		2,136.31	0.17
AIR TRAVEL - MEXICO	1,345.07	0.11		1,345.07	0.11
AIR TRAVEL - US	733.21	0.06		733.21	0.06
AIR TRAVEL - US	980.71	0.08		980.71	0.08
AIR TRAVEL - US	2,534.80	0.20		2,534.80	0.20
MANAGEMENT FEE	583,333.40	46.62		583,333.40	46.62
MANAGEMENT FEE - EMPLOYEE L	266,611.10	21.31		266,611.10	21.31
AUTO EXPENSE - U.S.	6,013.02	0.48		6,013.02	0.48
AUTO EXPENSE - MEXICO	2,004.80	0.16		2,004.80	0.16
AUTO EXPENSE - U.S.	1,800.61	0.14		1,800.61	0.14
AUTO EXPENSE - US	5,396.52	0.43		5,396.52	0.43
AUTO EXPENSE - MEXICO	1,929.07	0.15		1,929.07	0.15
AUTO EXPENSE - MEXICO	301.97	0.02		301.97	0.02
AUTO EXPENSE - U.S.	64.70	0.01		64.70	0.01
AUTO EXPENSE - U.S.	2,350.23	0.19		2,350.23	0.19
AUTO EXPENSE - U.S.	580.44	0.05		580.44	0.05
AUTO EXPENSE - U.S.	945.24	0.08		945.24	0.08
PROFESSIONAL FEES - US	690.75	0.06		690.75	0.06
DEPRECIATION MEXICO PROTOTY	3,750.00	0.30		3,750.00	0.30
RESEARCH/DEVELOPMENT	910.68	0.07		910.68	0.07
STATE FRANCHISE TAX	2,260.69	0.18		2,260.69	0.18
BRAND & MARKETING RESEARCH	1,866.67	0.15		1,866.67	0.15
TRAINING AND DEVELOPMENT	537.65	0.04		537.65	0.04
Total Expenses	1,290,253.77	103.12		1,290,253.77	103.12
Net Income	$ (38,985.44)	(3.12)	$	(38,985.44)	(3.12)

STOCKADE FRANCHISING, LP

ROUND ROCK, TEXAS

Financial Statements

September 30, 2019, 2018, and 2017

STOCKADE FRANCHISING, L.P.
ROUND ROCK, TEXAS

Financial Statements
September 30, 2019, 2018, and 2017

Table of Contents

BUMGARDNER MORRISON

CPAs • Tax • Audit & Accounting

Empowering Peace of Mind

Independent Auditors' Report

To the Partners, Stockade Franchising, LP.

We have audited the accompanying financial statements of Stockade Franchising, LP, which comprises the balance sheet as of September 30, 2019, and the related statements of income, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stockade Franchising, LP, as of September 30, 2019, and the results of their operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Stockade Franchising, LP, as of September 30, 2018 and 2017, were audited by other auditors whose reports dated July 25, 2019 and July 17, 2018, expressed an unmodified opinion on those statements.

Bumgardner Morrison and Company, LLP

Bumgardner, Morrison & Company, LLP
Victoria, Texas
August 10, 2020

Bumgardner, Morrison & Company, LLP
Certified Public Accountants

Members: American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Private Companies Practice Section
AICPA Employee Benefit Plan Audit Quality Center
AICPA Government Audit Quality Center

1501 E Mockingbird Lane, Suite 300
PO Box 3750
Victoria, Texas 77903-3750
Phone: 361.575.0271
Fax: 361.578.0880
Website: BMCcpa.com

STOCKADE FRANCHISING, LP
ROUND ROCK, TEXAS

Balance Sheets
September 30, 2019, 2018, and 2017

	2019	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	$ 54,781	$ 1,754	$ 273,252
Franchise fees receivables	484,478	888,635	618,793
Other receivables	7,920	-	-
Total Current Assets	547,179	890,389	892,045
Other Assets			
Judgment receivable	1,110,393	1,110,393	-
Note receivable	259,812	-	-
Franchise agreements, net of accumulated amortization	-	113,745	568,726
Other assets, net of accumulated amortization	43,500	36,000	40,500
Total Other Assets	1,413,705	1,260,138	609,226
Total Assets	$ 1,960,884	$ 2,150,527	$ 1,501,271
Liabilities and Partners' Capital			
Current Liabilities			
Accounts payable	$ 27,373	$ -	$ -
Accrued expenses	-	17,302	23,190
Intercompany cash	-	121,537	-
Total Current Liabilities	27,373	138,839	23,190
Non-Current Liabilities			
Deferred development fees	-	7,000	7,000
Total Liabilities	27,373	145,839	30,190
Partners' Capital			
Limited Partner	1,914,176	1,984,641	1,456,370
General Partner	19,335	20,047	14,711
Total Partners' Capital	1,933,511	2,004,688	1,471,081
Total Liabilities and Partners' Capital	$ 1,960,884	$ 2,150,527	$ 1,501,271

The accompanying notes are an integral part of these financial statements.

STOCKADE FRANCHISING, LP
ROUND ROCK, TEXAS

Statements of Income
Years Ended September 30, 2019, 2018, and 2017

	2019	2018	2017
Revenue			
Franchise Fees	$ 2,735,081	$ 2,749,439	$ 3,449,877
Other Revenue	2,375	-	-
Development and Termination Fees	-	42,000	28,176
Arbritration Revenue	-	577,119	-
Total Revenues	2,737,456	3,368,558	3,478,053
Expenses			
Labor and Employee Leasing	319,933	970,022	989,556
Management Fees to Affiliates	700,000	700,001	700,000
Other Operating	639,444	625,718	700,124
Amortization	118,245	459,480	459,480
Provision for Uncollectible Franchise Fees	-	-	412,094
Bad Debt Expense	50,775	-	-
Miscellaneous	11,247	-	-
Total Expenses	1,839,644	2,755,221	3,261,254
Net Income	$ 897,812	$ 613,337	$ 216,799

The accompanying notes are an integral part of these financial statements.

STOCKADE FRANCHISING, LP
ROUND ROCK, TEXAS

Statements of Changes in Partners' Capital
Years Ended September 30, 2019, 2018, and 2017

	Limited Partner	General Partner	Total
Balance at September 30, 2016	$ 2,193,333	$ 22,155	$ 2,215,488
Distributions	(951,594)	(9,612)	(961,206)
Net Income	214,631	2,168	216,799
Balance at September 30, 2017	1,456,370	14,711	1,471,081
Distributions	(78,933)	(797)	(79,730)
Net Income	607,204	6,133	613,337
Balance at September 30, 2018	1,984,641	20,047	2,004,688
Adjustment to beginning equity	77,713	785	78,498
Distributions	(1,037,012)	(10,475)	(1,047,487)
Net Income	888,834	8,978	897,812
Balance at September 30, 2019	$ 1,914,176	$ 19,335	$ 1,933,511

The accompanying notes are an integral part of these financial statements.

STOCKADE FRANCHISING, LP
ROUND ROCK, TEXAS

Statements of Cash Flows
Years Ended September 30, 2019, 2018, and 2017

	2019	2018	2017
Cash Flows from Operating Activities			
Net income	$ 897,812	$ 613,337	$ 216,799
Adjustments to reconcile net income to net cash provided by continuing operations			
Amortization	113,745	459,480	459,480
Provision for uncollectible franchise fees	-	-	412,094
(Increase) decrease in franchise fees receivable	404,157	(269,842)	(65,344)
(Increase) decrease in other receivables	(7,920)	(1,110,393)	-
(Increase) decrease in other assets	(7,500)	-	-
(Increase) decrease in notes receivable	(259,812)	-	-
Increase (decrease) in accounts payable	27,373	-	-
Increase (decrease) in accrued payroll and payroll taxes	(17,302)	-	-
Increase (decrease) in accrued expenses	-	(1,488)	513
Increase (decrease) in deferred development fees	(7,000)	(4,399)	21,701
Increase (decrease) in intercompany cash	(121,537)	121,537	-
Total adjustments	124,204	(805,105)	828,444
Net Cash Provided By (Used In) Operations	1,022,016	(191,768)	1,045,243
Cash Flows From Financing Activities			
Distributions	(1,047,487)	(79,730)	(961,206)
Prior period adjustment	78,498	-	-
Net Cash Used in Financing Activities	(968,989)	(79,730)	(961,206)
Net Increase (Decrease) in Cash	53,027	(271,498)	84,037
Cash at Beginning of Year	1,754	273,252	189,215
Cash at End of Year	$ 54,781	$ 1,754	$ 273,252

The accompanying notes are an integral part of these financial statements.

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of Stockade Franchising, LP (the Partnership) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Organization

Stockade Franchising, LP is Nevada limited partnership which began operations on January 9, 2004, to perform all licensing and franchising activities of the Sirloin Stockade, Montana Mike's Steakhouse, and Coyote Canyon restaurant concepts. The Partnership was formed by Stockade Companies, LLC (the "Parent") in connection with the acquisition of assets from Stockade Companies, Inc., the previous franchisor of the three restaurant concepts. In connection with the transaction, the acquired franchise agreements were transferred to the Partnership as a contribution of capital.

The Partnership is owned by Stockade Companies, LLC, a 99% limited partner and by Stockade Franchising Management, LLC, a 1% general partner that is a wholly owned subsidiary of Stockade Companies, LLC. The Parent owns the intellectual property rights for all restaurant concepts for all countries and licenses the intellectual property rights to the partnership as the franchisor.

Receivables

Franchise fees are due by the tenth of the month following the month they are earned. Management monitors past due franchise fees and will discontinue further accruals or record an allowance for uncollectible franchise fees if in management's opinion, the franchisee will be unable to meet its franchise fee obligations. Previously accrued fees are also written off if collection is considered doubtful. Management will continue collection efforts and record any subsequent receipts on a cash basis until such time as the franchisee has reestablished its ability to meet its fee obligations. Franchise fees receivable are stated at cost less allowance for bad debt. The allowance for bad debts is maintained at a level that, in management's judgment, is adequate to absorb potential losses in the Partnership's receivables. The allowance is increased by a provision for bad debts, which is charged to expense, and reduced by charge-offs, net of recoveries. At September 30, 2019, 2018, and 2017, the total allowance for doubtful accounts was $0, $0, and $412,094, respectively. Total bad debt expense was $50,755, $0, and $412,094 during the years ended September 30, 2019, 2018, and 2017, respectively.

Note 1 Summary of Significant Accounting Policies, Continued

Revenue Recognition

Initial franchise development fees received for sales of franchise territories are deferred and recognized as revenue when substantially all initial services required by the franchise agreement have been performed, which is considered to be when each restaurant commences operation, or upon forfeiture under the terms of the area development agreement or franchise agreement. Continuing franchise fees are reported as revenue when earned. Franchise agreements have an initial term of fifteen years (ten years for Mexico agreements), with options to renew if certain conditions are met. Termination fees collected when restaurants are closed are recognized when received.

Related Party Transactions

The Partnership has agreements with various affiliates that provide employment and general administrative and management services.

Substantially all employment services are provided by an affiliate pursuant to an Employee Leasing Agreement, which provides for reimbursement to the affiliate based on the actual compensation, payroll taxes, workers compensation insurance, benefit costs, and an administrative charge. The affiliate retains only sufficient cash to pay its payroll and other liabilities. Charges under the Employee Leasing Agreement are adjusted from time to time as agreed between the parties.

The Partnership also has a Management Services Agreement with the Parent for general administrative services consisting of office facilities, equipment, and other assets provided to the Partnership and accounting, office support, and other overhead costs incurred on behalf of the Partnership. Such costs are adjusted from time to time based on the extent of services provided to the Partnership.

The Management Services Agreement also requires the Parent to provide cash management services needed to facilitate the Partnership operations. Such services include receipt of cash and payment of direct expenses recorded on the Partnership accounts and may result in amounts due to or due from the Parent.

The Employee Leasing Agreement and Management Services Agreement automatically renew annually and may be terminated with ninety days written notice.

Two members of the Parent are also franchisees of the Partnership.

Note 1 Summary of Significant Accounting Policies, Continued

Income Taxes

The Partnership's taxable income is consolidated with the Parent and is included in the tax returns of the individual members of the Parent. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Partnership is generally no longer subject to examinations by income taxing authorities before September 30, 2016. The Partnership records interest and penalties on tax assessments as interest expense and operating expense, respectively.

Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with an original maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification of Prior Year

Certain amounts in the 2018 financial statements were reclassified to conform to the 2019 presentation. The reclassifications had no effect on the net income for 2018.

Subsequent Events

The Partnership has evaluated subsequent events through August 10, 2020, the date on which the financial statements were available to be issued. See Note 9 for specific subsequent events identified.

Note 2 Concentrations

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Partnership maintains cash balances at one financial institution located in Texas, with the accounts being insured by the Federal Deposit Insurance Corporation up to $250,000. As of September 30, 2019, 2018, and 2017, all of the Partnership's accounts were fully insured.

Note 2 Concentrations, Continued

Customers

Four franchisees accounted for the following percentages of accounts receivable as of September 30, 2019, 2018, and 2017.

	2019	2018	2017
Franchisee 1 (owned by two members of the parent)	19%	21%	8%
Franchisee 2	0%	0%	0%
Franchisee 3	6%	19%	24%
Franchisee 4	6%	20%	23%

Four franchisees accounted for the following percentages of franchise fee revenue as of September 30, 2019, 2018, and 2017.

	2019	2018	2017
Franchisee 1 (owned by two members of the parent)	17%	18%	14%
Franchisee 2	0%	0%	5%
Franchisee 3	15%	13%	18%
Franchisee 4	15%	14%	15%

Note 3 Franchise Fees Receivable

Franchise fees receivable consisted of the following at September 30, 2019, 2018, and 2017:

	2019	2018	2017
Franchise fees receivable	$ 484,478	$ 888,635	$ 1,030,887
Less: allowance for bad debts	-	-	(412,094)
Total Franchise Fees Receivable	$ 484,478	$ 888,635	$ 618,793

The Partnership believes all current and past due receivables are fully collectible. The Partnership continually monitors past due receivables and updates its estimate of collectability. It is reasonably possible that the allowance may need to be revised in the near term and that such revisions could materially affect the Partnership's results of operations or financial condition.

Note 4 Judgment Receivable

During the year ended September 30, 2017, the Partnership, in accordance with the provisions of the franchise agreement, terminated the franchisee's franchise agreement and the accrual of franchise fees and initiated arbitration in accordance with the franchise agreement. In July 2018, the Partnership and related entities were awarded $768,414 as the result of an interim partial arbitration award that included recovery of franchise and other fees, accrued interest, and damages. In September 2018, the Partnership received the final award for a total of $1,110,393, which included the interim award. The Partnership intends to pursue all remedies available to collect the arbitration award including guarantees provided by the franchisee, its owner, and former owner and believes that it will collect the full amount. As such, the full amount of the award has been recorded in the financial statements as a judgment receivable.

At September 30, 2019, 2018, and 2017, judgment receivable consisted of the following:

	2019	2018	2017
Judgment Receivable	$ 1,110,393	$ 1,110,393	$ -

Note 5 Related Party Transactions

Transactions with related parties in the accompanying financial statements for the years ending September 30, 2019, 2018, and 2017, are as follows:

	2019	2018	2017
Franchise fees from members of parent	$ 450,507	$ 495,986	$ 497,720
Management fees incurred to affiliates	700,000	700,000	700,000
Employee leasing expense incurred to affiliate	319,933	970,022	989,556
Total	$ 1,470,440	$ 2,166,008	$ 2,187,276

Franchise fees receivable from members of the Parent were $93,701, $186,513, and $46,787 for the years ending September 30, 2019, 2018, and 2017, respectively.

Note 6 Note Receivable

During the year ending September 30, 2019, the Partnership advanced $259,812 on an unsecured basis to one of its franchisee's and the agreement was formalized into a note receivable. The note bears interest at 4.5% and requires interest only payments through January 2021, with principal and interest payments commencing in February 2021 and a maturity date of January 2024.

Note 7 Franchise Agreements and Other Assets

In January 2004, the Partnership acquired franchise agreements for $6,824,706, with each agreement having an initial term of fifteen years. The agreements have options which allow the franchisee to renew the agreements for up to three five-year terms or up to two ten-year terms for Mexico agreements. The agreements are being amortized by the straight-line method over fifteen years, which approximates the average estimated life of the franchise agreements. No costs are capitalized on new franchise agreements. At September 30, 2019, these agreements were fully amortized. As of September 30, 2018 and 2017, total accumulated amortization on these agreements was $6,710,961 and $6,255,980, respectively.

During the year ending September 30, 2017, the Partnership developed and capitalized a prototype design of a store for $45,000, which is included in other assets and is being amortized using the straight-line method over ten years, which approximates the useful life of the design. Scheduled amortization of the prototype store is $4,500 per year from 2020-2024, with $9,000 remaining thereafter. Total accumulated amortization was $13,500, $4,500, and $0, for the years ending September 30, 2019, 2018, and 2017, respectively.

During the year ending September 30, 2019, the Partnership began construction on a new prototype store in Mexico. As of September 30, 2019, the prototype store was not completed and thus the store has not commenced amortization. The total amount capitalized as of September 30, 2019 is $12,000, which is included in other assets.

Note 8 Franchised Restaurant Activity

The following schedule reflects franchised restaurant activity as of September 30, 2019, 2018, and 2017:

	Sirloin Stockade	Coyote Canyon	Montana Mike's	Total
In operation at September 30, 2016	53	3	22	78
Opened	2	-	-	2
Closed	(2)	-	(1)	(3)
Terminated franchise agreement	(6)	(2)	(7)	(15)
In operation at September 30, 2017	47	1	14	62
Opened	3	-	-	3
Closed	(2)	-	(1)	(3)
In operation at September 30, 2018	48	1	13	62
Opened	1	-	-	1
Closed	(4)	-	(1)	(5)
In operation at September 30, 2019	45	1	12	58

Note 8 Franchised Restaurant Activity, Continued

Subsidiaries of the Parent do not pay franchise fees to the Partnership. The Parent has a subsidiary that operates one Sirloin Stockade restaurant. During the year ending September 30, 2017, the franchise rights of one franchise who operated 15 stores were terminated.

The Partnership has 33, 34, and 33 franchised restaurants in Mexico as of September 30, 2019, 2018, and 2017, respectively.

Note 9 Subsequent Events

Subsequent events were evaluated through August 10, 2020, which is the day the financial statements were available to be issued.

In December 2019, an outbreak of the novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to several other countries, including the US. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the US, including Texas, have declared a state of emergency. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact the Partnership's financial results for 2020. Potential impacts to the Partnership's business include disruptions or restrictions on their employees' ability to work, potential impacts to the payment ability of franchisees, reduction in franchise fees due to loss of revenue as a result of the shutdown, and potential closure of franchised restaurants.

As of August 10, 2020, the Partnership has received $480,000, which is the amount of all required payments to date that are required by the arbitration agreement (See Note 2).

Note 10 Adjustment to Beginning Equity

During the year ending September 30, 2019, it was discovered that there was an error in prior year revenue, which effected beginning equity. In addition, it was discovered that the Partnership had improperly recorded several transactions during the year to equity accounts. As a result of these errors, it caused beginning partner's capital to be understated by $78,498. The following summarizes the adjustment to beginning equity:

	Partners' Capital
Balance at September 30, 2018, as previously reported	$ 2,004,688
Adjustment to beginning equity	
Misstatement of prior year	78,498
Balance at September 30, 2018, as adjusted	$ 2,083,186

Note 11 Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2022. The Partnership is evaluating the impact of the new standard on the financial statements.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The new standard requires revenue to be recognized based on the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for franchisors for fiscal years beginning after December 15, 2019. The Partnership is evaluating the impact of the new standard on the financial statements.

STOCKADE FRANCHISING, LP

EXHIBIT E

FORM OF AREA DEVELOPMENT AGREEMENT

EXHIBIT E

STOCKADE FRANCHISING, LP

AREA DEVELOPMENT AGREEMENT

Developer:____

Date: _________________

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Exhibits:

STOCKADE FRANCHISING, LP

AREA DEVELOPMENT AGREEMENT

This Agreement is made on this _____ day of ________________, 20___, by and between **Stockade Franchising, LP**, a Nevada limited partnership, ("**Franchisor**") and ____ ("**Developer**").

WITNESSETH:

WHEREAS, Franchisor owns certain confidential information relating to, and has designed, instituted, developed and promoted, a unique restaurant concept for which substantial goodwill has been created. Such restaurants consist of family steak houses and are operated under the trade name "MONTANA MIKE'S STEAKHOUSE®," utilize distinctive recipes, ingredients, and methods of preparing and serving foods, and are operated with uniform formats, systems, menus, methods, specifications, standards, and procedures ("**System**"), all of which may be improved, further developed, or otherwise modified by Franchisor from time to time. Franchisor uses, promotes, and licenses the proprietary service mark MONTANA MIKE'S STEAKHOUSE® (and associated designs) and other trademarks, service marks, logos, and commercial symbols in connection therewith ("**Proprietary Marks**"); and

WHEREAS, **Franchisor** grants to persons who meet its qualifications and who are willing to undertake the requisite investment and effort, the right to develop and operate an agreed number of restaurants under the Proprietary Marks ("**Franchised Restaurants**") within a defined geographical area ("**Development Territory**"); and

WHEREAS, Developer recognizes the value of the System and has applied for a license to operate two (2) or more Franchised Restaurants in the Territory and to utilize the System and the Proprietary Marks of Franchisor. Further, Developer acknowledges that it has read this Agreement and Franchisor's accompanying Franchise Disclosure Document and that Developer understands and accepts the terms, conditions, and covenants contained herein as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of such standards at all Franchised Restaurants in order to protect and preserve the goodwill of the Proprietary Marks and the System; and

WHEREAS, Developer acknowledges that other Area Development Agreements and related Franchise Agreements have been or may be granted by Franchisor at different times and in different situations and further acknowledges that the terms and conditions of such agreements may vary from those contained in this Agreement; and

WHEREAS, Developer acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business to be conducted at the Franchised Restaurants may evolve and change over time, that an investment in the Franchised Restaurants involves a high degree of business risks and that the success of the venture contemplated hereby is primarily dependent upon Developer's business abilities and efforts; and

WHEREAS, Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received or relied upon, any guaranty, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement. Further, Developer acknowledges that it has no knowledge of any representations by Franchisor, or by its officers, directors, shareholders, employees, or agents, that are contrary to the statements made in the accompanying Franchise Disclosure Document or to the terms of this Agreement; and

WHEREAS, Developer acknowledges that in all of its dealings, the officers, directors, employees, and agents of Franchisor act only in a representative capacity and not in an individual capacity. Further, Developer acknowledges that this Agreement, and all business dealings between Developer and such individuals as a result of this Agreement, are solely between Developer and Franchisor. Further, Developer represents to Franchisor that as an inducement to its entry into this Agreement, Developer has made no misrepresentations to Franchisor in his application for the development rights granted hereunder.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

1. DEFINITIONS

1.01 In addition to the words and terms defined in the recitals and elsewhere in this Agreement, the words and terms defined as follows in this Section 1 shall, for all purposes of this Agreement, have the meanings herein specified, except as otherwise expressly provided or unless the context otherwise requires:

(a) "**Franchise Agreement**" shall mean the then standard form of agreement used by Franchisor in the granting of a franchise for the ownership and operation of a Franchised Restaurant (including any exhibits, riders, and shareholder guaranties), a copy of the current form of which is attached to this Agreement as **Exhibit A**.

(b) "**Development Territory**" shall mean the geographical area described in **Exhibit B**, attached hereto; and

(c) "**Development Year**" shall mean each twelve (12) consecutive month period ending on the day immediately preceding the anniversary date of this Agreement during which Developer is obligated to commence operation of Franchised Restaurants pursuant to Section 2.04, herein.

2. DEVELOPMENT RIGHTS AND OBLIGATIONS

2.01 Term of Agreement. The term of this Agreement shall be for _________ (___) years from the date hereof or until the date upon which a Franchise Agreement is executed licensing Developer to develop and operate the last Franchised Restaurant required to be developed in compliance with the deadline prescribed for the Minimum Development Quota, whichever is first to occur, unless terminated earlier pursuant to Section 9.

2.02 Rights During Development Years. Provided Developer is in full compliance with the terms and conditions contained in this Agreement, including, without limitation, the development obligations contained in Section 2.04; satisfies the financial capability standards, if any, previously agreed upon by Franchisor and Developer and attached hereto as **Exhibit C**; has sufficient management resources; and is in full compliance with all obligations under any and all Franchise Agreements entered into between Franchisor and Developer pursuant to this Agreement, then during the term of this Agreement, Franchisor:

(a) will grant to Developer, in accordance with the provisions of Section 4, franchises for the ownership and operation of Franchised Restaurants to be located within the Development Territory; and

(b) will not operate (directly or through an affiliate), nor grant a franchise for the operation of any Franchised Restaurant to be located within the Development Territory, except such franchises as are granted to Developer pursuant to this Agreement.

2.03 Reservation of Rights. Except as otherwise expressly set forth in this Agreement, Franchisor (on behalf of itself and its affiliates) retains the right, in its sole discretion and without granting any rights to Developer:

(a) establish company or affiliate-owned restaurants, grant others the right to operate Franchised Restaurants, or grant other franchises that provide products or services outside of the Development Area, all without compensation to Developer.

(b) offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names, outside of the Development Area, all without compensation to Developer.

(c) grant others the right to operate restaurants or any other business within and outside the Development Area under trademarks other than the Proprietary Marks, including utilizing Franchisor's other marks, specifically licensed to Developer in each of the Franchise Agreements within or outside the Development Area, without compensation to Developer, except that Franchisor's operation of, or association or affiliation with, restaurants (through franchising or otherwise) in the Development Area that compete with the Franchised Restaurants in the steakhouse restaurant segment will only occur through some form of merger or acquisition with an existing restaurant chain (except as otherwise provided for in this subparagraph).

(d) offer and sell any food products, including any frozen, pre-packaged items or other products, under the Proprietary Marks, or other marks, through any distribution channel or method within or outside the Development Area, without compensation to Developer. The distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Development Area, all without compensation to Developer.

(e) offer or sell any products or services under any other marks through any other channels of distribution regardless of location.

(f) give, donate or contribute products associated with the System (now or in the future) to charitable and community organizations and events for fundraising and other events, and offer products associated with the System (now or in the future) for sampling by customers and organizations for product testing, promotions and demonstrations at any location except at Developer's Franchised Restaurants unless approved by Developer.

(g) conduct market research at Developer's Franchised Restaurants for reasons including, but not limited to, understanding customer demographics, customer psychographics, purchasing behavior, new product acceptance, and other similar purposes.

(h) implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

(i) upon expiration or termination of this Agreement, Developer will no longer have an exclusive Development Territory and each Franchised Restaurant will be limited to operating in its own Exclusive Area as defined in each Franchise Agreement.

2.04 Failure to Timely Open Locations. In the event Developer does not have the required number of Franchised Restaurants in Operation at the end of a Development Year, until such time as Developer has attained the Minimum Development Quota for such Development Year, and upon Franchisor's request, Developer shall pay to Franchisor, as a minimum royalty and service fee, the sum of Two Hundred Dollars ($200) per day multiplied by the number of Franchised Restaurants by which Developer is below the respective Minimum Development Quota. Acceptance of payment by Franchisor of such sums, which Franchisor may elect to decline in its sole discretion, shall preclude Franchisor from terminating this Agreement for the Development Year in which such payments are accepted (unless Developer ceases to make such payments, is in an Extension Term, or is otherwise in default) but shall not thereafter preclude Franchisor from exercising its termination rights pursuant to Section 8 herein.

2.05 Ownership of Franchised Restaurants. Developer must contribute some amount of personal capital to the development of each Franchised Restaurant and must own at least a fifty-one percent (51%) equity interest in each Franchised Restaurant developed pursuant to this Agreement. Under no circumstances may Developer enter into any sub-franchise or other license relationship with any unaffiliated third party for the operation of any Franchised Restaurant in the Development Territory.

3. RESTAURANT CLOSINGS

3.01 Damaged Franchised Restaurants. A Restaurant which is destroyed or rendered inoperable by fire or other casualty after having been open shall be deemed a Restaurant in Operation for purposes of the Minimum Development Quota if the Restaurant is repaired or rebuilt, and re-opened for business at the same location or at another location approved by Franchisor within one (1) year from the date of occurrence of such casualty.

3.02 Approval for Franchised Restaurant Closing. Franchisor shall have the sole right to approve or disapprove the permanent closing of a Franchised Restaurant within the Development Territory. Prior to closing any Franchised Restaurant, Developer shall submit a written request to Franchisor (in a form approved by Franchisor) containing a full explanation of Developer's reasons for desiring to close such Franchised Restaurant and requesting Franchisor's prior written approval for such closing. Franchisor may take into consideration such factors as it deems material, including, without limitation, the continued vitality of the location, Developer's rationale for the proposed closing, the gross sales experienced by the Franchised Restaurant, restaurant competition within the Franchised Restaurant's trade market, and such other factors as Franchisor deems appropriate for making its determination.

A Franchised Restaurant which is permanently closed with the approval of Franchisor after having been open for business shall be deemed a Franchised Restaurant in Operation for purposes of the Minimum Development Quota, if a substitute Franchised Restaurant is opened within twelve (12) months from the date of such closing. Such substitute Franchised Restaurant shall not otherwise count toward compliance with the Minimum Development Quota.

3.03 Remedies - Unapproved Closing. If a Franchised Restaurant is closed without the prior written approval of Franchisor, Franchisor may:

(a) terminate this Agreement;

(b) reduce the size of the Development Territory;

(c) eliminate Developer's exclusive rights to develop Franchised Restaurants in the Development Territory;

(d) reduce the number of Franchised Restaurants Developer may develop in the Development Territory; or

(e) in the event the Franchised Restaurant is re-opened by Developer as a restaurant other than a Stockade Companies concept restaurant engaged in the sale or preparation of steak or a combination of steak and/or other food items or services (for example, the use of buffets) similar to the principal food items or services approved by Franchisor from time to time for use in Franchised Restaurants or the food items or services of any other restaurant concept then operated, licensed or under development by the Franchisor, continue to charge Developer and Developer shall remit Royalty and Service Fees for the term remaining under the Franchise Agreement for the closed Franchised Restaurant at a rate equal to fifty percent (50%) of the average monthly royalty and service fee paid or payable by Developer during the twelve (12) month period immediately preceding the closing of the Franchised Restaurant.

4. GRANT OF FRANCHISES TO DEVELOPER

4.01 Conditions to Grant. Subject to the provisions of Section 2 herein, Franchisor agrees to grant franchises to Developer for the operation of Franchised Restaurants within the Development Territory, subject to all of the following conditions:

(a) Developer shall submit to Franchisor a complete site report (containing such demographic, commercial, and other information and photographs as Franchisor may reasonably require) for two (2) sites at which Developer proposes to establish and operate a Franchised Restaurant and which Developer reasonably believes to conform to the site selection criteria established by Franchisor from time to time. Developer may designate one (1) site as a primary site and one (1) site as a secondary site. Development of such proposed sites as a Franchised Restaurant Site shall be subject to Franchisor's prior written approval which will not be unreasonably withheld. Developer shall not submit a site to Franchisor for consideration which is within a three (3) mile radius of any Franchised Restaurant (wherever situated and operated by whomsoever) then open or under construction or under lease or purchase commitment for future construction. In the event Developer intends to develop a Franchised Restaurant at a site located within three (3) miles of the boundaries of the Development Territory, Developer agrees that Franchisor may, as a condition of approval for such site, require that the exclusive rights granted under this Agreement and the applicable Franchise Agreement shall be limited to a protected area that is smaller in size than a three (3) mile radius. Nothing contained herein, however, shall prevent Franchisor from operating (directly or through an affiliate) nor from granting a franchise for the operation of, any Franchised Restaurant located outside of the Development Territory, but within three (3) miles of the boundaries of the Development Territory.

(b) By delivery of written notice to Developer, Franchisor will approve or disapprove sites proposed by Developer for the operation of a Franchised Restaurant (an "**Approved Site**."). Franchisor agrees to exert its best efforts to deliver such notification to Developer within fifteen (15) days of receipt by Franchisor of complete site reports, financial statements, and all other materials requested by Franchisor, but Franchisor shall not be liable to Developer in any way for Franchisor's failure to deliver such notification to Developer within fifteen (15) days for any reason.

(c) Developer acknowledges that in order to preserve and enhance the reputation and goodwill of all Montana Mike's Steakhouse® restaurants and the goodwill of the Proprietary Marks, all Franchised Restaurants must be properly developed and operated. Accordingly, Developer agrees that Franchisor may refuse to grant to Developer a franchise for a proposed Franchised Restaurant unless Developer meets the financial capability standards set forth in **Exhibit C** and, in Franchisor's opinion, has sufficient management resources to operate an additional Franchised Restaurant. To this end, Developer shall furnish to Franchisor such financial statements and financial and other information regarding Developer and the development and operation of the proposed Franchised Restaurant including, without limitation, pro forma financial statements and investment and financing plans for the proposed Franchised Restaurant, as Franchisor may reasonably request.

4.02 Extension of Time to Develop. If Developer does not meet the required financial capability standards or if, in Franchisor's opinion, Developer does not have sufficient management resources to operate an additional Franchised Restaurant, Franchisor may, in its sole discretion, extend the time in which Developer must meet the Minimum Development Quota for the applicable Development Year for one (1) additional year. If at the end of such additional year, Developer is still not, in Franchisor's opinion, financially or otherwise qualified to develop the additional Franchised Restaurants in Operation required under the Minimum Development Quota, Franchisor may terminate this Agreement as set forth in Section 8.

4.03 Approval of Lease Terms. A lease for an Approved Site shall contain substantially the following provisions:

(a) "Notwithstanding anything contained in this lease to the contrary, Lessor agrees that without its consent, this lease and the right, title and interest of the Lessee thereunder, may be assigned by the Lessee to Stockade Franchising, LP, a Nevada limited partnership ("**Franchisor**"), or its designee, provided that Franchisor shall execute such documents evidencing its agreement to thereafter keep and perform, or cause to be kept or performed, all of the obligations of the Lessee arising under this lease from and after the time of such assignment. However, no assignment shall be effective until such time as Franchisor or its designee gives Lessor written notice of its acceptance of such assignment, and nothing contained in this Lease or any other document shall make Franchisor or any affiliate or designee a party to this Lease, or a guarantor of this Lease. Franchisor shall have the right to reassign or sublease the Lease to another franchisee or affiliate of Franchisor without first obtaining Lessor's consent and to thereby be released from any further liability under the Lease."

(b) "Lessee hereby agrees that Lessor may, upon the written request of Franchisor disclose to Franchisor all reports, information or data in Lessor's possession respecting sales made in, upon, or from the lease premises."

(c) "Lessor hereby agrees that upon the expiration or termination of the Franchise Agreement by and between Franchisor and Lessee, Franchisor may remove from the lease premises all signs, sign faces and other items identifying such lease premises as a franchisee of Franchisor."

(d) "In the event there is a default by Lessee under the terms of this Lease, or an attempted transfer by Lessee to an unaffiliated third party, Lessor shall give Franchisor written notice of such default or attempted transfer within a reasonable time after Lessor receives notice or develops knowledge of said occurrence. If Lessor gives Lessee a written notice of default, Lessor shall contemporaneously give Franchisor a copy of such notice. Franchisor shall have the right, but not the obligation, to cure such default on Lessee's behalf and Franchisor will notify Lessor whether it intends to cure such default within a reasonable period of time after receiving such notice from Lessor. Franchisor may exercise its rights to take an automatic assignment in accordance with the provisions of Section _____ upon receipt of a notice of default from Lessor. Franchisor shall have an additional fifteen (15) days from the expiration of Lessee's cure period in which to cure the default."

(e) "All notices to Franchisor shall be sent by certified mail, postage prepaid, to the following address:

Stockade Franchising, LP
1611 Chisholm Trail
Round Rock, Texas 78681
Attention: Chief Financial Officer

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

4.04 Offer of Franchise. Provided Developer shall have obtained lawful possession of an Approved Site, Franchisor shall offer to Developer a franchise to operate a Franchised Restaurant at the Approved Site by delivering to Developer a Franchise Agreement in due form for execution by Developer. The Franchise Agreement shall be executed by Developer (and its partners or shareholders) and returned to Franchisor within thirty (30) days of Developer's receipt of the Franchise Agreement along with payment of the Initial Franchise Fee. If Developer fails to timely execute the Franchise Agreement and pay the Initial Franchise Fee, Franchisor may, at its sole discretion, terminate its offer to grant to Developer a franchise to operate a Franchised Restaurant at such Approved Site and withdraw its approval of such site.

4.05 Subsequent Fees. Notwithstanding anything to the contrary contained in this Agreement, with respect to each Franchise Agreement executed by Developer pursuant to this Section 4:

(a) the Royalty and Service Fee charged Developer shall not exceed the then current Royalty and Service Fee (as defined in the Franchise Agreement attached hereto as **Exhibit A**) of each Franchised Restaurant in Operation;

(b) the total marketing expenditures required of Developer shall not exceed five percent (5%) of the annual Net Sales (as that term is defined in the Franchise Agreement attached hereto as **Exhibit A**) of each Franchised Restaurant in Operation.

5. DEVELOPMENT AND STORE FRANCHISE FEES

As partial consideration to induce Franchisor to enter into this Agreement, Developer shall pay to Franchisor the Area Development Fee and Initial Franchise Fees set forth below, the payment of all of which shall be punctually made when due.

5.01 Area Development Fee. Contemporaneously herewith, Developer shall pay to Franchisor the sum of __________________________ ($______) Dollars ("**Area Development Fee**") for the exclusive rights granted under Section 2, herein. Further, Developer expressly acknowledges and agrees that although the payments provided for in this Section 5.01 may be applied to partially cover the Initial Franchise Fees as provided in Section 5.02, such payments are nevertheless paid to Franchisor in consideration of the development rights granted hereunder and for the development opportunities lost or deferred by Franchisor as a result of granting such rights, as well as for all costs and expenses incurred by Franchisor in connection with this transaction. Accordingly, this sum shall be absolutely non-refundable, and is deemed to have been fully earned by Franchisor on the date this Agreement is signed by Developer, whether or not any Franchised Restaurants are ever opened by Developer in the Development Territory.

5.02 Initial Franchise Fees. Developer shall pay to Franchisor Initial Franchise Fees for each Franchised Restaurant "developed and opened" hereunder ("**Initial Franchise Fee**") in the amount of Franchisor's then-current Initial Franchise Fee. The Initial Franchise Fee shall be paid as provided by Section 4.04 herein. However, the amount of Initial Franchise Fees otherwise required to be remitted hereunder shall be aggregated and credited at the rate of Ten Thousand Dollars ($10,000) per Franchised Restaurant "developed and opened" hereunder up to and until an amount equal to the amount of the Area Development Fee has been so credited. In the event that Developer shall have executed this Agreement concurrently with a "transfer" to Developer of the type described in Section 10.04, in which one (1) or more Franchised Restaurants are transferred by a franchisee then in good standing ("**Conveying Franchisee**") to Developer and the Conveying Franchisee is then no longer obligated to develop Franchised Restaurants under the terms of any development or like agreements under which the Franchised Restaurants so transferred to Developer were developed, then the amount of Initial Franchise Fees otherwise required to be remitted hereunder shall be aggregated and credited up to and until the sum of ______________________________ Dollars ($___________), being an amount equal to the amount of the Area Development Fee remitted by Conveying Franchisee and not yet credited toward the payment of Initial Franchise Fees.

5.03 Non-Refundability of Fees. Developer expressly acknowledges and agrees that Developer shall have no right to recover from Franchisor, directly or indirectly, for any reason whatsoever, any payment made pursuant to this Section 5.

6. CONFIDENTIAL INFORMATION

Franchisor possesses certain types of confidential information, including, but not limited to, the ingredients, recipes, formulas, and methods of preparation and presentation of food products sold at Franchised Restaurants as well as the methods, techniques, formats, specifications, procedures, information, systems, and knowledge of and experience in the operation and franchising of Franchised Restaurants ("**Confidential Information**"). Franchisor will disclose the Confidential Information to Developer when rendering guidance and assistance to Developer under the terms of the Franchise Agreements, including by way of example, furnishing the standard architectural plans, the initial training program, and the Operations Manual ("**Manual**").

6.01 Limitation on Interest in Confidential Information. Developer acknowledges and agrees that, although Developer has the right to use the Confidential Information, Developer shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of Franchised Restaurants during the term of this Agreement and the respective Franchise Agreements, and that the use or duplication of the Confidential Information in any other family-style steak house or other business would constitute an unfair method of competition, it being understood that the operation of another restaurant concept by Developer as a duly franchised franchisee of Franchisor shall not constitute a breach of the Section 6.01.

6.02 Confidential Use of Confidential Information. Developer acknowledges and agrees that the Confidential Information is proprietary, may involve trade secrets of Franchisor, and is disclosed to Developer solely on the express condition that Developer agrees, and Developer does hereby agree, that Developer:

(a) shall not use the Confidential Information in the operation of any other family-style steak house restaurant or other business or capacity (including any other restaurant engaged in the sale or preparation of steak and/or other food items or services [for example the use of buffets] similar to the principal food items or services approved by Franchisor from time to time for use in the Franchised Restaurants);

(b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) shall not make any authorized copy, duplicate, record or otherwise reproduce all or any portion of the Confidential Information disclosed in written form;

(d) shall never contest the validity of Franchisor's exclusive ownership of and rights to the System or the Confidential Information; and

(e) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor in the Manual or otherwise to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure thereof to employees, officers, and directors of Developer and the use of non-disclosure and non-competition clauses as prescribed by Franchisor for use in employment agreements with any of Developer's employees who have access to the Confidential Information.

Notwithstanding the foregoing, the operation of another restaurant concept by Developer as a duly franchised franchisee of Franchisor shall not constitute a breach of this Section 6.02.

6.03 Exception to Restrictions on Confidential Information. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Developer's disclosure and use of the Confidential Information shall not apply to the following:

(a) information, processes, or techniques which are or become generally known in the family-style steak house restaurant industry, other than through disclosure (whether deliberate or inadvertent) by Developer;

(b) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Developer is legally compelled to disclose such information, provided Developer shall have used its best efforts, and shall have afforded

Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor, of confidential treatment for the information required to be so disclosed; and

(c) disclosure to Developer's employees to the extent necessary for the proper operation of the Franchised Restaurants.

6.04 Non-Competition Covenant - During Term. Developer acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would also be unable to encourage a free exchange of ideas and information among operators of Franchised Restaurants if franchised owners of Franchised Restaurants were permitted to hold interests in any competitive businesses, as described herein. Developer also acknowledges that Franchisor has granted the development rights to Developer herein set forth in part in consideration of, and in reliance upon, Developer's agreement to deal exclusively with Franchisor. Accordingly, during the term of this Agreement, Developer, any shareholder or partner (in the event Developer is either a corporation or partnership), or any spouse or unemancipated child of Developer or any shareholder or partner of Developer, shall not have any interest as an owner, investor, partner, lender, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity shall not directly or indirectly enter into the employ, or work in concert with or serve as consultant for, any person, partnership, corporation, association, organization or other entity engaged in the operation of a family-style steak house restaurant or any other restaurant engaged in the sale or preparation of steak or a combination of steak and/or other food items or services (for example, the use of buffets) similar to the principal food items or services then approved by Franchisor for use in Franchised Restaurants then in operation in Franchisor's System. Provided, however, the restriction contained in this Section 6.04 shall not apply to the ownership of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of such class of securities then issued and outstanding or the operation of another restaurant concept by Developer as a duly franchised franchisee of Franchisor.

6.05 Improper Disclosure. In the event Developer discovers that any of its current or former officers, directors, partners, Restaurant Managers (as defined in Section 3 of the Franchise Agreement), shareholders or related parties thereto are violating, have violated, or are commencing to violate the prohibitions on disclosure or reproduction of Confidential Information provided for herein, Developer shall immediately notify Franchisor of such violation. Franchisor shall seek such legal and equitable relief, including seeking monetary damages, as it deems necessary in its sole discretion. Any and all damages recovered by Franchisor pursuant to any such cause of action shall be the exclusive property of Franchisor. In the event it is determined that any of such damages have been caused by the willful or negligent behavior of Developer or due to the failure of Developer to properly supervise the actions of the individual found to be in violation of this Agreement, Franchisor shall be reimbursed by Developer for all costs and expenses, including attorneys' fees, that were incurred by Franchisor in pursuing such cause of action.

7. PROPRIETARY MARKS

7.01 Ownership of Proprietary Marks. Developer acknowledges that Franchisor owns the Proprietary Marks and that the Developer's right to use the Proprietary Marks is derived solely from this Agreement and the terms and conditions of the Franchise Agreements to be entered into between Developer and Franchisor for the purpose of operating Franchised Restaurants as contemplated hereunder. Any unauthorized use of the Proprietary Marks by Developer shall constitute a breach of this Agreement and an infringement of the rights of Franchisor in and to the Proprietary Marks. Developer acknowledges and agrees that all usage of the Proprietary Marks by Developer and any goodwill established or enhanced thereby shall inure to the exclusive benefit of Franchisor, except to the extent of profits, if any, realized by Developer during the term of this Agreement following which no value shall be attributable to any goodwill acquired or enjoyed by Developer pursuant to this Agreement and all right to use the System, Proprietary Marks, and all of the goodwill associated therewith, shall automatically revert to Franchisor. Developer further agrees that after the termination or expiration of this Agreement, it will not, except with respect to Franchised Restaurants operated by Developer pursuant to then valid Franchise Agreements with Franchisor, directly or indirectly, at any time or in any manner identify Developer or any business of Developer as a franchisee of, or otherwise associated with, Franchisor, nor shall Developer use in any manner or for any purpose any Proprietary Mark or other indicia of a Franchised Restaurant or any colorable imitation thereof. All provisions of this Agreement applicable to the Proprietary Marks shall apply to any additional proprietary, trade or service marks, and commercial symbols hereafter authorized for use by or licensed to Developer by Franchisor.

7.02 Prohibited Use of Proprietary Marks. Developer shall not use any Proprietary Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos duly licensed to Developer by Franchisor), or in any modified form, nor shall Developer use any Proprietary Mark in connection with any business or activity other than the business to be conducted by Developer pursuant to Franchise Agreements entered into between Developer and Franchisor, nor in any other manner not explicitly authorized in writing by Franchisor.

7.03 Infringement. Developer shall notify Franchisor in writing within three (3) days of its discovery of any apparent infringement of, or challenge to Developer's use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer shall not communicate with any person other than Franchisor, its counsel, or Developer's counsel in connection with any such infringement, challenge or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark proceeding or other administrative proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any Proprietary Mark or the System. Franchisor shall, at Franchisor's own cost and expense, vigorously defend Developer, to the court of first determination, against any challenge to Developer's use of any Proprietary Mark or right to use the System, or part thereof, or any claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, service mark or trade dress used in connection with the System or the business contemplated hereby except for proprietary rights in trade names, trademarks, or service marks arising under the common law and Franchisor shall indemnify Developer from any and all loss or damage Developer may suffer, whether a judgment against Developer or by a settlement consented to by Franchisor arising from such challenge or claim. Developer shall make no claim against Franchisor and shall hold Franchisor harmless from any and all, direct or indirect, costs, damages, demands, expenses, losses or liabilities suffered by Developer as a result of any modification of the Proprietary Marks or the System necessitated by such claim or challenge, including the costs of altering the Franchised Restaurants, or any reduction in sales revenues or profits, or increased capital expenditures or operating costs resulting from such modification and occasioned by any litigation arising out of any such claim or challenge relating to Developer's use of any Proprietary Mark or right to use the System, or part thereof. Provided further, Developer shall waive any and all past, present or future claims, demands, or actions it may have against Franchisor arising from such litigation except as provided in the foregoing provision of this Section 7.03. Developer agrees to and shall execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding, other administrative proceeding, or to otherwise protect and maintain the interests of Franchisor in the Proprietary Marks.

7.04 Discontinuance of Use of Proprietary Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Developer to modify or discontinue use of any Proprietary Mark, and/or to use one (1) or more additional or substitute trade or service marks, Developer agrees to and shall comply, at Developer's sole cost, with Franchisor's discretion to modify or otherwise discontinue the use of such Proprietary Mark within a reasonable time after notice thereof has been given by Franchisor.

8. TERMINATION

8.01 Grounds for Termination. Franchisor may terminate this Agreement, effective upon delivery of notice of termination to Developer, if:

(a) Developer fails to meet the Minimum Development Quota set forth in Section 2.04. Upon the occurrence of such an event of default, Franchisor may terminate and cancel this Agreement as to some or all future Franchised Restaurants which Developer may otherwise have then had the right to open in the Development Territory, but this Agreement shall remain in effect as to all Franchised Restaurants already then opened by Developer and then in full operation, and those under construction but not actually in full operation on the date such event of default occurs. Upon such termination, the exclusive rights reserved by this Agreement shall be confined to only the area(s) within the Exclusive Area(s) as that term is defined by the applicable Franchise Agreements of each Franchised Restaurant opened by Developer prior to termination of this Agreement pursuant to this Section 8;

(b) Developer (or any shareholder or partner, if Developer is a corporation or partnership) makes an unauthorized assignment or transfer of this Agreement or any ownership interest in Developer, or any interest in any Franchised Restaurant developed or right granted pursuant hereto;

(c) Developer (or any shareholder or partner, if Developer is a corporation or partnership) has made any material misrepresentation or omission in its application for the acquisition of the development rights conferred by this Agreement;

(d) Developer (or any shareholder or partner, if Developer is a corporation or partnership and if Developer fails to terminate such shareholder's or partner's interest in Developer within ninety [90] days thereof) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the System, the Proprietary Marks, the goodwill associated therewith, Franchisor's interest in the System and the Propriety Marks, or the reputation of Developer;

(e) Developer (or any shareholder or partner, if Developer is a corporation or partnership) makes any unauthorized use of the Proprietary Marks or unauthorized use or disclosure of the Confidential Information or any portion thereof;

(f) Developer fails to timely remit the Initial Franchise Fee payments specified in Section 5.02, or Royalty and Service Fee payments or Marketing Expenditures specified in Section 4.05, or the payments specified in Section 3.03;

(g) Developer fails or refuses to comply with any other provision of this Agreement and does not correct such failure, or undertake reasonable and continuing efforts to correct such failure, within thirty (30) days after written notice of such failure to comply is delivered to Developer;

(h) Developer fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement (including for example, the failure to timely pay all payments when due), whether or not such failures to comply are corrected after notice thereof is delivered to Developer;

(i) Franchisor has delivered to Developer a notice of termination of one (1) or more Franchise Agreements in accordance with their respective terms and conditions; or

(j) Developer makes a general assignment for the benefit of its creditors, applies for or consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, has an involuntary petition in bankruptcy filed against it (which is not released within ninety [90] days), or fails to pay its debts and obligations as they mature in accordance with normal business practices.

8.02 Efforts to Resolve Termination Disputes Other Than by Termination. Acts of Franchisor undertaken in the course of efforts to resolve a termination dispute, or a dispute for which termination is a possible remedy, shall be deemed to have been undertaken without prejudice to the rights asserted by Franchisor and shall not constitute a waiver or relinquishment of those rights. In the event Franchisor continues to engage in franchised operations while a dispute is pending that fact, and/or the receipt of monthly payments and the furnishing by Franchisor of information and service essential to such operations, shall not constitute a waiver or relinquishment of Franchisor's rights. Franchisor may, at its option and without waiving its right to terminate, seek any form of relief or remedy available to it under common law or statute for any breach of this Agreement including but not limited to, the right to damages, injunctive relief, declaratory orders or specific performance.

9. EFFECT OF TERMINATION AND EXPIRATION

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

9.02 Restrictive Covenant - Post Term. Upon termination or expiration of this Agreement, and for a period of three (3) years thereafter and for a period of three (3) years after any authorized or unauthorized transfer, assignment, or disposition of any of Developer's rights and interests hereunder, Developer, any shareholder or partner (in the event Developer is a corporation or partnership) or any spouse or unemancipated child of Developer, any shareholder, or partner of Developer, shall not have any interest as an owner, investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, or in any other capacity shall not directly or indirectly enter into the employ, or work in concert with or serve as consultant for, any person, partnership, corporation, association, organization or other entity engaged in the operation of a family-style steak house restaurant or any other restaurant engaged in the sale or preparation of steak or a combination of steak and/or other food items or services (for example, the use of buffets) similar to the principal food items or services then approved by Franchisor for use in Franchised Restaurants then in operation in the System, which has in operation or is planning to open a restaurant either (i) within the Development Territory or (ii) within a radius of fifty (50) miles from any Franchised Restaurant (wherever situated and operated by whomsoever) then open or under construction or under lease or purchase commitment for future construction except for the ownership of a class of securities listed on a stock exchange or traded on the over-the-counter market which represent five percent (5%) or less of the number of shares of such class of securities then issued and outstanding. Notwithstanding the foregoing, the operation of another restaurant concept by Developer as a franchisee of Franchisor shall not constitute a breach of this Section 9.02.

9.03 Franchisor has Right to Purchase the Franchised Restaurants. In addition to the rights provided to Franchisor under Section 10.08, upon termination of this Agreement under Section 8 or upon termination by Franchisor of any Franchise Agreement granted to Developer hereunder, Franchisor shall have the option, exercisable by giving written notice thereof within thirty (30) days from the date of such termination to purchase from Developer all the assets of the Franchised Restaurant operated by Developer or an affiliate of Developer pursuant to this Agreement (or the assets of any one [1] or more such Franchised Restaurants). Assets shall include, without limitation, inventories of saleable merchandise, utensils, materials, supplies, leasehold improvements, fixtures, furniture, furnishings, equipment, signs, and Developer's leases for the premises. Franchisor shall have the option to purchase the capital stock of Developer instead of the assets of the Franchised Restaurant. In the event Developer owns any of the premises, Developer shall grant to Franchisor or its assignee standard commercial leases at fair market rental for initial terms of ten (10) year each with not less than one (1) ten (10) year renewal option. Franchisor shall have the unrestricted right to assign its option to purchase.

Franchisor or its assignee shall be entitled to all customary warranties and representations in connection with its asset or stock purchase as set forth in **Exhibits D** and **E** hereof. The purchase price for the assets of the Franchised Restaurants (or the capital stock of Developer) shall be determined as follows:

Franchisor shall appoint one (1) qualified individual as an appraiser and Developer shall appoint one (1) qualified individual as an appraiser. The appraisers so appointed shall determine the fair market value of the assets of the Franchised Restaurants or the capital stock of Developer, as the case may be. In the event the two (2) appraisers are unable to agree upon the fair market value of such assets or capital stock, as the case may be, within thirty (30) days after their appointment, they shall select and designate one (1) additional appraiser for this purpose whose appointment shall be binding upon all parties. In the event any appraiser should become unable or unwilling to serve, a substitute shall be appointed by the party originally selecting him. In the event that the two (2) appraisers first appointed shall be unable to agree upon a third appraiser, such appraiser shall be appointed by the most senior federal judge presiding at the federal district court located in Austin, Texas.

The purchase price may be paid, at the option of Franchisor, in cash, by delivery of a note, if the Franchisor is "publicly-owned" also by delivery of Franchisor's stock, or by any combination of cash, notes, and capital stock. Developer acknowledges and agrees that any capital stock delivered by Franchisor in partial or complete payment of the purchase price may not be freely transferable by Developer without registration of said stock, the obtaining of an exemption from registration, and/or the rendering of an opinion of counsel satisfactory to Franchisor's counsel that said stock may subsequently be transferred without registration. Accordingly, any capital stock issued in full or partial payment of the purchase price shall bear a legend so stating.

The closing shall take place no later than ninety (90) days after receipt by Developer of Franchisor's notice of exercise of this option to purchase, at which time Developer shall deliver instruments transferring to Franchisor or its assignee:

(a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Developer; and

(b) all licenses for the Franchised Restaurant(s), or permits which may validly be assigned or transferred.

In the event that Developer cannot deliver clear title to all of such purchased assets, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished by means of an escrow. Further, Developer and Franchisor shall, prior to closing, comply with the applicable Bulk Sales provisions of the Uniform Commercial Code of the state or states where the Franchised Restaurant(s) is(are) located. Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by Developer to Franchisor. If Franchisor exercises its option to purchase, then pending the closing of such purchase as hereinabove provided, Franchisor shall have the right to appoint restaurant managers to maintain the operation of any or all of such purchased Franchised Restaurants. Alternatively, Franchisor may require Developer to close the Franchised Restaurant(s) during such time period without removing therefrom any assets.

10. TRANSFER

10.01 By Franchisor. This Agreement is fully transferable by Franchisor and shall inure to the benefit of any transferee or other legal successor to the interests of Franchisor. Franchisor shall be fully released from any further liability to Developer upon assignment of this Agreement to any unaffiliated third party.

10.02 Developer May Not Transfer Without Approval of Franchisor. Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer or its owner and that Franchisor has granted development rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Developer or its owner. Accordingly, neither this Agreement (or any interest herein), any part or all of the ownership of Developer, any Franchised Restaurant (or any interest therein) developed pursuant to this Agreement, nor any franchise (or any interest therein) granted pursuant to this Agreement, may be transferred without the prior written approval of Franchisor, and any such transfer without such approval shall constitute a breach of this Agreement and convey no rights to or interests in this Agreement, Developer, any Franchised Restaurant, or any franchise. Further, Developer shall not transfer to any third party any part of the development rights granted to Developer pursuant to Section 2.02 with respect to any geographic area located within the Development Territory unless said area shall be at least as large as a county or comparable political subdivision ("**Transferable Territory**"). Provided further, Developer shall not transfer a Transferable Territory unless there shall then be open for business and Developer shall be operating not less than one (1) Franchised Restaurant for each seventy-five thousand (75,000) person population, or a part thereof, located in the Transferable Territory. Provided, further, any transfer or series of transfers by Developer which shall result in Developer no longer having controlling ownership in any Franchised Restaurants operating within the Development Territory and the Franchise Agreements under which they are licensed by Franchisor shall then cause this Agreement to immediately terminate without further action by Franchisor or notice to Developer.

10.03 Definition of "Transfer." As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect, assignment, sale or other transfer by Developer or its owner of any interest in this Agreement, any part or all of the ownership of Developer, any Franchised Restaurant or any interest in any Franchised Restaurant developed pursuant to this Agreement, or any franchise or any interest therein granted pursuant to this Agreement, including, without limitation:

(a) the transfer of ownership of capital stock or partnership interest;

(b) merger or consolidation, or issuance of additional securities representing an ownership interest in Developer;

(c) sale of common stock of Developer sold pursuant to a private placement or registered public offering;

(d) transfer of interest in Developer, any franchise granted pursuant hereto, or any Franchised Restaurant operated pursuant hereto, in a divorce proceeding or otherwise by operation of law; or

(e) transfer of an interest in Developer, any franchise granted pursuant hereto, or any Franchised Restaurant operated pursuant hereto, in the event of the death of Developer or an owner of Developer, by will, declaration of or transfer in trust, or under the laws of intestate succession.

10.04 Conditions for Approval of Transfer. If Developer and its owner are in full compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section 10.04. The proposed transferee or its owner must be an individual of good moral character and otherwise must meet Franchisor's then applicable standards for Developers. A transfer of ownership in any Franchised Restaurant, except as otherwise provided herein, may only be made in conjunction with a transfer of this Agreement. If the transfer is of a non-controlling interest in Developer or is not one of a series of transfers which in the aggregate constitutes the transfer of a controlling interest in Developer, then, as a bare minimum, and without in any way limiting its discretion, Franchisor may require, prior to its consent, that the transferee must agree to be bound by all terms and conditions of this Agreement, including the guaranty and assumption of obligations agreement attached hereto. If the transfer is of a controlling interest in Developer, or is one (1) of a series of transfers which in the aggregate constitute the transfer of a controlling interest in Developer, as a bare minimum, and without in any way limiting its discretion, Franchisor may require prior to its consent that all of the following conditions be met prior to, or concurrently with, the effective date of the transfer:

(a) the transferee must have sufficient business experience, aptitude, and financial resources to develop the Development Territory;

(b) Developer must pay such Royalty and Service Fees, marketing contributions, termination payments, and other amounts owed by Developer to Franchisor or its affiliates which are then due and unpaid;

(c) the transferee or its designated operations managers and all new "Restaurant Managers" as specified in Section 3 of the Franchise Agreement must have successfully completed Franchisor's training program;

(d) the lessors of the premises of any applicable Franchised Restaurants must have consented to the assignment or sublease of said premises to the transferee;

(e) the transferee shall execute Franchisor's Area Development Agreement then being offered to prospective franchisees of Franchisor (except that the assignee shall not be obligated to pay the Area Development Fee and the term thereof shall expire on the stated expiration date of this Agreement);

(f) Developer or the transferee must reimburse Franchisor for all training and other expenses reasonably incurred by Franchisor in connection with the transfer;

(g) Developer and its owner must execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees and agents;

(h) Developer and its owner must enter into an agreement with Franchisor providing that all obligations of the transferee to make installment payments of the purchase price or interest thereon to Developer or its owner, if any, shall be subordinate to the obligations of the transferee to pay Royalty and Service Fees, marketing contributions, termination payments, and obligations for purchases from Franchisor or its affiliates;

(i) the material terms and conditions of such transfer are reasonable, including without limitation, that in Franchisor's reasonable discretion the price and terms of payment are not so burdensome as to adversely affect the transferee's ability to perform under this Agreement or any applicable Franchise Agreement;

(j) Developer and its transferring owner must execute a non-competition covenant in favor of Franchisor with the transferee agreeing that for a period of not less than three (3) years, commencing on the effective date of the transfer, the transferee and its owners, in accordance with the provisions of Section 9.02, shall not have any interest as an owner, investor, lender, partner, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity, shall not directly or indirectly enter into the employ, or work in concert with or serve as consultant for, any person, partnership, corporation, association, organization, or other entity engaged in the operation of a family-style steak house restaurant or any other restaurant engaged in the sale or preparation of steak and/or other food items or services (for example, the use of buffets) similar to the principal food items or services then approved by Franchisor for use in Franchised Restaurants.

10.05 Excepted Transfers. If the proposed transfer is to or among owners of Developer or to or among the spouse or children of Developer, or an owner of Developer, Subsection (6) of Section 10.04 shall not apply. Further Subsection (8) of Section 10.04 shall not apply to transfers by gift, bequest, or inheritance. If the proposed transfer is to or among owners of Developer or to or among the spouse or children of Developer, or an owner of Developer, then Subsection (5) of Section 10.04 shall not apply if all obligations of Developer and its owner incurred in connection with this Agreement and any applicable Franchise Agreements granted pursuant to this Agreement and any applicable Franchise Agreements are assumed by such transferee(s).

10.06 Death or Disability of Developer. Upon the death or permanent disability of Developer or, if Developer is a corporation or partnership, the owner of a controlling interest in Developer, the executor, administrator, conservator, or other personal representative of such person shall transfer his interest in this Agreement or such interest in Developer to a third party approved by Franchisor. Such disposition of this Agreement or such interest in Developer (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed twelve (12) months, from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to transfers contained in

Section 10.04 herein. Failure to so dispose of this Agreement or such interest in Developer within said period of time shall constitute a breach of this Agreement.

10.07 Effect of Consent to Transfer. Franchisor's consent to a transfer of this Agreement or any interest in Developer subject to the restrictions of this Section 10 shall not constitute a waiver of any claims Franchisor may have against Developer, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

10.08 Franchisor's Right of First Refusal. During the term of this Agreement or for a period of one (1) year after Developer closes any Franchised Restaurant whether with or without the consent of Franchisor, if Developer or its owner shall at any time determine to sell an interest in this Agreement or an ownership interest in Developer or a Franchised Restaurant, Developer or its owner shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor. Franchisor shall then have the first right, exercisable by written notice delivered to Developer or its owner within thirty (30) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer. Franchisor shall have not less than sixty (60) days to prepare for closing. In the event all or any part of the consideration offered to Developer for the rights granted hereunder shall consist of common or preferred stock or debt securities of any tendering entity, and in the event Franchisor is either a "public company" or a "public reporting company" as those terms are defined under the federal securities laws, Franchisor shall be deemed to have matched any such offer by offering its common or preferred stock or debt securities with a market value equivalent to the market value of the securities of the entity making such offer to Developer or cash in an amount equal to the market value of the securities making such offer to Developer. In the event Franchisor is privately-owned, Franchisor shall be deemed to have matched such third party's offer by itself offering cash in an amount equal to the market value of the securities of the entity making such offer to Developer. In the event all or any portion of the consideration offered Developer consists of unique assets, Franchisor shall be deemed to have matched such offer by offering cash in an amount equivalent to the market value of the unique assets tendered by the entity making such offer to Developer. Further, Franchisor's creditworthiness shall be deemed equal to the credit rating of any proposed purchaser. Franchisor shall be entitled to all customary representations and warranties as set forth in **Exhibits D** and **E** hereof. If Franchisor does not exercise its right of first refusal, Developer or its owner may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to Franchisor's approval of the purchaser as provided in Sections 10.02 and 10.04 of this Section 10. Provided, if the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to Franchisor, or there is a material change in the terms and conditions of the sale, Franchisor shall then again have the right of first refusal herein provided.

10.09 Public or Private Offerings. In the event Developer shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred capital stock, bonds, debentures, or partnership interests), Developer, recognizing that the offering literature used with respect thereto may reflect upon Franchisor, agrees to submit all such literature or prospectuses to Franchisor and to obtain the written approval of Franchisor of the method of financing prior to any offering or sale of said securities.

Each prospectus, circular, or other literature utilized in any such offering shall, at Franchisor's discretion, contain the following language in bold face type on the first textual page thereof:

> "Stockade Franchising, LP has not been asked to and has not passed upon the accuracy or adequacy of the statements made herein nor is it nor will it be responsible for the inaccuracy or inadequacy of such statements. Stockade Franchising, LP will not share in any of the proceeds of this offering and makes no recommendation respecting the advisability of purchasing the investment contemplated by this offering."

Developer agrees to indemnify and hold Franchisor, its officers, directors, employees, and agents harmless from any and all claims, demands or liabilities arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right to defend any such claims with counsel of its own choosing but at Developer's sole cost and expense.

11. ENFORCEMENT

11.01 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary herein, each part, section, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such provision of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in final ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. Provided, any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Developer is a party thereto, or otherwise from the date Developer receives notice of non-enforcement thereof from Franchisor. To the extent that either Section 6 or Section 9 are deemed unenforceable by virtue of their scope in terms of area, business activity prohibited, and/or length of time, but either Section may be made enforceable by reductions of any or all thereof, Developer and Franchisor agree that the appropriate Section shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by Franchisor is invalid or unenforceable, the prior notice and/or action required by such law or rule shall be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Developer agrees to and shall be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party or from reducing the scope of any promise or covenant to the extent required to comply with such court order. Such modifications to this Agreement shall be effective only in such jurisdiction unless Franchisor elects to give them greater applicability and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

11.02 Waiver of Obligations. Franchisor or Developer may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request therefor, and such approval shall only be relied upon when obtained in writing.

Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by granting any waiver, approval, or consent to Developer or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Developer of thirty (30) days prior written notice.

Franchisor and Developer shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant herein, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of Franchisor or Developer to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure, or omission by Franchisor to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any Franchised Restaurant or the terms and conditions of this or any other Development Agreement or Franchise Agreements therefor; any grant of a Franchise Agreement to Developer, or the acceptance by Franchisor of any payment from Developer after any breach of this Agreement.

11.03 Limitations on Liability. Unless stated to the contrary elsewhere herein, neither Franchisor nor Developer shall be liable for any loss or damage nor deemed to be in breach of this Agreement if its failure to perform its obligations results from:

(a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any Federal, state or municipal government or any department or agency thereof;

(b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof;

(c) acts of God;

(d) acts or omissions of the other party;

(e) fires, strikes, embargoes, war, or riot; or

(f) any other similar event or cause.

Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Royalty and Service Fees, Initial Franchise Fees, Area Development Fees, or other fees due thereafter.

11.04 Specific Performance/Injunctive Relief. Nothing herein contained shall bar Franchisor's or Developer's right to obtain specific performance of the provisions of this Agreement and to obtain injunctive relief under customary equity rules against threatened conduct that will cause it loss or damage, including applicable rules for obtaining restraining orders and preliminary injunctions. Developer agrees that Franchisor may obtain 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. Developer further agrees that its sole remedy, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly had and all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived hereby unless against the public policy of the forum in which the proceeding was brought.

11.05 Rights of Parties are Cumulative. The rights of Franchisor and Developer hereunder are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy hereunder (including Franchisor's termination rights provided for in Section 3.03 herein) shall preclude the exercise or enforcement by Franchisor or Developer of any other right or remedy hereunder or which Franchisor or Developer is entitled by law or equity to enforce.

11.06 Governing Law/Consent to Jurisdiction. Except to the extent governed by the United States Trademarks Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.), this Agreement shall be governed by the laws of the State of Texas.

Except as expressly set forth in Section 14 regarding the duty of the parties to arbitrate disputes arising from their relationship under this Agreement, Developer agrees that Franchisor may institute any action against Developer for injunctive relief required to protect Franchisor's Proprietary Marks or other property rights or enforcement of Developer's and Developer's owner's confidentiality and non-competition covenants in any state or Federal court of general jurisdiction in the State of Texas and Developer irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

11.07 Binding Effect/Modification. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

11.08 Construction. This Agreement, together with the Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Franchise Disclosure Document as **Exhibit H**, constitutes the entire understanding and agreement between Developer and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement or the System. Nothing in the Area Development Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

The headings of the several Sections hereof are for convenience only and do not define, limit, or construe the contents of such Sections.

The term "**affiliate**" as used herein is applicable to any company directly or indirectly owned or controlled by Franchisor that sells products or otherwise transacts business with Developer.

The term "**Developer**" as used herein is applicable to one (1) or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Developer hereunder, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "transferee" which are applicable to an individual or individuals shall mean the owner(s) of the equity or operating control of Developer or the assignee, if Developer or the transferee is a corporation or partnership. References to a controlling interest in Developer shall mean ten percent (10%) or more of the equity or voting control of Developer, if Developer or the transferee is a corporation or partnership.

11.09 Counterparts. This Agreement may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one document

11.10 Consent. Except where this Agreement expressly obligates Franchisor to reasonably approve or not unreasonably withhold its approval of any action or request by Developer, Franchisor has the absolute right to refuse any request by Developer or to withhold its approval of any action by Developer for any reason whatsoever.

11.11 Accounting Periods. Wherever the terms "month" or "year" are used in reference to accounting periods, the term shall be deemed to mean Developer's accounting period provided that Developer's "year" shall be comprised of twelve (12) substantially equal monthly units.

12. INDEPENDENT CONTRACTORS/INDEMNIFICATION

Franchisor and Developer are independent contractors. Neither Franchisor nor Developer shall be obligated by or have any liability under any agreements, representations, or warranties made by the other that are not expressly authorized hereunder, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of

Developer's business conducted pursuant to this Agreement, whether or not caused by Developer's negligent or willful action or failure to act to the relative extent such damages do not arise out of Franchisor's negligence, wrongful act or improper failure to act. Franchisor shall have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied upon Developer or its assets or upon Franchisor in connection with the business conducted by Developer, or any payments made by Developer to Franchisor pursuant to this Agreement or a Franchise Agreement. Developer agrees to indemnify Franchisor against and to reimburse Franchisor for all such obligations, damages, and taxes for which it is held liable and for all costs reasonably incurred by Franchisor in the defense of any such claim brought against it or in any action in which it is named as a party, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. Franchisor shall have the right to defend any such claim against it. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

13. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this **Agreement** shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by telegraph or comparable electronic system or three (3) business days after being placed in the U.S. Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

Any notice, consent, approval, demand or other communication to be given, made or provided for under this **Agreement** shall be in writing and deemed to be fully given by its delivery personally to the person or persons specified below, by being sent electronically to the email address of the persons specified below, by facsimile transmission, by registered or certified mail, return receipt requested, or by recognized courier service to the following addresses, or to such other address or to the attention of such other person as any party hereto shall hereafter specify by written notice to the other party:

If to Franchisor:

Stockade Franchising, LP
1611 Chisholm Trail
Round Rock, Texas 78681
Attn: Chief Operating Officer
Facsimile: (512) 297-2578

If to Developer:

____
____
____
Attn: ______________________________
Facsimile: __________________________

14. ARBITRATION AND DISPUTE RESOLUTION

14.01 Duty to Arbitrate. Except in the case of any Franchisor-sponsored dispute resolution program created in accordance with Section 14.04, the parties agree that any and all controversies, claims and disputes between them arising out of or related to this Agreement that cannot be amicably settled shall be finally resolved by submitting such matter to the American Arbitration Association ("**AAA**") in either Denver, Colorado or Austin, Texas, in Franchisor's sole discretion, for binding arbitration under the AAA's Commercial Arbitration Rules. A single arbitrator shall be selected in accordance with standard AAA procedure. In accordance with the terms of the Federal Arbitration Act, the arbitrator shall hear the dispute in either Denver, Colorado or Austin, Texas, as selected by Franchisor. Each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding. Developer knows, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Developer or its owners shall be of Developer's (or its owner's) individual claims and that the claims subject to arbitration shall not be arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis and Developer and its owners hereby waive any right it or they may assert to have its or their claims arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis.

14.02 Franchisor's Right to Seek Injunctive Relief. Notwithstanding any provision contained in this Section 14, Franchisor may, at its sole option, institute an action or actions for temporary or preliminary injunctive relief or seeking any other temporary or permanent equitable relief against Developer that may be necessary to protect its Proprietary Marks or other rights or property. However, in Franchisor's sole discretion, the final right of determination of the ultimate controversy, claim or dispute shall be decided by arbitration as aforesaid and recourse to the courts shall thereafter be limited to seeking an order to enforce an arbitral award. In no event shall Developer be entitled to make, Developer shall not make, and Developer hereby waives, any claim for money damages by way of set-off, counterclaim, defense or otherwise based upon any claim or assertion by Developer that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by the Developer under any of the terms of this Agreement. The Developer's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

14.03 Location of Agreement. Developer, the Developer's owners and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Round Rock, Texas, and further acknowledge that the performance of certain obligations of Developer arising under this Agreement, including the payment of monies due hereunder, shall occur in Round Rock, Texas.

14.04 Franchisor's Right to Develop Alternative Dispute Resolution Programs. Without limiting any of the foregoing, Franchisor reserves the right, at any time, to create a dispute resolution program and related specifications, standards, procedures and rules for the implementation thereof to be administered by Franchisor or its designees for the benefit of all developers and franchisees conducting business under the System. The standards, specifications, procedures and rules for such dispute resolution program shall be made part of the Manual, and Developer shall comply with all such standards, specifications, procedures and rules in seeking resolution of any claims, controversies or disputes with or involving Franchisor or other developers or franchisees, if applicable under the program. If Franchisor makes such dispute resolution program mandatory, Developer and Franchisor agree to submit any claims, controversies or disputes arising out of or relating to this Agreement or the relationship created by this agreement for resolution in accordance with such dispute resolution program prior to seeking resolution of such claims, controversies or disputes in the manner described in Sections 14.01 and 14.02 (provided that the provisions of Section 14 concerning Franchisor's right to seek relief in a court for certain actions including for injunctive or other extraordinary relief shall not be superseded or affected by this Section 14.04) or if such claim, controversy or dispute relates to another developer or franchisee, Developer agrees to participate in the program and submit any such claims, controversies or disputes in accordance with the program's standards, specifications, procedures and rules, prior to seeking resolution of such claim by any other judicial or legally available means.

14.05 Waiver of Certain Damages. Developer and Developer's owners waive, to the fullest extent permitted by law, any right to or claim of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Developer and Developer's owners shall be limited to the recovery of any actual damages sustained by it or them. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) shall continue in full force and effect.

15. ACKNOWLEDGMENTS

15.01 Developer's Investigation. Developer acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Developer. Franchisor expressly disclaims making, and Developer acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

15.02 Receipt of Agreements; Time to Consider. Developer acknowledges that Developer has received, read and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Developer sufficient time and opportunity to consult with advisors selected by Developer about the potential benefits and risks of entering into this Agreement.

15.03 Compliance with Franchise Law. Developer acknowledges that it received a complete copy of this Agreement and all related Attachments and agreements at least five (5) business days prior to the date on which this Agreement was executed. Developer further acknowledges that it has received the disclosure document required by the Trade Regulation

Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least ten (10) business days prior to the date on which this Agreement was executed.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement in __________ or more counterparts on the day and year first above written.

Franchisor:

STOCKADE FRANCHISING, LP

By: Stockade Franchising Management, LLC,
its General Partner

By: ____
Doug Frieling, Manager

Developer:

If a Corporation or Limited Liability Company:

____
Printed Corporate or LLC's Name

By: ____

____
Printed Name

Title: ____

If an Individual:

____
Signature

____
Print Name

If a Limited Partnership

____
Printed Limited Partnership's Name

By: ____
General Partner

____
Print Name

Title: ____

EXHIBIT A

FRANCHISE AGREEMENT

TO AREA DEVELOPMENT AGREEMENT BY AND BETWEEN

STOCKADE FRANCHISING, LP

AND

____

DATED

____

See **Exhibit F** to Franchise Disclosure Document

EXHIBIT B

DEVELOPMENT TERRITORY AND DEVELOPMENT SCHEDULE

TO AREA DEVELOPMENT AGREEMENT BY AND BETWEEN

STOCKADE FRANCHISING, LP

AND

____

DATED

____

The **Development Territory** referred to in Section 1 of the captioned Agreement shall be:

Development Obligations. Developer acknowledges and agrees that, in addition to the Area Development Fee and Initial Franchise Fee for each Franchised Restaurant payable pursuant to Section 5, a material inducement for Franchisor entering into this Agreement is Developer's representation that it can establish Franchised Restaurants at the times and rates set forth below, and Developer acknowledges that full compliance with the Development Schedule is of the essence to Franchisor and to this Agreement. Developer shall during the term of this Agreement at all times faithfully, honestly, and diligently perform its obligations hereunder and shall continuously exert its best efforts to promote and enhance the development of Franchised Restaurants within the Development Territory. Without limiting the foregoing obligation, Developer shall have open and in operation the following number of Franchised Restaurants ("**Franchised Restaurants in Operation**") at the end of ___________________, 20____, or each Development Year ("**Minimum Development Quota**") as set forth below:

Aggregate Number of Franchised Restaurants in Operation	At End of Development Year
	No. 1
	No. 2
	No. 3
	No. 4
	No. 5

Notwithstanding Section 2.01, Developer may extend the term of this Agreement for an indefinite number of successive one (1) year terms ("**Extension Term**"), provided Developer has timely complied with the Minimum Development Quota and that thereafter Developer shall have developed and opened not less than one (1) additional Franchised Restaurant on or before the end of each succeeding Development Year. If Developer fails to develop at least one (1) additional Franchised Restaurant in any Development Year during an Extension Term, then this Agreement shall automatically terminate without the necessity of any notice from Franchisor to Developer.

ACKNOWLEDGED:

FRANCHISOR:	**DEVELOPER:**
STOCKADE FRANCHISING, LP	______________________________
By: Stockade Franchising Management, LLC, its General Partner	
By: ______________________________	By:______________________________
Doug Frieling, Manager	Name:: ______________________________
	Its: ______________________________

EXHIBIT C

FINANCIAL CAPABILITY STANDARDS

TO AREA DEVELOPMENT AGREEMENT BY AND BETWEEN

STOCKADE FRANCHISING, LP

AND

____

DATED

____

The Financial Capability Standards referred to in Section 2.02 of the above-captioned Agreement shall be:

FRANCHISOR:	**DEVELOPER:**
STOCKADE FRANCHISING, LP	____________________________________
By: Stockade Franchising Management, LLC, its General Partner	
By: __________________________________	By:__________________________________
Doug Frieling, Manager	Name:: _______________________________
	Its: __________________________________

EXHIBIT D

MINIMUM ASSET PURCHASE WARRANTIES

(a) Seller is a duly organized and validly existing corporation in good standing under the laws of the State of ___________________.

(b) Seller is duly authorized to execute and deliver this Agreement, perform the covenants on its part herein contained, consummate the transactions contemplated hereby, and execute, deliver, and perform all documents and instruments to be executed and delivered by it pursuant hereto, and all required corporate action in respect to the foregoing has been taken. Shareholders are the sole shareholders of Seller. Neither Seller nor Shareholders are subject to any restriction, agreement, law, judgment, or decree which would prohibit or be violated by the execution, delivery, and performance of this Agreement.

(c) Seller has, and on the closing date will have, good and marketable title to all of the Purchased Assets free and clear of all liens, encumbrances, and restrictions of every kind and description. Immediately following Closing and delivery of the closing documents provided for in this Agreement, good and marketable title to all of the Purchased Assets shall vest in Purchaser, free and clear of all liens, encumbrances, and restrictions except such as may be created by Purchaser.

(d) There are no contracts, agreements, or continuing obligations of Seller or Shareholders, or threatened or contingent liabilities of any nature whatsoever in respect to the Franchised Restaurant(s), the business therein conducted, or Purchased Assets which will survive the closing and in any manner bind or affect Purchaser or the Purchased Assets.

(e) There are no judgments of record, nor any litigation or administrative proceedings pending, or to Seller's or Shareholders' knowledge, threatened against or relating to Shareholders, Seller, or the Purchased Assets nor does Seller or Shareholders know or have reasonable grounds to know any basis for any such action which have not been disclosed in an Exhibit hereto.

(f) All representations, warranties, indemnities, and covenants by Seller and Shareholders herein or in any document delivered hereunder shall, except as affected by the transactions contemplated hereby, be true and in effect as of the closing date as though same were remade as of such time, and all shall survive the closing hereof.

(g) All of the fixed or tangible Purchased Assets (including, but not limited to, equipment, furniture, furnishings, signs, utensils, fixtures, and leasehold improvements) are in good condition, repair, and working order as of the date hereof, subject to ordinary wear and tear.

(h) The Bulk Sales Affidavit attached hereto as **Exhibit ____** contains a true, correct, and complete list of all creditors of Seller as of the date thereof within the purview of Article 6 (Bulk Transfers) of the Uniform Commercial Code as adopted in the State of _______________.

(i) Neither this Agreement nor the transaction contemplated by this Agreement was induced or procured through any person, firm, corporation, or other entity acting on behalf of, or representing Seller or Shareholders as broker, finder, investment banker, financial adviser, or in any similar capacity.

EXHIBIT E

MINIMUM STOCK PURCHASE WARRANTIES

(a) **Company** is a duly organized and validly existing corporation under the laws of the State of _____________with an authorized capital stock of ____________shares of common stock, par value __________, of which there are issued and outstanding _____________shares.

(b) Company has no subsidiaries. (Alternatively, the subsidiaries should be listed and all representations and warranties should apply to such subsidiaries.)

(c) Seller has the legal capacity to execute and deliver this Agreement, perform the covenants on his part herein contained, consummate the transaction contemplated hereby, and execute and deliver and perform all documents and instruments to be executed and delivered by him pursuant hereto. When executed and delivered, this Agreement and all such documents and instruments will constitute valid and binding obligations of Seller, enforceable against him in accordance with their respective terms.

(d) The shares are duly issued and outstanding, fully paid, are non-assessable and comprise all of the issued and outstanding equity securities of Company. There are no warrants, options, conversion rights or privileges, or any other rights (whether at equity or law) as to equity securities of Company.

(e) True, correct, and complete copies of the Corporate Charter or Certificate of Incorporation and the Bylaws of Company, and all amendments thereto have been furnished by Seller to Purchaser. The corporate minutes and stock transfer ledger of Company have been exhibited to Purchaser, and the same constitute a complete and accurate record of all proceedings taken by the shareholders and directors and a complete and accurate record of all issuances and transfers of shares of capital stock.

(f) Company has been and is operated in compliance with all applicable federal, state, and local laws, ordinances, and license requirements.

(g) The transaction contemplated by this Agreement will not result in the revocation, suspension, or limitation of any license issued to Company.

(h) Seller is the sole legal and beneficial owner of the shares and has good and marketable title to the shares, free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, pledges, restrictions, adverse claims and defenses of every kind and description. Immediately following delivery of the closing documents provided for herein, good and marketable title to the shares shall vest in Purchaser, free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, pledges, restrictions, adverse claims and defenses, except such as may be created by Purchaser.

(i) The financial statements attached hereto as **Exhibit ____** fairly and accurately present the financial position of Company as of the dates set forth in such financial statements and the results of operation of Company for the periods covered by such financial statements except as shown in **Exhibit ____** hereto since ________________: (i) there has been no material adverse change in the financial condition, assets or liabilities or business of Company; (ii) there have been no liabilities or obligations incurred by Company other than in the ordinary course of business; (iii) no dividends or other distributions in respect of the capital stock of Company have been declared, set aside, or paid; and (iv) no indebtedness for borrowed money has been incurred by Company.

(j) There are no unfulfilled or executory contracts, agreements, or commitments of Company which are not described in an Exhibit attached hereto.

(k) The execution and delivery of this Agreement and the performance of or compliance with the terms and provisions of this Agreement and all documents and instruments contemplated hereby will not violate, conflict with, or result in a breach of, any of the terms, conditions, or provisions of the Articles of Incorporation or Bylaws of Company or any law, statute, regulation or order, or any agreement or any other restriction of any kind or character, to which Company, or Seller is a party or by which either of them may be bound, and will not constitute a default thereunder or permit acceleration of performance thereunder or result in the declaration or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the assets of Seller or Company.

(l) **Exhibit ____** sets forth a true and complete copy of all leases and subleases to the Franchised Restaurant(s). Each lease is valid, subsisting, and enforceable in accordance with its terms, and neither Company nor any other party to any of the leases is in default or in arrears in the performance or satisfaction of any agreement or condition on its part to be performed or satisfied under any such lease, nor has Company given or received any notice of any claimed default.

(m) Neither this Agreement nor the transaction contemplated by this Agreement was induced or procured through any person, firm, corporation, or other entity acting on behalf of, or representing Seller or Company as broker, finder, investment banker, financial advisor, or in any similar capacity.

(n) Company has good and marketable title to all of the assets used in the Franchised Restaurant(s), free and clear of all liens, security interests, charges, covenants, conditions, agreements, encumbrances, restrictions, adverse claims and defenses of every kind and description, except (__________________________). All such assets are located at the following locations (____________________________).

(o) All equipment, furniture, furnishings, signs, utensils, fixtures, leasehold improvements, and other personal property of Company are in good operating condition and repair, subject to normal wear and tear. All such assets are fully insured and Company has maintained and is maintaining adequate general liability, product liability, and statutory workers' and unemployment compensation insurance coverages.

(p) There are no contracts, agreements, or continuing obligations or threatened or contingent liabilities of any nature whatsoever (including, without limitation, liabilities which have not yet accrued, but which resulted from acts or omissions prior to the date hereof) in respect to Company which will survive the closing, except as shown in **Exhibit ____**.

(q) There are no judgments of record, nor any litigation or administrative proceedings pending, or to the best knowledge, information, and belief of Seller or any officer of Company, threatened against or relating to Seller, the shares, or Company. Seller or any officer of Company does not know or have reasonable grounds to know of any basis for any such action, or any governmental investigation, relating to Seller, the shares, or Company.

(r) All material facts known to Seller relating to the businesses and financial condition of Company and the sale of the shares have been disclosed to Purchaser. No statement contained in this Agreement or in any of the Exhibits attached hereto or in any document or instrument delivered or to be delivered by Seller pursuant hereto or in connection with the transaction contemplated hereby contains or will contain any untrue statement of a material fact, or omit or will omit to state a material fact, necessary to make the statements contained therein not misleading. A "material fact" for purposes hereof includes such fact or facts which would influence a reasonable man's decision to purchase or sell the shares.

EXHIBIT F

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS **GUARANTY AND ASSUMPTION OF OBLIGATION** is given this _______ day of ________________, 20____, by ___________________________________.

In consideration of, and as inducement to, the execution of that certain Area Development Agreement of even date herewith ("**Agreement**") by Stockade Franchising, LP ("**Franchisor**"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____________________ ("**Developer**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the provisions of Section 6.04 of the Agreement. Notwithstanding clauses (a) and (b) above, a spouse who is also a guarantor hereunder and who becomes widowed and who does not have (and will not obtain) an ownership interest in the Developer, the Agreement, or any Franchise Agreement granted thereunder as an owner, co-owner, investor, partner, shareholder or like capacity shall not thereafter be held responsible for any monetary obligations thereafter arising out of the terms and conditions of this Guaranty and Assumption of Obligations unless an ownership interest is acquired in any manner by the widowed spouse, or the widowed spouse's or deceased spouse's children. Notwithstanding any change in ownership resulting from the death of a spouse, all monetary obligations and liabilities existing at the time of death shall continue to be an obligation of the surviving spouse until such obligations or liabilities shall be paid in full by the estate or by the guarantor spouse. Provided further, notwithstanding the limitations set forth above, any and all other non-monetary obligations of the Agreement, including without limitation the restrictions of Section 6.04, shall remain an obligation of the surviving spouse.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (iii) protest and/or non-performance of any obligations hereby guaranteed; (iv) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; and (v) any and all other notices and legal or equitable defenses to which he may be entitled.

Each of the undersigned consents and agrees that: (i) his or her direct and immediate liability under this guaranty shall be joint and several; (ii) he or she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (iii) such liability shall not be contingent nor conditioned upon pursuit by Franchisor of any remedies against 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 Developer or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	**PERCENTAGE OF OWNERSHIP OF DEVELOPER**
______________________________	_________%
______________________________	_________%
______________________________	_________%

STOCKADE FRANCHISING, LP

EXHIBIT F

FORM OF FRANCHISE AGREEMENT

EXHIBIT F

STOCKADE FRANCHISING, LP

FRANCHISE AGREEMENT

____

Franchisee

Date of Agreement: ________________________

Date of Restaurant Opening: ______________________

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Attachments:

STOCKADE FRANCHISING, LP
FRANCHISE AGREEMENT

This Franchise Agreement is made on this _____ day of ______________, 20___ ("**Effective Date**"), between **Stockade Franchising, LP**, a Nevada limited partnership ("**Franchisor**"), and ______________________________________ ("**Franchisee**").

WITNESSETH:

WHEREAS, Franchisor owns certain confidential information relating to, and has designed, instituted, developed and promoted a unique restaurant concept for which substantial goodwill has been created. Such restaurants consist of family steak houses and are operated under the trade name "MONTANA MIKE'S STEAKHOUSE®," utilize distinctive recipes, ingredients, and methods of preparing and serving foods, and are operated with uniform formats, systems, menus, methods, specifications, standards, and procedures ("**System**"), all of which may be improved, further developed, or otherwise modified by Franchisor from time-to-time. Franchisor uses, promotes, and licenses the proprietary service mark "MONTANA MIKE'S STEAKHOUSE®" (and associated designs) and other trademarks, service marks, logos, and commercial symbols in connection therewith ("**Proprietary Marks**"); and

WHEREAS, Franchisor grants to persons who meet Franchisor's qualifications and are willing to undertake the requisite investment and effort to establish and develop "MONTANA MIKE'S STEAKHOUSE®" restaurants ("**Franchised Restaurants**"), franchises to operate Franchised Restaurants offering the food items authorized and approved by Franchisor and utilizing the System and the Proprietary Marks; and

WHEREAS, Franchisee acknowledges that he has read this Agreement and Franchisor's Franchise Disclosure Document and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all Franchised Restaurants in order to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, Franchisee acknowledges that other license or franchise agreements have been or may be granted by Franchisor at different times and in different situations and further acknowledges that the terms and conditions of such agreements may vary from those contained in this Agreement; and

WHEREAS, Franchisee acknowledges that he has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that, like any other business, it involves business risks and that the success of the venture is largely dependent upon the business abilities of Franchisee; and

WHEREAS, Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any guaranty, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement; and

WHEREAS, Franchisee acknowledges that he has not received or relied on any representations about the franchise granted in this Agreement by Franchisor, or its officers, directors, employees, or agents, that are contrary to the statements made in Franchisor's Franchise Disclosure Document or to the terms of this Agreement and that in all of their dealings with Franchisee, the officers, directors, employees, and agents of the Franchisor act only in a representative capacity and not in an individual capacity; and

WHEREAS, Franchisee further acknowledges that this Agreement, and all business dealings between Franchisee and such individuals as a result of this Agreement, are solely between Franchisee and Franchisor; and

WHEREAS, Franchisee further represents to the Franchisor, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise granted herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows.

1. GRANT OF FRANCHISE

1.01 <u>Grant of License</u>. Franchisee has applied for a franchise to own and operate one (1) Franchised Restaurant at the location set forth in **Attachment 1** ("**Premises**") and such application has been approved by Franchisor in reliance upon all of the representations made in this Agreement. If, at the time of execution of this Agreement, a site location has not been approved or the address is not known, Franchisee shall obtain a location, subject to Franchisor's approval, within the geographical area described in **Attachment 1**, and at such time as the address of the Premises is determined, then the address will be incorporated into this Agreement through an amendment. Franchisor hereby grants to Franchisee, subject to all of the terms, provisions, and conditions contained in this Agreement, a non-exclusive franchise ("**Franchise**") to operate a Franchised Restaurant solely at the Premises, and to use the System and Proprietary Marks in the operation thereof, for a term ("**Term**") of fifteen (15) years commencing on the Effective Date of this Agreement and ending on the fifteenth anniversary of the date the Franchised Restaurant first opens for business unless sooner terminated, as provided in Section 15. Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise.

Provided Franchisee is in substantial compliance with this Agreement, Franchisor shall not operate or grant a franchise for the operation of another Franchised Restaurant within a one (1) mile radius of the above Premises ("**Exclusive Area**") nor will Franchisor itself operate or grant a franchise for the operation of any other family-style steak house restaurant similar to the type of restaurant used in the System without first offering such restaurants to Franchisee in a manner comparable to that provided to Franchisor in Section 12 of this Agreement.

1.02 <u>Retention of Certain Rights</u>. Notwithstanding anything to the contrary, Franchisor (on behalf of itself and its affiliates) retains the right in its sole discretion to:

(a) establish company or affiliate-owned MONTANA MIKE'S STEAKHOUSE® restaurants, grant others the right to operate Franchised Restaurants, or grant other franchises that provide products or services outside of the Exclusive Area, all without compensation to Franchisee.

(b) offer, sell or distribute any products or services associated with the System (now or in the future) under the Proprietary Marks or any other trademarks, service marks or trade names, outside of the Exclusive Area, all without compensation to Franchisee.

(c) grant others the right to operate restaurants or any other business within and outside the Exclusive Area under trademarks other than the Proprietary Marks, including utilizing Franchisor's other marks, specifically licensed to Franchisee in the Franchise Agreement within or outside the Exclusive Area, without compensation to Franchisee, except that Franchisor's operation of, or association or affiliation with, restaurants (through franchising or otherwise) in the Exclusive Area that compete with the Franchised Restaurants in the steakhouse restaurant segment will only occur through some form of merger or acquisition with an existing restaurant chain (except as otherwise provided for in this subparagraph).

(d) offer and sell any food products, including any frozen, pre-packaged items or other products, under the Proprietary Marks, or other marks, through any distribution channel or method within or outside the Exclusive Area, without compensation to Franchisee. The distribution channels or methods may include, without limitation, retail food stores including but not limited to grocery stores and convenience stores, hotel shops, kiosks, theatres, malls, airports, college campuses, gas stations, and other retail locations, at special events or through any other channels of distribution, including other restaurants, mail order, catalogue sales, or over the Internet (or any existing or future form of electronic commerce including but not limited to social media websites and mobile communication devices), within or outside the Exclusive Area, all without compensation to Franchisee.

(e) offer or sell any products or services under any other marks through any other channels of distribution regardless of location.

(f) give, donate or contribute products associated with the System (now or in the future) to charitable and community organizations and events for fundraising and other events, and offer products associated with the System (now or in the future) for sampling by customers and organizations for product testing, promotions and demonstrations at any location except at Franchisee's Franchised Restaurant unless approved by Franchisee.

(g) conduct market research at Franchisee's Franchised Restaurant for reasons including, but not limited to, understanding customer demographics, customer psychographics, purchasing behavior, new product acceptance, and other similar purposes.

(h) implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to customers anywhere. Franchisor reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

1.03 Agreement to Operate. Franchisee agrees that it will at all times, faithfully, honestly and diligently perform its obligations of this Agreement, that it will continuously exert its best efforts to promote and enhance the business of the Franchise and that it will not engage in the operation of any other steak house restaurant (whether full or limited service) or similar business or activity that may conflict with its obligations, in Franchisor's sole discretion, without prior notification and approval by Franchisor in writing. Notwithstanding the foregoing, the operation of another restaurant concept by Franchisee as a duly franchised franchisee of Franchisor shall not constitute a breach of this Section 1.03.

2. DEVELOPMENT AND OPENING OF THE RESTAURANT

2.01 Site Plan Approval; Construction. Franchisee shall not commit to purchase or lease any real property, and Franchisee shall not commence any construction, unless and until the Franchisor has specifically accepted in writing the site location of the Franchised Restaurant proposed by Franchisee and the site plan and other plans and specifications in accordance with which such Franchised Restaurant shall be constructed and equipped. In the event Franchisee leases any real property for the development of the Franchised Restaurant, Franchisee shall cause such lease to contain provisions which state that:

(a) such lease is assignable to Franchisor without the prior approval of the lessor;

(b) that Franchisor shall be entitled to receive notice of any Franchisee defaults and the right, but not the obligation, to cure such defaults;

(c) that upon taking assignment from Franchisee, Franchisor shall be entitled to reassign or sublet the Premises to any affiliate or franchisee of Franchisor and to be released from any further liability under the Lease in case of an assignment; and

(d) that Franchisor shall be entitled to receive from Lessor copies of any reports or financial statements submitted to Lessor by Franchisee.

Franchisee shall cause all construction and equipping of the Franchised Restaurant licensed hereunder to be done in strict compliance with plans and specifications previously provided and accepted by the Franchisor. No deviations therefrom shall be made without the express written acceptance of the Franchisor. The Franchisor shall have the right to supervise and inspect all construction to ensure its compliance with approved plans and specifications. After completion of construction, Franchisee shall not alter, add to, eliminate or modify the interior or exterior of such Franchised Restaurant or any equipment, furnishings or fixtures therein in any material manner without the prior approval of the Franchisor.

2.02 Architectural Plans. In the event Franchisee causes a Franchised Restaurant to be constructed at the Premises, Franchisor shall furnish standard plans and specifications ("**Plans and Specifications**") for a prototype Franchised Restaurant or applicable copies of blueprints from completed restaurant conversions reflecting Franchisor's then current requirements for its design, materials, layout, equipment, fixtures, furniture, furnishings and decoration. It shall be the sole obligation of Franchisee to modify Franchisor's standard Plans and Specifications to the extent necessary to comply with all applicable ordinances, building codes, permit requirements, lease requirements and restrictions and market considerations. Franchisee shall bear all expenses of obtaining all requisite professional certifications required to construct the Premises. The cost of all modifications shall be at Franchisee's sole expense. In the event Franchisee remodels a

Franchised Restaurant, it shall be Franchisee's responsibility to obtain modified plans and specifications ("**Modified Plans and Specifications**") at Franchisee's expense. If this is Franchisee's first Franchised Restaurant, Franchisee shall be required to engage the architect, kitchen designer and interior designer designated by the Franchisor. If Modified Plans and Specifications are prepared by Franchisee, or for Franchisee by anyone other than Franchisor, or if Plans and Specifications furnished by Franchisor for the Franchised Restaurant are modified by or for Franchisee by anyone other than Franchisor, Franchisee shall submit final, detailed Modified Plans and Specifications to Franchisor for its prior written consent before any remodeling or construction is commenced. All Plans and Specifications created by Franchisor are the property of Franchisor. Additionally, all Modified Plans and Specifications created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Modified Plans and Specifications unencumbered by moral rights. To the extent the Modified Plans and Specifications are not works made for hire or rights in the Modified Plans and Specifications do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Modified Plans and Specifications, which Franchisee and the author of such Modified Plans and Specifications warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Modified Plans and Specifications from another person or entity necessary to ensure Franchisor's right in the Modified Plans and Specifications as required in this Section 2.02. All construction and remodeling must be in strict accordance with Plans and Specifications or Modified Plans and Specifications furnished or approved by Franchisor. Franchisor shall have the right to supervise and to inspect all construction and renovation to insure its compliance with approved Plans and Specifications or Modified Plans and Specifications.

2.03 Franchised Restaurant Development. Franchisee agrees at its expense to do or cause to be done the following within one (1) year after the date of this Agreement:

(a) secure all financing required to fully develop the Franchised Restaurant;

(b) obtain all required building, utility, sign, health, sanitation, business permits and licenses, and any other required permits and licenses;

(c) engage architects, interior designers, kitchen equipment suppliers, and construction contractors that are experienced in restaurant design, development and construction, are qualified to perform their respective trades and services and are duly licensed and qualified to conduct their respective business, trade and service in the applicable jurisdiction(s). If this is Franchisee's first Franchised Restaurant, Franchisee shall be required to engage the architect, kitchen designer and interior designer designated by the Franchisor;

(d) construct all required improvements to the Premises and decorate the Franchised Restaurant in compliance with plans and specifications approved by Franchisor;

(e) purchase and install all required fixtures, equipment, furniture, furnishings and signs required for the Franchised Restaurant;

(f) purchase an opening inventory of authorized and approved food and beverage products and other materials and supplies; and

(g) open the Franchised Restaurant for business in accordance with the provisions of Section 1.03.

In the event Franchisee fails to do or cause to be done any of the above within the time period specified above, Franchisee shall pay to Franchisor, as liquidated damages, the amount of Two Hundred Dollars ($200) per day until such time as Franchisee is in compliance with this Section 2.03 or until such time as both Franchisor and Franchisee execute mutual releases whereby each party releases the other party from any obligations arising out of this Agreement or any other agreement.

2.04 Franchised Restaurant Opening. Franchisor will assist and advise in the preparation of a grand opening advertising and promotional plan for Franchised Restaurant which will contain Franchisor's advice and guidance with regard to staffing, decoration, promotional activity and operation of the Franchised Restaurant during the grand opening period. Franchisee shall implement such grand opening advertising and promotional program and spend in a manner approved by Franchisor not less than Five Thousand Dollars ($5,000) for advertising and promotional activities during the period commencing with the opening of the Franchised Restaurant and ending forty-five (45) days thereafter. Any changes by Franchisee to such grand opening advertising and promotional plan, or any related marketing materials, must be approved by Franchisor.

2.05 Furnishings, Fixtures, Signs, Equipment and Utensils. Franchisee agrees to use in the development and operation of the Franchised Restaurant only those brands, types, or models of equipment, fixtures, furniture, furnishings, signs, and tableware, flatware, glassware, serving dishes, and table linens (collectively the "**Utensils**") that Franchisor has approved as meeting its specifications and standards for quality, design, appearance, warranties, and function. The equipment, fixtures, furniture, furnishings, signs, and Utensils designated by Franchisor from time-to-time, shall be purchased only from suppliers approved by Franchisor. Franchisee shall not install or have installed any vending machines (other than for newspaper sales), video games, or similar devices without the prior written approval of Franchisor.

3. TRAINING AND GUIDANCE

3.01 Store Management. The Franchised Restaurant must at all times be directly supervised by Franchisee or by a designated restaurant manager ("**Restaurant Manager**") acceptable to Franchisor in Franchisor's reasonable discretion. Franchisor shall furnish to Franchisee's Restaurant Manager and up to two assistant managers a training program of up to eight (8) weeks duration in the operation of a Franchised Restaurant during such period as Franchisor designates prior to the commencement of the operation of the Franchised Restaurant. Franchisor has the right to designate the training program be furnished at one (1) or more of Franchisor's principal offices, another Company-operated restaurant or a Franchised Restaurant.

Franchisee or the Franchised Restaurant's Restaurant Manager, if other than Franchisee, must successfully complete Franchisor's training program to the satisfaction of Franchisor. Franchisee, or the Restaurant Manager, as the case may be, and up to two assistant managers, must be in training at least ninety (90) days prior to the opening of the Franchised Restaurant. Any subsequently hired Restaurant Manager must successfully complete Franchisor's training program within three (3) months of the date such Restaurant Manager was hired by Franchisee. Franchisee shall bear all personnel expenses of its trainees during all training programs, including, but not limited to, salaries, benefits, travel, food and lodging costs, and any training fees imposed by Franchisor or the franchisee which owns and operates any Franchised Restaurant at which any aspect of Franchisee's training program takes place.

3.02 Franchisor Support During Start-Up Period. To assist with the store opening, Franchisor shall provide one (1) or more management persons (from Franchisor's staff) for up to a combined twenty-one (21) days to assist with training before and immediately following the opening of the Franchised Restaurant. Franchisor shall bear all personnel expenses of such persons, including, but not limited to, salaries, travel, food and lodging costs.

3.03 Franchisee Supplemental Trainers During Start-Up Period. In addition to the management persons provided by Franchisor, Franchisee shall also be required to obtain (or Franchisor will obtain) a minimum of twelve (12) additional individuals ("**Supplemental Trainers**") to assist with training of Franchisee's employees during the period before and immediately after the initial opening of the Franchised Restaurant, for such length of time as Franchisor shall determine. The Supplemental Trainers may include Franchisee's own employees, employees of Franchisor or its franchisees, or independent trainers. Franchisor will obtain the Supplemental Trainers for Franchisee if Franchisee provides a written request that Franchisor do so or if Franchisee has not obtained the required Supplemental Trainers prior to thirty (30) days prior to opening. The identities and qualifications of each Supplemental Trainer shall be presented in writing to Franchisor (if obtained by Franchisee) not less than thirty (30) days prior to the proposed opening of the Franchised Restaurant. The number of Supplemental Trainers engaged and the acceptability of the qualifications of each individual Supplemental Trainer shall be at the discretion of Franchisor. Franchisee shall bear all personnel expenses incurred from the use of Supplemental Trainers, including, but not limited to, salaries, benefits, workers compensation expenses, travel, food and lodging costs. Franchisee shall be required to deposit funds with Franchisor to cover the estimated costs and expenses not less than thirty (30) days prior to the proposed opening date of the Franchised Restaurant, in accordance with Franchisor's policy as set forth in the Manual. If the Supplemental Trainers are provided by another franchisee of Franchisor, Franchisee shall be required to deposit such funds with that franchisee. After all costs have been finally determined, Franchisor will prepare a final cost analysis and prepare an invoice (if costs exceed the deposit amount) or a credit (if costs are less than the deposit amount) and submit to Franchisee. It is acknowledged and agreed that while providing such start-up assistance Franchisor shall only have a duty to utilize its reasonable efforts and shall not be liable to Franchisee or its owners for any debts, losses, or obligations incurred by the Franchised Restaurant, or to any creditor of Franchisee for any food products, materials, equipment, fixtures, furnishings, Utensils, supplies, or services purchased by the Franchised Restaurant during the periods of time when the training services are being rendered by Franchisor's personnel.

3.04 Restaurant Managers - Generally. In addition to the rights established hereunder, including those in Section 11, Franchisor and its representatives shall have the right to communicate directly with Franchisee's Restaurant Manager concerning all matters of an operational nature. Franchisor may require Franchisee and/or previously trained and experienced Restaurant Managers to attend periodic refresher courses at locations designated by Franchisor, and failure of Franchisee or the Restaurant Manager to attend such refresher courses shall constitute a default of this Agreement. Franchisee shall be responsible for all personnel salaries, benefits, travel and living expenses which Franchisee and/or its Restaurant Manager incur in connection with initial training and any subsequent refresher training programs.

3.05 Interference With Employment Relations. During the term of this Agreement, neither Franchisor nor Franchisee shall employ or seek to employ, directly or indirectly, any person serving in a managerial position who is at the time or was at any time during the prior six (6) months employed by the other party, its subsidiaries, or by any franchise holder within Franchisor's franchise system or any other restaurant or retail concept then operated, licensed, franchised, or under development by Franchisor. This Section shall not be violated if, at the time Franchisor or Franchisee employ or seek to employ such person, the then current or former employer, as the case may be, has given its written consent. The parties acknowledge and agree that in the event this Section is violated, that notwithstanding Section 15.01, the former employer shall be entitled to liquidated damages in the amount of Twenty-Five Thousand Dollars ($25,000) plus reimbursement of all costs and attorney fees incurred. For purposes of this Section 3.04, "managerial position" includes all employees at the pay grade of Restaurant Manager or assistant manager and above as that term is defined in the Manual.

3.06 Guidance. Franchisor shall advise Franchisee from time-to-time of operating problems of the Franchised Restaurant disclosed by reports submitted to or inspections made by Franchisor or by independent persons hired by Franchisor ("**Mystery Shoppers**") and shall furnish to Franchisee guidance in connection with:

(a) methods, standards, and operating procedures utilized by the Franchised Restaurants;

(b) preparation of food products and development of new products;

(c) purchasing approved equipment, furnishings, fixtures, furniture, signs, Utensils, food products, beverages, and supplies;

(d) advertising and promotional programs;

(e) employee training; and

(f) administrative, bookkeeping, accounting, and general operating and management procedures.

Such guidance shall, in the discretion of Franchisor, be furnished in the form of the Franchisor's confidential operations manual ("**Manual**"), bulletins, other written materials, and/or telephonic consultations or consultations at the offices of Franchisor or at the Franchised Restaurant. If requested by Franchisee, Franchisor may, at its election, furnish additional guidance and assistance at per diem fees based upon Franchisor's actual cost in providing such guidance and assistance.

3.07 Manual. Franchisor will loan to Franchisee during the term of the Franchised Restaurant one (1) copy of the Manual. The Manual shall contain mandatory and suggested specifications, standards, and operating procedures prescribed from time-to-time by Franchisor for the Franchised Restaurant and information relative to other obligations of the Franchisee hereunder and in the operation of Franchised Restaurants. The Manual may be modified from time-to-time in Franchisor's sole discretion to reflect changes in the image, decor, design, format, appearance, methods, standards and specifications, operating procedures, menus and recipes, and food products and beverages approved and required for the Franchised Restaurants. Franchisor reserves the right to maintain the Manual in electronic form and also reserves the right to require Franchisee to use the Manual in that format. Franchisee shall keep its copy of the Manual current and in the event of a dispute relative to the contents of the Manual, the master copy maintained by Franchisor at its principal office or in electronic form shall be controlling. Franchisee may not at any time reproduce any part of the Manual.

4. PROPRIETARY MARKS

4.01 Ownership of Goodwill and Proprietary Marks. Franchisee acknowledges that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor from time-to-time during the term of this Agreement. Any unauthorized use of the Proprietary Marks by Franchisee shall constitute a breach of this Agreement and an infringement of the rights of Franchisor in and to the Proprietary Marks. Further, Franchisee shall not infringe upon, nor otherwise unlawfully commercially exploit, any other trademarks, service marks, commercial symbols or trade names of any other restaurant concept which Franchisor may now or hereafter itself operate, or license or franchise to others, without the prior written consent of Franchisor. Franchisee acknowledges and agrees that all usage of the Proprietary Marks by Franchisee and any goodwill established thereby shall inure to the exclusive benefit of Franchisor and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon Franchisee other than the right to operate a Franchised Restaurant in compliance with this Agreement. All provisions of this Agreement applicable to the Proprietary Marks shall apply to any additional proprietary, trade and service marks, and commercial symbols hereafter authorized for use by and licensed to Franchisee by Franchisor.

4.02 Limitations on Franchisee's Use of Proprietary Marks. Franchisee agrees to use the Proprietary Marks as the sole identification of the Franchised Restaurant, provided that Franchisee shall identify itself as the independent owner thereof in the manner prescribed by Franchisor. Franchisee shall not use any Proprietary Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee hereunder), or in any modified form (including, utilizing Franchisor's trademarks or registered name for posting, or for use in, a webpage on the Internet, registering an Internet domain name, or in an electronic mail [e-mail] address), nor may Franchisee use any Proprietary Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by Franchisor. Franchisee agrees to prominently display the Proprietary Marks at the Franchised Restaurant, on menus, supplies, or packaging materials designated by Franchisor, and in connection with advertising and marketing materials. All Proprietary Marks shall be displayed in the manner prescribed by Franchisor. Franchisee agrees to give such notices of trade and service mark registrations as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

4.03 Infringement. Franchisee shall notify Franchisor in writing within three (3) days of the date Franchisee learns about any apparent infringement of, or challenge to Franchisee's use of any Proprietary Mark, or claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, or service mark of which Franchisee becomes aware. Franchisee shall not communicate with any person other than Franchisor, its counsel or Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any such infringement, challenge, or claim or otherwise relating to any Proprietary Mark or the System. If Franchisor elects, in its sole discretion, to defend the infringement allegation, Franchisor shall, at Franchisor's own cost and expense, vigorously defend Franchisee to the Court of first determination against any challenge to Franchisee's use of any Proprietary Mark or right to use the System, or part thereof, or any claim by any person of any rights in any Proprietary Mark or similar trade name, trademark, service mark or trade dress used in connection with the System or the business contemplated hereby except for proprietary rights in trade names, trademarks, or service marks arising under the common law and Franchisor shall indemnify Franchisee from any and all loss or damage Franchisee may suffer, whether by a judgment against Franchisee or by a settlement consented to by Franchisor arising from such challenge or claim. Franchisee shall make no claim against Franchisor and shall hold Franchisor harmless from any and all direct or indirect, costs, damages, demands, expenses, losses or liabilities suffered by Franchisee as a result of any modification of the System necessitated by such claim or challenge, including the costs of altering the Franchised Restaurant, or any reduction in sales revenues or profits, or increased capital expenditures or operating costs resulting from such modification and occasioned by any litigation arising out of any such claim or challenge relating to Franchisee's use of any Proprietary Mark or right to use the System. Further, Franchisee shall waive any and all past, present or future claims, demands, or actions it may have against Franchisor arising from such litigation except as provided in the foregoing provisions of this Section 4.03. Franchisee agrees to and shall execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation, U.S. Patent and Trademark Office proceeding, other administrative proceeding, or to otherwise protect and maintain the interests of Franchisor in the Proprietary Marks.

4.04 Discontinuance of Use of Proprietary Marks. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of any Proprietary Marks, and/or to use one (1) or more additional or substitute trade or service marks, Franchisee agrees to and shall comply with Franchisor's direction to supplement, modify or otherwise discontinue, at Franchisee's own expense the use of such Proprietary Marks within a reasonable time after notice thereof by Franchisor.

5. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

5.01 Independent Status. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisor and Franchisee shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. Franchisee shall conspicuously identify himself in all dealings with customers, suppliers, public officials, and others as the owner of the Franchised Restaurant under a franchise with Franchisor and shall place such other notices of independent ownership on such forms, guest checks, business cards, comment cards, stationery, advertising, and other materials as Franchisor may require from time-to-time.

5.02 Additional Limitations on Franchisee's Use of Proprietary Marks. Franchisor has not authorized or empowered Franchisee to use the Proprietary Marks except as provided by this Agreement and Franchisee shall not employ any of the Proprietary Marks in signing any contract, check, purchase agreement, negotiable instrument, or legal obligation, application for any license or permit, or in a manner that may result in liability of Franchisor for any indebtedness or obligation of Franchisee. Except as expressly authorized by this Agreement, neither Franchisor nor Franchisee shall make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other or represent that their relationship is other than franchisor and franchisee.

5.03 Limitations on Liability. Neither Franchisor nor Franchisee shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized hereunder, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Restaurant, or Franchisee's business authorized by or conducted pursuant to the Franchise, whether caused by Franchisee's negligent or willful action or failure to act to the relative extent such damages do not arise out of Franchisor's negligence, wrongful act or improper failure to act. Franchisor shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee, the Franchised Restaurant, or Franchisee's property, or upon Franchisor, in connection with the sales made or business conducted by Franchisee or payments to Franchisor pursuant hereto.

5.04 Indemnification. Franchisee shall indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees, agents, and assignees against any liability for any claims, including those specified in Section 5.03, arising out of the operation of the Franchised Restaurant. For purposes of this indemnification, "**claims**" shall mean and include all obligations, actual and consequential damages, taxes, and costs reasonably incurred by Franchisor in the defense of any claim against Franchisor or in any action in which Franchisor is named as a party, including without limitation reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it by employing reasonable counsel of its choice, subject to full reimbursement of all legal fees by Franchisee. Franchisor shall use its reasonable efforts to cooperate with Franchisee in any litigation or judicial or administrative proceeding to avoid duplication of time, effort or expenditure to the greatest extent possible without compromising Franchisor's interest in such matter. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

6. FEES

6.01 Initial Franchise Fees. Franchisee shall pay to the Franchisor an initial franchise fee ("**Initial Franchise Fee**") in the amount specified in **Attachment 1**, which is due and payable at the time Franchisee submits this Agreement to Franchisor for execution by Franchisor. The parties agree that the Initial Franchise Fee is fully earned by Franchisor upon receipt of payment by Franchisee and Franchisee shall not be entitled to a refund of the Initial Franchise Fee for any reason.

6.02 Royalty and Service Fee. Franchisee shall pay to Franchisor during the term of this Agreement on or before the tenth (10th) day of each calendar month a royalty and service fee in the amount of the percentage of the Net Sales (as defined in Section 6.03) specified in **Attachment 1**, which percentage is derived from the operation of the Franchised Restaurant for the then preceding calendar month ("**Continuing Royalties**"). If there is hereafter assessed any nature of sales tax or use tax or other tax on Continuing Royalties or other sums previously or hereafter received by Franchisor under this Agreement ("**Sales Tax**"), then in addition to all Continuing Royalties and other payments to be made by Franchisee as provided in this Agreement, Franchisee shall also pay Franchisor or the taxing authority, if required by law, a sum equal to the amount of such Sales Tax. The term "Sales Tax" shall not include any income taxes applicable to Franchisor. Any Sales Tax paid to Franchisor shall be paid when due to the taxing authority.

Franchisee agrees to sign and return to Franchisor Franchisor's current form of "Authorization Agreement for ACH Payments" (the "**ACH Authorization Form**"), a copy of which is attached to this Agreement as **Attachment 7**, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manual. Notwithstanding the foregoing, Franchisee agrees to allow Franchisor to automatically debit all royalties and fees from the bank account designated on the ACH Authorization Form. Any lack or deficiency of appropriate funds in the account during a debit withdrawal will constitute a default under Section 15. Upon any change of bank account information, Franchisee must immediately inform Franchisor and submit a new ACH Authorization Form for continuation of royalty and fee withdrawals.

6.03 Definition of "Net Sales." As used in this Agreement, the term "**Net Sales**" shall mean the total aggregate of all monies and receipts received by Franchisee and derived from (i) all products prepared and services performed at the Franchised Restaurant licensed hereunder, (ii) all sales and orders made, solicited or received at such location, and (iii) all other business whatsoever conducted or transacted at or from such Franchised Restaurant, and whether such Net Sales are evidenced by cash, credit, check, gift certificates, services, property or other means of exchange and whether such Net Sales are derived from the sale of food, beverages, liquor, other goods (other than restaurant equipment), supplies, catering services, or approved food trucks or other mobile or offsite locations. Net Sales shall also be deemed to mean the total aggregate of all monies and receipts received by Franchisee from any other business (including but not limited to, any approved vending, ATM machine or game machine receipts) operated upon the Premises. However, there shall be excluded from Net Sales:

(a) all Sales Taxes imposed by governmental authorities directly on sales and actually collected from customers, provided such taxes are added to the selling price and accounted for separately on all sales receipts and are, in fact, paid by Franchisee to the appropriate governmental authority,

(b) promotional or discount sales, coupons, or employee meals to the extent Franchisee realizes no revenue therefrom through issuance, redemption or otherwise and as long as they do not exceed more than three percent (3%) of total gross sales, unless prior approval is obtained from Franchisor, and

(c) amounts received directly by Franchisee's employees from customers as gratuities or tips for services rendered.

Net Sales shall be deemed to be realized by Franchisee at the time of the sale or delivery of the products, merchandise, or services, irrespective of the time when Franchisee actually received payment. Net Sales consisting of property or services shall be valued at their fair market value at the time such property or services were received by or for the account of Franchisee. In the event of the occurrence of a casualty loss, the definition of Net Sales shall be an amount equal to the lost revenues utilized by Franchisee's insurance company in calculating the amount of revenues recoverable under any business interruption policy.

6.04 Interest on Late Payments. All Continuing Royalties and marketing contributions due hereunder, amounts due for purchases by Franchisee from Franchisor or its affiliates, and other amounts which Franchisee owes to Franchisor or its affiliates shall be paid punctually, without the necessity for invoice by Franchisor, and shall bear interest after the due date at the highest applicable legal rate for open account business credit, not to exceed two percent (2%) per month. Franchisee acknowledges that this Section shall not constitute Franchisor's agreement to accept such payments after such payments are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Restaurant. Further, Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 15, notwithstanding the provisions of this Section.

6.05 Late Fees. Each late payment of amounts due by Franchisee to Franchisor, and each late report by Franchisee is subject to a late fee of $500 or the maximum fee allowed by applicable law, whichever is more.

6.06 Application of Payments. Notwithstanding any designation by Franchisee, Franchisor shall have sole discretion to apply any payments by Franchisee or any rebate or other third party payment received by Franchisor on behalf of Franchisee, if any, to any past due indebtedness of Franchisee for Continuing Royalties or marketing contributions due Franchisor, purchases from Franchisor or its affiliates, interest or any other indebtedness.

6.07 Retention of Fees by the Franchisor. Franchisee acknowledges and agrees that in the event of the termination of the license granted under this Agreement for any reason whatsoever, the Franchisor shall be entitled to retain for its own account any and all Initial Franchise Fee and Royalty and Service Fee payments previously made by Franchisee, and Franchisee agrees that such payments shall be fully earned by the Franchisor as of the date of such payments, and whether or not the Franchised Restaurant licensed under this Agreement is ever opened for business by Franchisee in the Exclusive Area.

7. CONFIDENTIAL INFORMATION

Franchisor possesses certain types of confidential information, including but not limited to, menu items and new test menu items, ingredients, recipes, formulas, and methods of preparation and presentation of food products sold at Franchised Restaurants, as well as the methods, techniques, formats, specifications, procedures, information, systems, computer software, and knowledge of and experience in the operation and franchising of Franchised Restaurants, and further including, without limitation, any and all of the foregoing that may arise by reason of Franchisor's franchise of, and Franchisee's operation of, the Franchised Restaurant during the term of this Agreement ("**Confidential Information**"). The term "Confidential Information" also includes Franchisor's System as a whole, regardless of whether any particular aspect of the System may be generally available to, and/or used by, the public.

Franchisor will disclose the Confidential Information to Franchisee when rendering guidance and assistance to Franchisee under the terms of this Agreement, including by way of example, furnishing the Manual.

7.01 Limitation on Interest in Confidential Information. Franchisee acknowledges and agrees that, although Franchisee has the right to use the Confidential Information, Franchisee will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Restaurant (and other Franchised Restaurants, if any, developed under other agreements with Franchisor) during the term of this Agreement, and that the use or duplication of the Confidential Information in the operation of any other family-style steak house or other business which, in Franchisor's sole discretion, would constitute an unfair method of competition.

7.02 Use of Confidential Information. Franchisee acknowledges and agrees that the Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree, that Franchisee:

(a) shall not use the Confidential Information in the operation of any other restaurant, or other business, including any other restaurant engaged in the sale or preparation of steak or a combination of steak and/or other food items or services;

(b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(c) shall not make any unauthorized copy, duplicate, record, or otherwise reproduce all or any portion of the Confidential Information disclosed in written form;

(d) shall never contest the validity of Franchisor's exclusive ownership of and rights to the System or the Confidential Information;

(e) shall adopt and implement all reasonable procedures prescribed from time-to-time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure to employees, officers, and directors of the Franchisee and the use of non-disclosure and non-competition clauses as prescribed by Franchisor in employment agreements with any of Franchisee's employees who have access to the Confidential Information; and

(f) shall require its Restaurant Manager, and any other managers of the Franchise, at the beginning of their employment with Franchisee, to sign a confidentiality agreement that includes clauses as prescribed by Franchisor, including a specific reference to Franchisor's resource library as Confidential Information. A form of confidentiality agreement for all managers of the Franchise is attached to this Agreement as **Attachment 8**. Franchisee acknowledges that such form is provided as a starting point and that Franchisee shall consult with its own counsel to modify such form as needed. Franchisee shall collect all confidentiality agreements and provide them to Franchisor upon request.

Notwithstanding the foregoing, the operation of another restaurant concept by Franchisee as a duly franchised franchisee of Franchisor shall not constitute a breach of this Section 7.02.

7.03 Exception to Restrictions on Confidential Information. Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Franchisee's disclosure and use of the Confidential Information shall not apply to the following:

(a) information, processes, or techniques which are or become generally known and used in the family-style steak house restaurant industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee;

(b) disclosure of the Confidential Information in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided Franchisee shall have used its best efforts, and shall have afforded Franchisor the opportunity to obtain an appropriate protective order, or other assurance satisfactory to Franchisor, of confidential treatment for the information required to be so disclosed; and

(c) disclosure to Franchisee's employees to the extent necessary for the proper operation of the Franchised Restaurant.

7.04 Non-Competition Covenant. Franchisee acknowledges and agrees that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would also be unable to encourage a free exchange of ideas and information among operators of Franchised Restaurants if franchised owners of Franchised Restaurants were permitted to hold interests in any competitive businesses, as described in this Agreement. Franchisee also acknowledges that Franchisor has granted the franchise rights to Franchisee in part in consideration of, and in reliance upon, Franchisee's agreement to deal exclusively with Franchisor. Accordingly, Franchisee, any shareholder or partner (in the event Franchisee is a corporation or partnership), or any spouse or unemancipated child of Franchisee or any shareholder or partner of Franchisee, shall not have any interest as an owner, investor, partner, lender, lessor, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity shall not directly or indirectly enter into the employ, or work in concert with or serve as consultant for, any person, partnership, corporation, association, organization or other entity engaged in the operation of a steak house restaurant or any other restaurant engaged in the sale or preparation of steak, or a combination of steak and/or other food items or services similar to the principal food items or services then approved by Franchisor for use in the Franchised Restaurants then in operation in the System and located (i) anywhere during the term of this Agreement and any extension thereof or (ii) following expiration or termination of this Agreement within the Exclusive Area or within a radius of fifty (50) miles from any Franchisor-owned or affiliate-owned restaurant or any franchise concept owned, operated, licensed or franchised by Franchisor, or any concept which, in Franchisor's sole discretion, is similar to any franchise concept owned, operated, licensed, or franchised by Franchisor, wherever situated and operated by whomsoever, then open or under construction or under lease or purchase commitment, for a period of three (3) years after such expiration or termination. Neither the ownership of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents five percent (5%) or less of the number of shares of such class of securities then issued and outstanding, nor the operation of another restaurant concept by Franchisee as a duly franchised franchisee of Franchisor, shall constitute a violation of this Section 7.04. Franchisor and Franchisee agree that the Non-Compete Covenant shall not apply to any business or restaurant owned by Franchisee prior to Franchisee's entry into this Agreement.

7.05 Improper Disclosure. In the event Franchisee discovers that any of its current or former officers, directors, partners, Restaurant Managers, shareholders or related parties thereto are violating, have violated, or are commencing to violate the prohibitions on disclosure or reproduction of Confidential Information provided for in this Agreement, Franchisee shall immediately notify Franchisor of such violation. Franchisor shall seek such legal and equitable relief, including seeking monetary damages, as it deems necessary in its sole discretion. Any and all damages recovered by Franchisor pursuant to any such cause of action shall be the exclusive property of Franchisor. In the event it is determined that any of such damages have been caused by the willful or negligent behavior of Franchisee or due to the failure of Franchisee to properly supervise the actions of the individual found to be in violation of this Agreement, Franchisor shall be reimbursed by Franchisee for all costs and expenses, including attorneys' fees, that were incurred by Franchisor in pursuing such cause of action, whether or not such action results in a favorable judgment to Franchisor.

7.06 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor shall at all times have unrestricted access to all business records ("**Business Records**") with respect to customers, and other service professionals of, and/or related to, the Franchised Restaurant including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee, and that at the expiration or earlier termination of this Franchise Agreement, all Business Records shall become the sole property of Franchisor. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion.

8. RESTAURANT IMAGE AND OPERATING STANDARDS

8.01 Condition and Appearance of the Franchised Restaurant. Franchisee shall:

(a) not use the Franchised Restaurant or the Premises for any purpose other than the operation of a Franchised Restaurant operated in compliance with this Agreement;

(b) maintain the condition and appearance of the Franchised Restaurant and the Premises in accordance with the standards of Franchisor and consistent with the image of a Franchised Restaurant as a clean, sanitary, attractive, and efficiently operated restaurant offering high quality food and beverages and courteous and helpful service;

(c) affect such maintenance of the Franchised Restaurant and the Premises as is required by Franchisor from time-to-time to maintain the condition, appearance and efficient operation thereof, including without limitation:

(i) continuous and thorough cleaning and sanitation of the interior and exterior of the Premises;

(ii) continuous and workmanlike interior and exterior repair of the Premises;

(iii) maintenance of equipment at peak efficiency;

(iv) replacement of worn out or obsolete improvements, fixtures, furniture, furnishings, equipment, signs and Utensils, with duly approved improvements, fixtures, furniture, furnishings, equipment, signs, and Utensils; and

(v) periodic painting and redecorating.

(d) upgrade and/or remodel the Franchised Restaurant at its sole cost and expense, which may not be limited in any way, provided Franchisee will have a reasonable time period remaining under the term of this Agreement to amortize the costs of such improvements, at reasonable intervals determined by Franchisor to reflect changes in the image, design, format, or operation of Franchised Restaurants introduced by Franchisor, and required of new Franchised Restaurant franchisees, subject to approval by the Franchisor of detailed plans and specifications for all construction, repair, or refixturing in connection with such upgrading or remodeling;

(e) place or display at the Premises (interior or exterior) only such signs, emblems, lettering, logos, and display any advertising materials that are from time-to-time approved in writing by Franchisor; and

(f) obtain prior written approval from Franchisor in order to operate one or more food trucks using Franchisor's Proprietary Marks and the System, which approval Franchisor has the right to grant or withhold for any reason or no reason.

8.02 Alterations to the Premises by Franchisor. In the event Franchisee does not maintain the condition and appearance of the Franchised Restaurant and Premises as required under the terms of this Agreement, Franchisor may, upon not less than twenty (20) days written notice to Franchisee:

(a) arrange for the necessary cleaning or sanitation, repair, remodeling, upgrading, painting, or decorating; and

(b) replace the necessary leasehold improvements, fixtures, equipment, and signs.

Franchisee shall reimburse Franchisor for the entire costs incurred by Franchisor to make such alternations to the Premises as determined by Franchisor in Franchisor's reasonable discretion, upon demand by Franchisor.

8.03 Alterations to the Premises by Franchisee. Franchisee shall not make any material replacements of or alterations to the Premises, improvements, layout, fixtures, furniture and furnishings, signs, equipment, Utensils, or appearance of the Franchised Restaurant as originally developed without prior written approval by Franchisor. Franchisee shall not install or have installed any vending machines (other than for newspaper sales), video games, or similar devices without the prior written approval of Franchisor.

8.04 Approved Products, Distributors and Suppliers. The reputation and goodwill of Franchised Restaurants is based upon, and can be maintained only by, the sale of distinctive, high quality food products and beverages (including alcoholic beverages) and the presentation and packaging of such products in an attractive manner. Franchisee therefore will conform the Franchised Restaurant to Franchisor's specifications and quality standards and shall only purchase from distributors and suppliers approved by Franchisor, all food products, beverages, ingredients, flavorings, and garnishes used in the preparation of food products and beverages; menus, containers, cartons, bags, boxes, napkins, other paper and plastic goods, packaging supplies, and other materials and Utensils.

In approving distributors and suppliers for the Franchised Restaurant, Franchisor may take into consideration such factors as price of products or supplies and reliability of the proposed distributor or other supplier. Franchisor may concentrate purchases with one (1) or more distributor and/or other supplier to obtain the lowest prices and/or the best advertising support and/or services for any group of Company-operated restaurants or Franchised Restaurants. Approval of a distributor or supplier may be conditioned on requirements relating to the frequency of delivery, standards of service, including prompt attention to complaints, and concentration of purchases, as set forth above, and may be temporary, pending a further evaluation of such distributor or other supplier by Franchisor.

If Franchisee proposes to sell any food product or beverage, or use any ingredients, flavorings, garnishes, or containers, cartons, bags, boxes, paper or plastic goods, packaging supplies or other materials, or Utensils of any type, or to purchase such items from a distributor or other supplier who has not been previously approved by Franchisor, Franchisee shall first notify Franchisor and submit to Franchisor such information, specifications, and samples as Franchisor requests. Franchisor shall within a reasonable time determine whether such item meets its specifications and quality standards and/or whether Franchisor approves such distributor or other supplier and shall notify Franchisee whether the Franchised Restaurant is authorized to utilize or sell such item and/or purchase from such distributor or other supplier.

Franchisee acknowledges and agrees that Franchisor may derive revenue from the sale of certain proprietary food products or receive rebates or commissions from Franchisee's purchases, and Franchisor shall be entitled to utilize this revenue for any purpose.

8.05 Franchised Restaurant Menu. Franchisee shall continuously offer all food items and beverages listed in the menu approved by Franchisor and shall comply with all menu cycle procedures prescribed by Franchisor. In addition, Franchisee shall satisfy all federal, state, and local requirements regarding nutritional content and information, food safety, menu labeling, and mandatory gratuities. If Franchisee desires to add items to or delete items from the Franchised Restaurant's menu, it must first obtain the prior written approval of Franchisor. Franchisee acknowledges that Franchisor requires such approval of new items to assure itself that such items are of the type and quality approved for Franchised Restaurants and are consistent with the image and format of the Franchised Restaurants. Franchisee agrees that it will not, without the prior written approval of Franchisor, offer any food products or beverages or any services that are not then authorized by Franchisor for Franchised Restaurants.

8.06 Specifications, Standards and Procedures. Franchisee acknowledges that each and every detail of the appearance, layout, decor, food products, beverages, utensils, materials, and supplies utilized, services offered, and operation of the Franchised Restaurant is important to Franchisor's and other franchisees' Franchised Restaurants. Franchisee shall cooperate with Franchisor by maintaining these high standards in the operation of the Franchised Restaurant. Franchisor shall have the right to rely on responses of independent Mystery Shoppers in evaluating Franchisee's performance under this Agreement. Franchisee agrees to comply with all mandatory specifications, standards and operating procedures relating to:

(a) type, quality, purity, taste, portions, weight and/or dimensions, ingredients, uniformity, and manner of preparation and sale of food products and beverages sold by the Franchised Restaurant;

(b) appearance and dress of employees;

(c) appearance, cleanliness, sanitation, standards of service, and operation of the Franchised Restaurant;

(d) submission of requests for approval of food products, beverages, Utensils, materials, supplies, distributors and suppliers;

(e) hours and days during which the Franchised Restaurant will be open for business; and

(f) customer evaluation forms.

Further, all mandatory specifications, standards, and operating procedures prescribed from time-to-time by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. Accordingly, all references in this Agreement to Franchisee's obligations under this Agreement shall include all such mandatory specifications, standards, and operating procedures. Franchisor reserves the right to contact any or all of Franchisee's customers, employees, suppliers, distributors, and other service professionals for quality control, market research, and such other purposes as Franchisor deems appropriate, in Franchisor's sole discretion.

8.07 Hours and Days of Business. Unless otherwise agreed upon by Franchisor and Franchisee, Franchisee agrees to operate the Franchised Restaurant for a minimum of three hundred sixty (360) days each calendar year, except such days as the location is closed for bad weather, civil disorders, acts of God, repairs and casualty loss or loss by eminent domain, as provided in Section 18. Each day the Franchised Restaurant is open for business, Franchisee shall conduct business and serve food and beverage during such hours as may be specified by Franchisor from time-to-time, which shall be no less than ten (10) hours each day, during the term hereof, subject to the limitations of applicable local law.

8.08 Compliance with Laws and Good Business Practices. Franchisee shall secure and maintain in force in its name all required liquor and business licenses, permits, and certificates relating to the operation of the Franchised Restaurant. Franchisee shall operate the Franchised Restaurant in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, all government regulations relating to zoning, access, variances, occupational hazards, health and safety, sign and fire requirements, liquor liability, workers' compensation insurance, unemployment insurance and the withholding and payment of federal and state income taxes, social security taxes and sales taxes. All marketing by Franchisee shall be completely factual, in good taste as determined in the business judgment of Franchisor, and shall conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its customers, suppliers, Franchisor and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other company-owned and franchisee-owned restaurants. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Franchised Restaurant or of any notice of violation of any law, ordinance, or regulation relating to health, sanitation, or the possession or sale of alcoholic beverages at the Franchised Restaurant.

8.09 Hiring, Training and Appearance of Employees. Franchisee shall hire all employees of the Franchised Restaurant, be exclusively responsible for the terms of their employment and compensation and, except as set forth in Section 3, for the proper training of such employees in the operation of the Franchised Restaurant. Franchisee shall require all employees to maintain a neat and clean appearance and to conform to the standards of dress and uniforms specified by Franchisor from time-to-time for the Franchised Restaurants.

8.10 Insurance. During the term of the Franchised Restaurant, Franchisee shall maintain in force under policies of insurance issued by carriers approved by Franchisor:

(a) comprehensive public and product liability insurance, including liquor and dram shop liability insurance, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Franchised Restaurant or otherwise in conjunction with the conduct of business by Franchisee pursuant to the Franchise;

(b) broad form fire and extended coverage, vandalism, and malicious mischief insurance on the Franchised Restaurant and its contents, including business interruption coverage which provides for payment of lost royalties to Franchisor;

(c) workers' compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state or locality in which the Premises are located;

(d) automobile liability insurance, where applicable; and

(e) such other amounts as set forth periodically in the Manual.

Such insurance coverage shall be maintained in such amounts as Franchisor determines periodically to be necessary in its business judgment and as set forth in the Manual. Franchisor may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Such insurance policies shall insure Franchisee and Franchisor and shall provide for thirty (30) days prior written notice to Franchisor of any material modification, cancellation, or expiration of a policy. In the event Franchisee fails to procure and maintain business interruption coverage and a casualty loss occurs which requires the closing of the Franchised Restaurant, then Franchisee shall pay as liquidated damages for each month commencing with the month when the casualty occurs and continuing until the Franchised Restaurant reopens, a sum equal to the average monthly Continuing Royalty and Service Fee payable by Franchisee for the twelve (12) months immediately preceding the occurrence of such casualty; it being understood that if the Franchised Restaurant has been open for business for less than twelve (12) months, then the average shall be based upon the actual number of months that the Franchised Restaurant has been open prior to the occurrence of the casualty. It is acknowledged and agreed that damages in such event would be difficult or impossible to ascertain, though great and irreparable, and that the provisions contained in this Section 8.10 constitute a reasonable compromise between the parties for purposes of compensating Franchisor for its loss.

In connection with any construction, renovation, refurbishing, or remodeling of the Franchised Restaurant, Franchisee shall cause the general contractor to maintain with a reputable insurer (i) comprehensive general liability insurance (with comprehensive automobile liability coverage for vehicles used by the franchised business for both owned and non-owned vehicles, builder's risk, product liability, completed operations and independent contractors coverage) in such amounts as Franchisor determines periodically to be necessary and with Franchisor named as an additional insured, (ii) workers' compensation insurance, (iii) employer's liability insurance, as well as (iv) such other insurance as may be required by law.

If Franchisee fails or refuses to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may obtain such insurance coverage on behalf of Franchisee and Franchisee shall fully cooperate with Franchisor in its efforts to obtain and maintain such insurance policies, promptly execute all forms or instruments required to obtain any such insurance, allow any inspections of the Franchised Restaurant which are required to obtain or maintain such insurance and pay to Franchisor, on demand, any costs and premiums incurred by Franchisor therefor.

Franchisee's obligations to maintain insurance coverage as described in this Agreement shall not be affected in any manner by reason of any separate insurance maintained by Franchisor, nor shall the maintenance of such insurance relieve Franchisee of any obligations under Section 5 of this Agreement.

8.11 Franchisee Modifications or Additions. All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Proprietary Marks or in association with the Franchised Restaurant ("**Copyright Works**") are the property of the Franchisor. Additionally, all Copyright Works and any and all modifications or additions to the Franchised Restaurant concept developed or created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Copyright Works unencumbered by moral rights. To the extent the Copyright Works are not works made for hire or rights in the Copyright Works do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyright Works, which the Franchisee and the author of such Copyright Works warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyright Works from another person or entity necessary to ensure Franchisor's right in the Copyright Works as required in this Section 8.11. Franchisee's rights and obligations toward the use of such modifications or additions shall be limited to its rights and obligations regarding Confidential Information as provided for in Section 7 of this Agreement.

8.12 Computerized Point-of-Sale System. The Franchisee must purchase and maintain the computer hardware required by the Franchisor for operation of the Franchised Restaurant, including computer(s), modem(s), cash drawer(s), receipt printer and report printer. In addition, the Franchisee shall purchase from Franchisor's required source the Franchisor's proprietary computer software for operation of the point of sale system and be responsible for paying all expenses associated with the required maintenance and upgrades associated with such software during the Term and any Interim Period or Successor Period. The Franchisor shall have unlimited access to the data generated by the Franchisee's computerized point of sale system and will poll via modem all of its franchisees' computer systems in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information as it may deem appropriate. The Franchisor may distribute this data on a confidential basis to its franchisees, and

Franchisor has the right to utilize such information in summary form for purposes of preparing earnings claims or for any other reasonable purpose in support of the System. The Franchisee must purchase and pay for upgrades or new software as required by the Franchisor from time to time in Franchisor's sole discretion, and Franchisee acknowledges and agrees that the costs and expenses for such upgrades and software will not be limited or subsidized by Franchisor in any way.

9. MARKETING

9.01 By Franchisor. Recognizing the value of marketing to the goodwill and public image of the Franchised Restaurants, Franchisor agrees to maintain and administer a marketing fund ("**Marketing Fund**") for such marketing (including advertising, promotion, public relations and other marketing programs) as Franchisor may deem necessary or appropriate, in its sole discretion. Franchisee shall contribute to the Marketing Fund an amount designated by Franchisor from time-to-time, but not exceeding one percent (1%) of the Net Sales of the Franchised Restaurant, which shall be payable monthly at the same time Franchisee pays the Continuing Royalties due hereunder. Franchised Restaurants owned by Franchisor and its affiliates shall contribute to the Marketing Fund on the same basis as Franchisee. Franchisor shall have the right at any time, upon ninety (90) days written notice to Franchisee, to increase or decrease the amount of such marketing contribution payable by Franchisee, provided that Franchisee's contributions to the Marketing Fund provided hereunder will not, during any calendar year occurring during the term of this Agreement, or any extension thereof, exceed one percent (1%) of the Net Sales of the Franchised Restaurant. All of such funds, but in no event more than one-half of one percent (.5%) of the Net Sales of the Franchised Restaurant contributed to the Marketing Fund, shall be applied by Franchisor to the payment of the direct and indirect costs of preparing and producing video, audio and written marketing materials ("**Production Costs**"). In the event that such contributions received by the Marketing Fund exceed the Production Costs, incurred or to be incurred for a particular period, Franchisor may, at its option, refund a portion thereof to Franchisee, hold such surplus for use in subsequent periods, or expend such surplus on advertising expenses other than Production Costs.

Franchisor shall direct all marketing programs financed by the Marketing Fund. While Franchisor may from time-to-time solicit the input of ideas from franchisees, Franchisor shall nevertheless retain sole discretion over the creative concepts, materials, and endorsements used therein, and the geographic, market, and media placement and allocation thereof, including the use of the Marketing Fund for marketing efforts in Mexico or other markets outside of the United States. Franchisee agrees that the Marketing Fund may be used to pay the costs of conducting marketing surveys and research; employing public relations firms; preparing and producing video, audio, and written marketing materials; administering multi-regional marketing programs, including, without limitation, purchasing television, radio, magazine, billboard, newspaper, and other media advertising, and employing advertising agencies to assist therewith; providing marketing materials to System franchisees; and paying for travel costs associated with any ad hoc marketing advisory meetings. In determining the distribution of the benefits of the Marketing Fund, Franchisor shall use its reasonable efforts to balance its interest in promoting the System with each Franchised Restaurant's proportionate contribution to the Marketing Fund, whether Franchisor or franchisee-owned. The Marketing Fund shall furnish Franchisee with approved marketing materials on the same terms and conditions as such materials are furnished to other System franchisees.

The Marketing Fund shall be accounted for separately from the other funds of Franchisor, but Franchisor is not obligated to maintain the Marketing Fund in a separate bank account. Franchisor shall not use any Marketing Fund monies to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs, and overhead as Franchisor may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including, without limitation, preparing marketing materials and collecting and accounting for contributions to the Marketing Fund). Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all Franchised Restaurants to the Marketing Fund in that year and the Marketing Fund may borrow from Franchisor or others to cover temporary deficits in the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. All interest earned on monies contributed to the Marketing Fund will be used to pay marketing costs of the Marketing Fund before other assets of the Marketing Fund are expended. A statement of monies collected and expenditures made by the Marketing Fund shall be prepared annually by Franchisor and shall be made available to Franchisee upon request.

Franchisee understands and acknowledges that the Marketing Fund is intended to maximize general public recognition of the Proprietary Marks and patronage of Franchised Restaurants for the benefit of all Franchised Restaurants. Franchisor undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Marketing Fund by Franchised Restaurants operating in any geographic area or that any Franchised Restaurant will benefit directly, in proportion to its contribution to the Marketing Fund, or at all, from the conduct of marketing programs or the placement of advertising. Except as expressly provided in this Section 9.01, Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Marketing Fund or the collection of any Franchised Restaurant's contribution to the Marketing Fund.

9.02 By Franchisee. Franchisee agrees to spend annually for local media marketing of the Franchised Restaurant such amounts as Franchisor requires provided that the aggregate of required local marketing expenditures for the Franchised Restaurant and Franchisee's Marketing Fund contribution will not exceed three percent (3%) of the Franchised Restaurant's Net Sales for any respective calendar year. Franchisee shall submit annually, in form satisfactory to Franchisor, verification of its local marketing expenditures.

Prior to their use by Franchisee, samples of all local marketing materials (including any materials that are to be posted on an approved web page or other social media site) not prepared or previously approved by Franchisor shall be submitted to Franchisor for approval. If written disapproval is not received by Franchisee within fifteen (15) days from the date of receipt by Franchisor of such materials, Franchisor shall be deemed to have disapproved the materials. Franchisee shall not use any marketing materials that Franchisor has disapproved. Franchisee, at Franchisee's sole expense, which shall not count toward Franchisee's local marketing obligation, shall list the Franchised Restaurant in the classified section of the telephone directories distributed within the trade area of the Franchised Restaurant in such category or categories as Franchisor may designate from time to time.

Franchisee acknowledges that restaurants operated by Franchisor and other franchisees may be located outside of the Exclusive Area but within Metropolitan Statistical Areas ("**MSA**"), as that term is defined by the United States Office of Management and Budget, or other identifiable marketing areas which include all or a portion of the Exclusive Area in which the Franchised Restaurant is located. In such instances, Franchisee shall use its best efforts to cooperate and coordinate with Franchisor or other franchisees, as the case may be, to maximize the effectiveness of their respective marketing efforts.

9.03 Advertising Cooperative. In the event Franchisee has in operation a Franchised Restaurant in a Metropolitan Statistical Area ("**MSA**"), as that term is defined by the United States Office of Management and Budget, which also has located in it either another franchisee-owned restaurant or a company-owned restaurant, Franchisee upon the sole direction of Franchisor shall join an advertising cooperative ("**Co-op**") which shall include such other franchisee(s) and/or Franchisor-operated restaurants, as the case may be. The Co-op shall be governed and operated in accordance with standards established by Franchisor. Franchisee shall contribute to the treasurer of the Co-op such amounts designated by Franchisor from time-to-time, but not exceeding two percent (2%) of the Net Sales of the Franchised Restaurant, which shall be payable monthly. In no event shall required contributions to the Co-op, required Marketing Fund expenditures, and required local marketing expenditures in the aggregate made by Franchisee exceed five percent (5%) of the Net Sales of the Franchised Restaurant during any calendar year. All advertising materials prepared by the Co-op shall be approved by the Franchisor prior to any use by the Co-op.

The actions of the Co-op shall be controlled by the terms and conditions of the applicable Franchise Agreement(s) and Area Development Agreement(s) but shall be otherwise governed by the majority vote of the members of the Co-op. Each member shall be entitled to cast one (1) vote for each restaurant located within the respective MSA. No member shall have more than fifty percent (50%) of the Co-op's voting power (*e.g.*, if franchisee A owned ten restaurants and franchisee B owned five, then franchisees A and B would be entitled to five votes each). If a voting deadlock should occur on any matter properly before any Co-op, then the Franchisor shall have the right to cast the deciding vote. Franchisor shall have the sole right to create, dissolve or merge advertising cooperatives.

Franchisee understands and acknowledges that the Co-op is intended to maximize general public recognition of the Proprietary Marks and patronage of restaurants for the benefit of all restaurants. Franchisor assumes no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Co-op.

9.04 Social Media. Franchisee acknowledges that the use of any social networking websites or webpages, including but not limited to Facebook, YouTube, LinkedIn, and Twitter, which exploits, utilizes, displays, or otherwise makes use of any of the Marks or Franchisor's intellectual property ("**Social Media Sites**") is Franchisor's sole property, and Franchisee shall promptly submit to Franchisor all passwords for such Social Media Site(s) and any changes to a password shall be submitted to Franchisor within three (3) days of the change. Franchisor shall be granted full access to any Social Media Sites. Franchisee shall have no right, title or interest to any webpage on any of Franchisee's Social Media Sites including, but not limited to, all "fans", "followers", "friends" and "contacts" associated therewith which mentions, uses or refers in any way to the Proprietary Marks or Franchisor's intellectual property even if such webpage is established by Franchisee or otherwise held in Franchisee's name or by any guarantor. Franchisee acknowledges it is responsible for paying all expenses associated with such Social Media Sites.

Upon expiration, transfer or termination of this Agreement, Franchisee shall immediately take whatever steps are necessary to cancel or dismantle any such social networking account or webpage or transfer the account or webpage and all related information, including all "fans", "followers", "friends" and "contacts" associated with such accounts or webpages, to Franchisor or as Franchisor may otherwise direct. Franchisor reserves the right to hyperlink any Social Media Sites used by Franchisee to any other Internet site related to the System that Franchisor designates. Franchisor also reserves the rights to modify or use any of the content on such Social Media Sites and to authorize third parties to modify or use any of the content on such Social Media Sites, subject to the requirements of the social network service that hosts the applicable Social Media Sites, without payment of any compensation to Franchisee. Franchisee must keep Franchisor advised at all times of the addresses and domain names of any Social Media Sites used by Franchisee. Franchisee acknowledges and agrees that Franchisor has sole ownership of all domain names related to the Social Media Sites used by Franchisee, subject to the requirements of the social network service that hosts the applicable Social Media Sites.

10. ACCOUNTING, REPORTS, AND FINANCIAL STATEMENTS

Franchisee shall establish and maintain at its own expense a bookkeeping, accounting, and record keeping system conforming to the requirements prescribed by Franchisor from time-to-time, including, without limitation, the preparation and retention of books and records and the use of cash registers and a computerized accounting systems capable of transmitting data by Franchisee to Franchisor or systems capable of being electronically audited or polled by Franchisor (and Franchisee hereby expressly grants Franchisor the right to electronically audit or poll same). With respect to the operation and financial condition of the Franchised Restaurant, Franchisee shall furnish to Franchisor in the form and media prescribed by Franchisor the following:

10.01 Net Sales. By the tenth (10th) day following each of Franchisee's monthly accounting periods, a report of the gross and Net Sales of the Franchised Restaurant for the preceding accounting period;

10.02 Monthly Profit and Loss Statement and Balance Sheet. By the last day of each month, a profit and loss statement for the preceding calendar month and a year to date profit and loss statement and balance sheet in comparative format;

10.03 Annual Profit and Loss Statement and Balance Sheet. Within one hundred twenty (120) days after the end of Franchisee's fiscal year, a balance sheet and an annual profit and loss statement reflecting all year-end adjustments for the Franchised Restaurant;

10.04 State Sales Tax Returns. Upon request, within thirty (30) days of their filing, exact copies of all state sales tax returns, and state financial reports;

10.05 Federal and State Income Tax Returns. Upon request, such portions of Franchisee's federal and state income tax returns which reflect the operation of the Franchised Restaurant; and

10.06 Other Information. Such other data, information, and supporting records as and when Franchisor from time-to-time requires.

Each such report and financial statement shall be verified and signed by Franchisee in the manner prescribed by Franchisor. Franchisor reserves the right to require Franchisee to have annual financial statements prepared or reviewed by certified public accountants reasonably acceptable to Franchisor. The Franchisor may distribute this financial data, as detailed in this Section 10, on a confidential basis to its franchisees, and Franchisor has the right to utilize such information in summary form for purposes of preparing earnings claims or for any other reasonable purpose in support of the System.

11. ANNUAL REVIEWS, INSPECTIONS, AND AUDITS

11.01 Annual Review. At the discretion of Franchisor, once each calendar year, at a time designated by Franchisor, Franchisee and its Restaurant Managers shall be obligated to meet with representatives of Franchisor at a location specified by Franchisee, for the purpose of discussing and reviewing the Franchised Restaurant's operations, status, and financial performance.

11.02 Franchisor's Right to Inspect the Franchised Restaurant. To determine whether Franchisee and the Franchised Restaurant are complying with this Agreement, and with all specifications, standards, and operating procedures prescribed by Franchisor for the operation of the Franchised Restaurant, Franchisor or its designated agents shall have the right at any reasonable time and without prior notice to Franchisee to:

(a) inspect the Premises;

(b) observe Franchisee, the Restaurant Managers and other employees of the Franchised Restaurant;

(c) interview the Restaurant Managers and other employees of the Franchised Restaurant; and

(d) interview or otherwise communicate with customers of the Franchised Restaurant. Franchisee shall present to its customers such customer evaluation forms as are periodically prescribed by Franchisor and shall participate and/or request that its customers participate in all marketing surveys performed by or on behalf of Franchisor.

11.03 Franchisor's Right to Audit. Franchisor shall, in addition to the right to electronically audit or poll Franchisee's cash registers, and bookkeeping, accounting and record keeping systems as provided under Section 10, have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit or cause to be inspected and audited and to copy, the Business Records, bookkeeping and accounting records, sales and income tax records and returns which relate to the operation of the Franchised Restaurant, and other records of the Franchised Restaurant and the books and records of any corporation or partnership which holds the Franchised Restaurant. Franchisee shall fully cooperate with representatives of

Franchisor and independent accountants hired by Franchisor to conduct any such inspection or audit. In the event any such inspection or audit shall disclose an understatement of the Net Sales of the Franchised Restaurant, Franchisee shall pay to Franchisor within fifteen (15) days after receipt of the inspection or audit report, the Continuing Royalties and/or marketing contributions due on the amount of such understatement, plus interest, at the rate and on the terms provided in Sections 6.03 and 6.04, from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records or other information, as required in this Agreement, or to furnish such reports, records or information on a timely basis, or if an understatement of Net Sales for the period of any audit, which shall not be for less than four (4) weeks, is determined by any such audit or inspection to be greater than two percent (2%), Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of employees and/or agents of Franchisor. The foregoing remedies shall be in addition to and not in lieu of all other remedies and rights of Franchisor hereunder or under applicable law.

12. TRANSFER

12.01 By Franchisor. This Agreement and the Franchise are fully transferable by Franchisor, shall inure to the benefit of any transferee or other legal successor to the interest of Franchisor, and Franchisor shall be released from any further liability to Franchisee under this Agreement upon completion of such transfer.

12.02 Franchisee May Not Transfer Without Approval of Franchisor. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee or its owner and that Franchisor has granted development rights to Franchisee in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee or its owner. Any Franchised Restaurant (or any interest therein) developed pursuant to this Agreement, or any Franchised Restaurant (or any interest therein) granted pursuant to this Agreement, may not be transferred without the prior written approval of Franchisor, and any such transfer without such approval shall constitute a breach hereof and convey no rights to or interests in this Agreement, Franchisee, the Franchise, or the Franchised Restaurant.

12.03 Definition of "Transfer." As used in this Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale or other transfer by Franchisee or its owner of any interest in this Agreement, any part or all of the ownership of Franchisee, any Franchised Restaurant or any interest in any Franchised Restaurant developed pursuant to this Agreement, or the Franchise or any interest therein granted pursuant to this Agreement, including, without limitation:

(a) the transfer of ownership of capital stock or partnership or limited liability company membership interest;

(b) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchisee;

(c) sale of common stock or other securities of Franchisee sold pursuant to a private placement or registered public offering;

(d) transfer of interest in Franchisee, the Franchise granted pursuant hereto, or the Franchised Restaurant operated pursuant hereto, in a divorce proceeding or otherwise by operation of law; or

(e) transfer of an interest in Franchisee, the Franchise granted pursuant hereto, or the Franchised Restaurant operated pursuant hereto, in the event of the death of Franchisee or an owner of Franchisee by will, declaration of or transfer in trust, or under the laws of intestate succession.

12.04 <u>Conditions for Approval of Transfer</u>. If Franchisee and its owners are in full compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of a transfer that meets all the applicable requirements of this Section 12.04. The proposed transferee and any associated entity or entities and their respective owners must be of good moral character and otherwise meet Franchisor's then applicable standards for franchisees. A transfer of ownership in the Franchise may only be made in conjunction with a transfer of this Agreement. If the transfer is of a controlling interest in Franchisee, or is one of a series of transfers which in the aggregate constitute the transfer of a controlling interest in Franchisee, as a bare minimum, and without in any way limiting its discretion, Franchisor may require prior to its consent that all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

(a) the transferee must have sufficient business experience, aptitude, and financial resources to develop the Premises and operate the Franchised Restaurant in Franchisor's reasonable judgment;

(b) Franchisee must pay such Continuing Royalties, Sales Tax, Marketing Fund contributions and other marketing obligations, termination payments, amounts owed for purchases by Franchisee from Franchisor and its affiliates, and any other amounts of whatever nature owed to Franchisor or its affiliates which are then due and unpaid;

(c) the transferee or its designated operations managers and all new Restaurant Managers as specified in Section 3 of this Agreement must have successfully completed Franchisor's training program;

(d) the lessor of the Premises must have consented in writing to the assignment or sublease of the Premises to the transferee;

(e) the assignee shall execute and be bound to the terms and conditions of Franchisor's franchise agreement then being offered to prospective franchisees of Franchisor (except that the assignee shall not be obligated to pay the Initial Franchise Fee);

(f) Franchisee or the transferee shall pay the transfer fee ("**Transfer Fee**") of Five Thousand Dollars ($5,000);

(g) Franchisee and its owner must execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees and agents;

(h) Franchisor must approve the material terms and conditions of such transfer, including, without limitation, a determination in Franchisor's reasonable discretion that the price and terms of payment are not so burdensome as to adversely affect the future development and operations of the Premises by the transferee;

(i) Franchisee and its transferring owner must execute a non-competition covenant in favor of Franchisor and the transferee agreeing that for a period of not less than three (3) years, commencing on the effective date of the transfer, it and they in accordance with the provisions of Section 7.04 shall not have any interest as an owner, investor, lender, partner, director, officer, manager, employee, consultant, representative, or agent, or in any other capacity, in any family-style steak house restaurant or any other restaurant engaged in the sale or preparation of steak and/or a combination of steak and/or other food items or services similar to the principal food items or services then approved for use in the restaurants then in operation in the System, provided that the operation of another restaurant concept by Franchisee as a duly franchised franchisee of Franchisor shall not constitute a breach of this Section 12.04; and

(j) Franchisee and its owner must enter into an agreement with Franchisor providing that all obligations of the transferee to make installment payments of the purchase price or interest thereon to Franchisee or its owner shall be subordinate to the obligations of the transferee to pay Continuing Royalties, Marketing Fund contributions, other marketing obligations, termination payments and obligations for purchases from Franchisor or its affiliates.

12.05 Excepted Transfers. If the proposed transfer is to or among owners of Franchisee or to or among the spouse or children of Franchisee, or an owner of Franchisee, Sub-Section (g) of Section 12.04 shall not apply and Sub-Section (i) of Section 12.04 shall not apply to transfers by gift, bequest, or inheritance. If the proposed transfer is to or among owners of Franchisee or to or among the spouse or children of Franchisee, or an owner of Franchisee, then Sub-Section (e) of Section 12.04 shall not apply if all obligations of Franchisee and its owner incurred in connection with this Agreement are assumed by such transferee(s).

12.06 Death or Disability of Franchisee. Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation or partnership, the owner of a controlling interest in Franchisee, the executor, administrator, conservator, or other personal representative of such person shall transfer its interest in this Agreement or such interest in Franchisee to a third party approved by Franchisor. Such disposition of this Agreement or such interest in Franchisee (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability and shall be subject to all the terms and conditions applicable to transfers contained in Section 12.04. Failure to so dispose of this Agreement or such interest in Franchisee within said period of time shall constitute a breach of this Agreement.

12.07 Effect of Consent to Transfer. Franchisor's consent to a transfer of this Agreement or any interest in Franchisee subject to the restrictions of this Section 12 shall not constitute a waiver of any claims Franchisor may have against Franchisee, nor shall it be deemed a waiver of Franchisor's rights to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

12.08 Franchisor's Right of First Refusal. During the term of this Agreement or for a period of one (1) year after its termination or if Franchisee has closed the Franchised Restaurant, whether with or without the consent of Franchisor, if Franchisee or its owner shall at any time determine to sell an interest in this Agreement or any part or all of the ownership of Franchisee, any interest in the Franchise, or the Franchised Restaurant, or its owner shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser, then Franchisee shall submit an exact copy of such offer to Franchisor. Franchisor shall have the right, exercisable by written notice delivered to Franchisee or its owner within forty-five (45) days from the date of delivery of an exact copy of such offer to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer. In the event all or any part of the consideration offered to Franchisee for such interest shall consist of common or preferred stock or debt securities of any tendering entity, and in the event Franchisor is either a "public company" or a "public reporting company" as those terms are defined under the federal securities laws, Franchisor shall be deemed to have matched any such offer by offering its own common or preferred stock or debt securities with a market value equivalent to the market value of the securities of the entity making such offer to Franchisee or cash in an amount equal to the market value of the securities making such offer to Franchisee. In the event Franchisor is privately owned, Franchisor may substitute cash for any form of payment proposed in such offer. In the event all or any portion of the consideration offered Franchisee consists of unique assets, Franchisor shall be deemed to have matched such offer by offering cash in an amount equivalent to the market value of the unique assets tendered by the entity making such offer to Franchisee. Further, Franchisor's creditworthiness shall be deemed equal to the credit rating of any proposed purchaser. Franchisor shall have not less than sixty (60) days to prepare for closing and shall be entitled to all customary representations and warranties as set forth in **Exhibits D** and **E** of the applicable Area Development Agreement previously or contemporaneously entered into between Franchisor and Franchisee, or if Franchisee executed a single Franchise Agreement, as included as an Exhibit to the Area Development Agreement included in the Franchise Disclosure Document given to Franchisee prior to Franchisee's execution of this Franchise Agreement. If Franchisor does not exercise its right of first refusal, Franchisee or its owner may complete the sale to the proposed purchaser pursuant to and on the terms of such offer, subject to the Franchisor's approval of the purchaser as provided in Sections 12.02 and 12.04. If the sale to such purchaser is not completed within sixty (60) days after delivery of such offer to Franchisor, or there is a material change in the terms and conditions of the sale, Franchisor shall then again have the right of first refusal provided under the terms of this Agreement.

12.09 Public or Private Offerings. In the event Franchisee shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred capital stock, bonds, debentures, or partnership interests), Franchisee, recognizing that the literature used with respect thereto may reflect upon Franchisor, agrees to submit all such literature or prospectuses to Franchisor and to obtain the written approval of Franchisor of the method of financing prior to any offering or sale of said securities.

Each prospectus, circular, or other literature utilized in any such offering shall, at Franchisor's discretion, contain the following language in bold-face type on the first textual page:

> "Stockade Franchising, LP has not passed upon the accuracy or adequacy of the statements made herein nor is it nor will it be responsible for the inaccuracy or inadequacy of such statements. Stockade Franchising, LP will not share in any of the proceeds of this offering and makes no recommendation respecting the advisability of purchasing the investment contemplated by this offering."

Franchisee agrees to indemnify and hold Franchisor, its officers, directors, employees and agents harmless from any and all claims, demands or liabilities arising from the offer or sale of such securities, whether asserted by a purchaser of any of such securities or by a governmental agency. Franchisor shall have the right to defend any such claims.

For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee of Ten Thousand Dollars ($10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12.09 commences.

13. SUCCESSOR FRANCHISE

13.01 Franchisee's Right to Successor Term. Upon expiration of the initial term of this Agreement, if:

(a) Franchisor elects to continue to maintain a Franchised Restaurant at the Premises;

(b) Franchisee maintains possession of and agrees to refurbish and decorate the Premises, replace fixtures, furnishings, furniture, equipment, and signs and otherwise modify the Franchised Restaurant in compliance with all specifications and standards then applicable under new or successor franchises for Franchised Restaurants; or Franchisee is unable to maintain possession of the Premises, or in the business judgment of Franchisor the Franchised Restaurant should be relocated, and Franchisee secures substitute premises approved by Franchisor and agrees to develop such substitute premises in compliance with all specifications and standards then applicable under new or successor franchises for Franchised Restaurants; and

(c) Franchisee has been in substantial compliance with all of the terms and conditions of this Agreement during the initial term and continues to be in substantial compliance up to the expiration hereof, Franchisee shall have the right to renew this Agreement for a successor term ("**Successor Term**") equal to the current term then being offered by Franchisor or for such other period as may be agreed to by Franchisor and Franchisee. Such Successor Term shall be without payment of an Initial Franchise Fee or successor franchise fee, except that Franchisor shall have the right to charge Franchisee reasonable charges for services it renders to Franchisee or expenses it incurs in conjunction with such Successor Term.

13.02 Successor Agreements/Releases. To enter into a Successor Term, Franchisor, Franchisee and its owner shall execute the then standard form of Franchise Agreement and any ancillary agreements then customarily offered by Franchisor to prospective franchisees in the granting of franchises for the operation of Franchised Restaurants with appropriate modifications to reflect the fact that the agreement relates to the grant of a successor franchise. Franchisee and its owners shall also execute a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor, its officers, directors, employees, and agents. Failure by Franchisee and its owner to sign such agreements and releases within ninety (90) days after delivery thereof to Franchisee shall be deemed an election by Franchisee not to enter into a successor Franchise Agreement.

13.03 Interim Period. If Franchisee does not sign a new Franchise Agreement prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a Franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

14. TERMINATION OF AGREEMENT BY FRANCHISEE OR CESSATION OF RESTAURANT OPERATION

Franchisee understands and acknowledges that a material inducement to the Franchisor for entering into this Agreement is Franchisee's representation that it will diligently develop the Premises and the Franchised Restaurant thereon for the full term of this Agreement and Franchisee agrees that this Agreement shall not be terminated by Franchisee without good cause. For the purposes hereof, "**terminated by Franchisee**" shall mean (i) the discontinuance of business at the Franchised Restaurant operated by Franchisee, (ii) changing or threatening to change the Franchised Restaurant operated by Franchisee to a different name, format, style, or use, (iii) willful disregard by Franchisee of the terms and provisions of this Agreement, or (iv) transferring or threatening to transfer any of Franchisee's rights under this Agreement or to the Franchised Restaurant licensed by this Agreement and operated by Franchisee, to a person or entity not approved by the Franchisor in accordance with the provisions of Section 12.

14.01 Termination for Good Cause. Nothing in this Agreement shall be construed to prevent Franchisee from terminating this Agreement for good cause. For purposes hereof, "**good cause**" shall be deemed to mean a material breach of this Agreement by the Franchisor which is not cured within thirty (30) days after the Franchisor actually receives written notice required by this Agreement from Franchisee, or in the event such default cannot be cured within such thirty (30) day period, the Franchisor shall not have commenced to cure such default within thirty (30) days and diligently continued thereafter to attempt to cure such default. If such material breach consists of the failure by the Franchisor to provide any services or training assistance required by this Agreement, then such breach shall be deemed fully cured upon the tendering of performance by the Franchisor of such services or assistance, as Franchisor reasonably determines to be necessary in Franchisor's reasonable discretion, within thirty (30) days after receiving notice thereof, but the Franchisor shall not be under any obligation to compensate Franchisee for any lack of or deficiency in past services or assistance.

15. TERMINATION OF THE FRANCHISE

15.01 Grounds for Termination with Notice. This Agreement shall automatically terminate upon delivery of notice of termination to Franchisee, if Franchisee or its owner (or any shareholder or partner, if Franchisee is a corporation or partnership):

(a) abandons or fails to actively operate the Franchised Restaurant;

(b) surrenders or transfers control of the operation of the Franchised Restaurant with the advanced written consent of Franchisor;

(c) has made any material misrepresentation or omission in its application for the Franchise;

(d) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the System, the Proprietary Marks, the goodwill associated therewith, Franchisor's interest therein, or the reputation of Franchisee or the Franchised Restaurant (or any shareholder or partner, if Franchisee is a corporation or partnership and if Franchisee fails to terminate such shareholder's or partner's interest in Franchisee within 90 days thereof);

(e) makes a general assignment for the benefit of its creditors, applies for or consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its assets, files a voluntary petition in bankruptcy, has an involuntary petition in bankruptcy filed against it (which is not released within 90 days), or fails to pay its debts and obligations as they mature in accordance with normal business practices;

(f) makes an unauthorized assignment or transfer of this Agreement, the Franchised Restaurant, the Premises, the Franchise, or an ownership interest in Franchisee;

(g) is a party to any other Area Development Agreement, Franchise Agreement, or license agreement with Franchisor, of any restaurant concept which Franchisor may itself operate, or license or franchise to others, from time-to-time, for which Franchisor has delivered to Franchisee a notice of termination in accordance with its terms and conditions for cause (except for a termination of the Area Development Agreement based upon a failure to satisfy a Minimum Development Quota);

(h) makes any unauthorized use of the Proprietary Marks or unauthorized use or disclosure of the Confidential Information or any portion thereof or otherwise violates the provisions of Section 4;

(i) fails or refuses to comply with any mandatory specification, standard, or operating procedure prescribed by Franchisor relating to the cleanliness or sanitation of the Franchised Restaurant, violates any health, safety, or sanitation law, ordinance, or regulation and does not correct such failure or refusal within seventy-two (72) hours after written notice thereof is delivered to Franchisee or fails to notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Franchised Restaurant or of any notice of violation of any law, ordinance, or regulation relating to health, sanitation, or the possession or sale of alcoholic beverages at the Franchised Restaurant;

(j) employs or attempts to employ, either directly or indirectly, any person who Franchisee knows or should have known was employed or at such time is employed by Franchisor or any other franchisee of Franchisor without first obtaining the written consent of Franchisor or such franchisee of Franchisor; or

(k) fails 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; to pay when due the Continuing Royalties, Marketing Fund or Co-op contributions, or other payments due by this Agreement to Franchisor or its affiliates; or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee.

15.02 Grounds for Termination with Notice and Opportunity to Cure. This Agreement shall terminate without further action by Franchisor or notice to Franchisee, if Franchisee or its owner:

(a) fails to accurately report the Net Sales of the Franchised Restaurant or fails to remit payments of any amounts due Franchisor for Continuing Royalties, Marketing Fund or Co-op contributions, or any other amounts due to Franchisor or its affiliates by this Agreement, and does not correct such failure within ten (10) days after written notice of such failure is delivered to Franchisee; or

(b) fails to comply with any other provision of this Agreement or mandatory specification, standard, or operating procedure prescribed by Franchisor and does not:

(i) correct such failure within thirty (30) days after written notice of such failure to comply is delivered to Franchisee; or

(ii) if such failure cannot reasonably be corrected within thirty (30) days after written notice of such failure to comply is delivered to Franchisee, undertake efforts to bring the Franchised Restaurant into full compliance, and furnish proof acceptable to Franchisor of such efforts and the date of their expected completion, within ten (10) days after written notice is delivered to Franchisee.

15.03 Efforts to Resolve Termination Disputes Other Than by Termination. Acts of Franchisor undertaken in the course of efforts to resolve a termination dispute, or a dispute for which termination is a possible remedy, shall be deemed to have been undertaken without prejudice to the rights asserted by Franchisor and shall not constitute a waiver or relinquishment of those rights. In the event Franchisee continues to engage in franchised operations while a dispute is pending, that fact, and/or the receipt of monthly payments and the furnishing by Franchisor of information and service essential to such operations, shall not constitute a waiver or relinquishment of Franchisor's rights. Franchisor may, at its option and without waiving its right to terminate, seek any form of relief or remedy available to it under common law or statute for any breach of this Agreement including, but not limited to, the right to damages, injunctive relief, declaratory orders or specific performance.

16. RIGHTS AND OBLIGATIONS OF FRANCHISOR AND FRANCHISEE UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

16.01 Payment of Amounts Owed to Franchisor. Franchisee shall pay to Franchisor within fifteen (15) days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to Franchisor are determined, such Continuing Royalties, Marketing Fund and Co-op contributions, amounts owed for purchases by Franchisee from Franchisor or its affiliates, interest due on any of the foregoing and all other amounts owed to Franchisor or its affiliates which are then unpaid.

16.02 Proprietary Marks. After the termination or expiration of this Agreement, Franchisee shall:

(a) not directly or indirectly at any time or in any manner identify itself or any business as a current or former Franchised Restaurant operator, or as a franchisee or licensee of or as otherwise associated with Franchisor (other than under other franchise agreements with Franchisor), or use any Proprietary Marks, any colorable imitation thereof, or other indicia of a Franchise in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor;

(b) remove all signs, sign faces, and return to Franchisor or destroy all marketing materials, menus, and other materials containing any Proprietary Marks or otherwise identifying or relating to a Franchise;

(c) remove all Proprietary Marks affixed to uniforms;

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

(e) within five (5) days of termination or expiration of this Agreement, notify the telephone company, all listing agencies, and all Internet service providers of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with any of the Proprietary Marks and authorize transfer of same to the Franchisor or any new Franchisee as may be directed by the Franchisor. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers, directory listings, and web addresses used to promote the Franchised Restaurant and/or associated with any of the Proprietary Marks. Franchisee authorizes Franchisor, and hereby irrevocably appoints Franchisor and any officer of Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, should Franchisee fail or refuse to do so, to execute such directions and authorizations as may be necessary or productive to accomplish the foregoing. Such appointment is evidenced by **Attachment 3**; and

(f) furnish to Franchisor, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

16.03 Modification of Franchised Restaurant Design and Decor. Upon expiration of this Agreement without renewal, Franchisee shall modify the design, decor, and color scheme of the Franchised Restaurant in a manner acceptable to Franchisor so that it no longer suggests or indicates a connection with the System or any rights and privileges granted by this Agreement.

16.04 Cessation of Use of Confidential Information. Upon termination or expiration of this Agreement, Franchisee will immediately cease to use any Confidential Information disclosed to Franchisee pursuant to this Agreement in the operation of the Franchised Restaurant, any family-style steak house or other restaurant engaged in the sale or preparation of steak or a combination of steak and/or other food items or services similar to the principal food items or services approved by Franchisor from time-to-time for use in Franchised Restaurants, and shall continue to be obligated to refrain from disclosing or using any of the same in any restaurant or other similar business, or capacity and shall return to Franchisor all copies of the Manual and any other confidential materials which have been loaned to Franchisee by Franchisor.

16.05 Franchisor's Right to Purchase the Franchised Restaurant. In addition to the rights provided to Franchisor under Section 12.08 or upon termination of this Agreement under Section 14 or Section 15, Franchisor shall have the option, but not the obligation, exercisable by giving written notice thereof within thirty (30) days from the date of such termination, to purchase from Franchisee all the assets of the Franchised Restaurant operated pursuant to this Agreement. Assets shall include, without limitation, real property, inventories of saleable merchandise, Utensils, materials, supplies, leasehold improvements, fixtures, furniture, furnishings, equipment, signs, and Franchisee's lease for the Premises. Franchisor shall have the option to purchase the capital stock, partnership or membership interests of Franchisee, as the case may be, instead of the assets of the Franchised Restaurant. In the event Franchisee owns the Premises, Franchisee in lieu of selling the same, at the election of Franchisor shall grant to Franchisor or its assignee standard commercial leases at fair market rental for initial terms of ten (10) years each with not less than one (1) ten (10) year renewal option. Franchisor shall have the unrestricted right to assign its option to purchase to any third party of its choosing. Franchisor or its assignee shall be entitled to all customary warranties and representations in connection with its asset or stock purchase as set forth in **Exhibits D** and **E** of the applicable Area Development Agreement previously or contemporaneously entered into between Franchisor and Franchisee, or if Franchisee executed a single Franchise Agreement, as included as an Exhibit to the Area Development Agreement included in the Franchise Disclosure Document given to Franchisee prior to Franchisee's execution of this Franchise Agreement. The purchase price for the assets of the Franchised Restaurant (or the capital stock of the Franchisee) shall be determined as follows:

(a) Franchisor shall appoint one (1) qualified individual as an appraiser and Franchisee shall appoint one (1) qualified individual as an appraiser. The appraisers so appointed shall determine the fair market value of the assets of the Franchised Restaurant or the capital stock of Franchisee, as the case may be. In the event these two (2) appraisers are unable to agree upon the fair market value of such assets or capital stock, as the case may be, within thirty (30) days after their appointment, they shall select and designate one (1) additional appraiser for this purpose whose appointment and determination shall be binding upon all parties. In the event any appraiser should become unable or unwilling to serve, a substitute shall be appointed by the party originally selecting him. In the event that the two (2) appraisers first appointed shall be unable to agree upon a third appraiser, such appraiser shall be appointed by the most senior federal judge presiding at the federal district court located in Austin, Texas.

(b) The purchase price may be paid, at the option of Franchisor, in cash or by such other method as may be agreed upon by Franchisor and Franchisee.

(c) The closing shall take place no later than ninety (90) days after receipt by Franchisee of Franchisor's notice of exercise of this option to purchase, at which time Franchisee shall deliver instruments transferring to Franchisor or its assignee:

(i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; and

(ii) all licenses for the Franchised Restaurant, or permits which may validly be assigned or transferred.

In the event that Franchisee cannot deliver clear title to all of such purchased assets, or in the event there shall be other unresolved issues, the closing of the sale shall be accomplished by means of an escrow. Further, Franchisee and Franchisor shall, prior to closing, comply with the applicable Bulk Sales provisions of the Uniform Commercial Code of the state where the Franchised Restaurant is located. Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor. If Franchisor exercises its option to purchase, then pending the closing of such purchase as hereinabove provided, Franchisor shall have the right to appoint Restaurant Managers to maintain the operation of such purchased Franchised Restaurant. Alternatively, Franchisor may require Franchisee to close the Franchised Restaurant during such time period without removing therefrom any assets.

16.06 Liquidated Damages. Upon the termination of this Agreement in accordance with Section 15, Franchisee must pay to Franchisor liquidated damages in an amount equal to the sum of the estimated future Continuing Royalties ("**Liquidated Damages Amount**") that Franchisee would have otherwise been obligated to pay to Franchisor (had such termination not occurred) for each month remaining under the Term of this Agreement at the time the Agreement is terminated. Such Liquidated Damages Amount will be equal to the amount of the average monthly Continuing Royalty during the most recent twelve (12) month period prior to the month during which Franchisee committed any default that led to the termination of this Agreement. Franchisor's damages for Franchisee's breach of this Agreement, and a subsequent termination due to such breach, are difficult to determine; accordingly, Franchisee acknowledges and agrees that the foregoing damages in this Section 16.06 are a reasonable estimate of the damages incurred by Franchisor as a result of the termination of this Agreement due to a breach by Franchisee. Franchisee also acknowledges and agrees that Franchisor is entitled to all other applicable remedies and damages relating to Franchisee's breach, including Franchisor's reasonable attorneys' fees and costs of enforcement, and any under trademark, copyright, and trade secret laws.

16.07 Continuing Obligations. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement (for example, the liquidated damages provision in Section 16.06 and the non-competition covenant provided for in Section 7.04) shall continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination and until they are satisfied in full or by their nature expire.

17. TEMPORARY DE-IDENTIFICATION OF THE RESTAURANT

In lieu of immediately exercising its rights to terminate this Agreement, as set forth in Section 15, and in Franchisor's sole discretion, Franchisor may execute an agreement with Franchisee calling for the temporary de-identification of the Franchised Restaurant ("**De-identification Agreement**"). The De-identification Agreement shall be in a form prescribed by Franchisor, shall set forth all required repair, replacement, refurbishing, and/or remodeling which must be completed by Franchisee and shall prescribe a timetable in which Franchisee must cure all defaults under this Agreement, and complete such repair, replacement, refurbishing, and/or remodeling.

During the term of the De-identification Agreement, the Franchisee shall:

17.01 Signage. Cover all of the Franchised Restaurant's signs containing the Proprietary Marks located on the exterior or in the interior of the Premises of the Franchised Restaurant;

17.02 Marketing. Cease all marketing of the Franchised Restaurant using the Proprietary Marks;

17.03 Public Relations. Cease all representations to the public and its customers that the Franchised Restaurant is authorized to operate under the Proprietary Marks and is affiliated with the System in any way; and

17.04 Advisory Signs. Prominently display signs and notices in the Franchised Restaurant in such manner and in a form as is prescribed by Franchisor indicating that the Franchised Restaurant is temporarily not affiliated with any restaurants operated or franchised by Franchisor while it is undertaking improvements to bring it into compliance with the standards and specifications required of all Franchised Restaurants. During the term of the De-identification Agreement, Franchisee shall discontinue use of all menus and expendable supplies containing the Proprietary Marks.

During the term of the De-identification Agreement, Franchisee shall not be required to make Continuing Royalty payments and marketing contributions required by this Agreement, except for any amounts due at the time of execution of the De-identification Agreement. The term of this Agreement shall continue to run during, and shall not be extended by, the term of the De-identification Agreement. In the event Franchisee fails to comply with all of the terms and conditions of the De-identification Agreement, or if upon expiration of the De-identification Agreement, if Franchisee has not completed all required repairs, replacement, refurbishing, and/or remodeling, Franchisor may proceed to terminate this Agreement as set forth in Section 15.

18. CASUALTY LOSS OR CONDEMNATION

18.01 Casualty Loss. If the Franchised Restaurant licensed by this Agreement is damaged by fire or other casualty, Franchisee shall, at its cost, expeditiously repair such damage as soon as possible after the occurrence thereof. In the event such casualty loss requires the closing of the Franchised Restaurant for more than three (3) consecutive months, then, unless repair and reconstruction work has commenced in earnest within such three (3) month period and unless the Franchised Restaurant is re-opened in full operation no later than one (1) year after the date of such casualty loss, this Agreement shall terminate automatically and without notice to Franchisee. In lieu of reconstructing and reopening the damaged Franchised Restaurant as required hereby, Franchisee may construct and open a different Franchised Restaurant within the trade area of such damaged Franchised Restaurant within one (1) year after the date of such casualty loss. Such substituted Franchised Restaurant shall be exempt from the Initial Franchise Fee requirement provided for in this Agreement.

18.02 Condemnation Proceedings. Franchisee shall give Franchisor written notice as soon as it receives any knowledge of any condemnation or exercise of the power of eminent domain, or threat thereof, by any applicable governmental authority. If, in the reasonable opinion of Franchisor, a substantial part of the Franchised Restaurant is to be condemned or taken under eminent domain and the portion not so taken or condemned could not be operated practicably and profitably as a Franchised Restaurant, Franchisor shall give good faith consideration to transferring the Franchised Restaurant granted by this Agreement to another location reasonably near the condemned Franchised Restaurant which decision shall be made by Franchisor not more than four (4) months after Franchisor's determination of condemnation. If such transfer of Franchised Restaurant is authorized by Franchisor and Franchisee opens for business at such other location within one (1) year of the closing of the condemned or taken Franchised Restaurant, the substituted Franchised Restaurant in such area shall be deemed to be open under this Agreement in the same manner and for the same term as was the previous Franchised Restaurant. In the event Franchisee has used its best efforts to vigorously replace such condemned location but has been unable to do so on account of its failure to obtain the requisite licenses and permits for such other location, Franchisor may, but shall not be required to, grant additional time for Franchisee to open such other location. If such condemnation or eminent domain takes place and no new location, for any reason whatsoever, becomes franchised in strict accordance with this Section, then this Agreement shall terminate automatically without notice to Franchisee.

19. ENFORCEMENT

19.01 Severability and Substitution of Valid Provisions. Except as expressly provided to the contrary in this Agreement, each Section, term, and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such provision of this

Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final ruling issued by any court, agency, or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party thereto, or otherwise upon Franchisee's receipt of a notice of non-enforcement thereof from Franchisor. To the extent that Section 7, or any section, or portion, or clause thereof, is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but same may be made enforceable by reducing any or all thereof, Franchisee and Franchisor agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or non-renewal of this Agreement than is required by this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and Franchisor shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to and shall be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by Franchisor, any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

19.02 Waiver of Obligations. Franchisor or Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires Franchisor's prior approval or consent, Franchisee shall make a timely written request to Franchisor, and such approval shall be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by granting any waiver, approval, or consent to Franchisee or by reason of any neglect, delay, or denial of any request by Franchisor. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon delivery to Franchisee of thirty (30) days prior written notice.

Franchisor and Franchisee shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition, and covenant in this Agreement, or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms hereof; any failure, refusal, or neglect of Franchisor or Franchisee to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations by this Agreement, including, without limitation, any mandatory specification, standard, or operating procedure; any waiver, forbearance, delay, failure, or omission by Franchisor to exercise any right, power or option, whether of the same, similar or different nature, with respect to the Franchised Restaurant; or the acceptance by Franchisor of any payments due from Franchisee after any breach of this Agreement.

19.03 Limitations on Liability. Unless stated to the contrary elsewhere in this Agreement, neither Franchisor nor Franchisee shall be liable for any loss or damage nor deemed to be in breach of this Agreement if its failure to perform its obligations results from:

(a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations, or instructions of any federal, state, or municipal government or any department or agency thereof;

(b) compliance with any law, ruling, order, regulation, requirement, or instruction of any federal, state, or municipal government or any department or agency thereof;

(c) acts of God;

(d) acts or omissions of the other party;

(e) fires, strikes, embargoes, war, or riot; or

(f) any other similar event or cause.

Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of Continuing Royalty and Service Fees due on any sales thereafter.

19.04 Specific Performance/Injunctive Relief. Nothing contained in this Agreement shall bar Franchisor's or Franchisee's right to obtain specific performance of the provisions of this Agreement and to obtain injunctive relief against threatened conduct that will cause it loss or damages, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Franchisee agrees that Franchisor may obtain 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. Franchisee further agrees that its sole remedy in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly had and all claims for damages by reason of the wrongful issuance of any such injunction are expressly waived hereby unless against the public policy of the forum in which the proceeding was brought.

19.05 Rights of Parties are Cumulative. The rights of Franchisor and Franchisee by this Agreement are cumulative and no exercise nor enforcement by Franchisor or Franchisee of any right or remedy by this Agreement shall preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy by this Agreement or which Franchisor or Franchisee is entitled by law or equity to enforce.

19.06 Governing Law/Consent to Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq*.), this Agreement and the Franchise shall be governed by the laws of the State of Texas. Except as expressly set forth in Section 21 regarding the duty of the parties to arbitrate disputes arising from their relationship under this Agreement, Franchisee agrees that Franchisor may institute any action against Franchisee for injunctive relief or enforcement of Franchisee's confidentiality and non-competition covenants in any State or Federal court of general jurisdiction in the State of Texas and Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection it may have to either the jurisdiction or venue of such court.

19.07 Binding Effect/Modification. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

19.08 Construction. This Agreement, together with the Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Franchise Disclosure Document as **Exhibit H**, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement or the System. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto.

The headings of the several Sections hereof are for convenience only and do not define, limit, or construe the contents of such Sections.

The term "**affiliate**" as used in this Agreement is applicable to any company directly or indirectly owned by, controlled by, or under common control with Franchisor that sells products or otherwise transacts business with Franchisee.

The term "Franchisee" as used in this Agreement is applicable to one or more persons, a corporation, limited liability company, or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to Franchisor shall be joint and several. References to "Franchisee," "owner" and "transferee" which are applicable to an individual or individuals shall mean, unless expressly made applicable to all shareholders and partners, the owners of Franchisee or the transferee (*i.e.*, any person owning of record or beneficially ten percent [10%] or more of the equity or control of Franchisee) if Franchisee or the transferee is a corporation, limited liability company or partnership.

19.09 Counterparts. This Agreement may be executed in multiple copies, each of which shall be deemed an original, but all of which shall constitute one document.

19.10 Consent. Except where this Agreement expressly obligates Franchisor to reasonably approve or not unreasonably withhold its approval of any action or request by Franchisee, Franchisor has the absolute right to refuse any request by Franchisee or to withhold its approval of any action by Franchisee for any reason whatsoever.

19.11 Reimbursement for Enforcement Costs. Franchisee must reimburse Franchisor for any attorney's fees, expert witness fees, and any other expenses incurred by Franchisor to enforce any of Franchisor's rights relating to Franchisee under this Agreement.

19.12 Attorney's Fees. Notwithstanding anything in this Agreement to the contrary, if either party institutes a legal proceeding, including court proceeding or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court or arbitrators costs and all of the prevailing party's expenses in connection with any action at law.

20. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by telegraph or comparable electronic system or three (3) business days after being placed 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. All payments and reports required by this Agreement shall be directed to Franchisor at the address notified to the Franchisee from time-to-time, or to such other persons and places as the Franchisor may direct from time-to-time. Any required payment or report not actually received by Franchisor during regular business hours on the date due (or postmarked by postal authorities as of the due date) shall be deemed delinquent.

Any notice, consent, approval, demand or other communication to be given, made or provided for under this Agreement shall be in writing and deemed to be fully given by its delivery personally to the person or persons specified below by being sent electronically to the email address of the persons specified below, by facsimile transmission, by registered or certified mail, return receipt requested, or by recognized courier service to the following addresses, or to such other address or to the attention of such other person as any party hereto shall hereafter specify by prior written notice to the other party:

If to Franchisor: Stockade Franchising, LP
1611 Chisholm Trail
Round Rock, Texas 78681
Attention: Chief Operating Officer
Facsimile: (512) 297-2578

If to Franchisee: ____________________
____
____
Attention: ____________________
Facsimile: ____________________

21. ARBITRATION AND DISPUTE RESOLUTION

21.01 Duty to Arbitrate. Except in the case of any Franchisor-sponsored dispute resolution program created in accordance with Section 21.04, the parties agree that any and all controversies, claims and disputes between them arising out of or related to this Agreement that cannot be amicably settled shall be finally resolved by submitting such matter to the American Arbitration Association ("**AAA**") in either Denver, Colorado or Austin, Texas, in Franchisor's sole discretion, for binding arbitration under the AAA's Commercial Arbitration Rules. A single arbitrator shall be selected in accordance with standard AAA procedure. In accordance with the terms of the Federal Arbitration Act, the arbitrator shall hear the dispute in either Denver, Colorado or Austin, Texas, as selected by Franchisor. During the arbitration process, each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding and shall include attorney's fees, all arbitration expenses, and other costs in accordance with Section 19.11. Franchisee knows, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Franchisee or its owners shall be of Franchisee's (or its owner's) individual claims and that the claims subject to arbitration shall not be arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis and Franchisee and its owners hereby waive any right it or they may assert to have its claims arbitrated in conjunction with the claims of other developers, franchisees or on a class-wide basis.

21.02 Franchisor's Right to Seek Injunctive Relief. Notwithstanding any provision contained in this Section 21, Franchisor may, at its sole option, institute an action or actions for temporary or preliminary injunctive relief or seeking any other temporary or permanent equitable relief against Franchisee that may be necessary to protect its Proprietary Marks or other rights or property. However, in Franchisor's sole discretion, the final right of determination of the ultimate controversy, claim or dispute shall be decided by arbitration as aforesaid and recourse to the courts shall thereafter be limited to seeking an order to enforce an arbitral award. In no event shall Franchisee be entitled to make, Franchisee shall not make, and Franchisee hereby waives, any claim for money damages by way of set-off, counterclaim, defence or otherwise based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by the Franchisee under any of the terms of this Agreement. The Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

21.03 Location of Agreement. Franchisee, the Franchisee's owners and Franchisor acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Round Rock, Texas, and further acknowledge that the performance of certain obligations of Franchisee arising under this Agreement, including the payment of monies due under this Agreement, shall occur in Round Rock, Texas.

21.04 Franchisor's Right to Develop Alternative Dispute Resolution Programs. Without limiting any of the foregoing, Franchisor reserves the right, at any time, to create a dispute resolution program and related specifications, standards, procedures and rules for the implementation thereof to be administered by Franchisor or its designees for the benefit of all Developers and Franchisees conducting business under the System. The standards, specifications, procedures and rules for such dispute resolution program shall be made part of the Manual, and Franchisee shall comply with all such standards, specifications, procedures and rules in seeking resolution of any claims, controversies or disputes with or involving Franchisor or other Developers or Franchisees, if applicable under the program. If Franchisor makes such dispute resolution program mandatory, Franchisee and Franchisor agree to submit any claims, controversies or disputes arising out of or relating to this Agreement or the relationship created by this agreement for resolution in accordance with such dispute resolution program prior to seeking resolution of such claims, controversies or disputes in the manner described in Sections 21.01 and 21.02 (provided that the provisions of Section 21 concerning Franchisor's right to seek relief in a court for certain actions including for injunctive or other extraordinary relief shall not be superseded or affected by this Section 21.04) or if such claim, controversy or dispute relates to another Developer or Franchisee, Franchisee agrees to participate in the program and submit any such claims, controversies or disputes in accordance with the program's standards, specifications, procedures and rules, prior to seeking resolution of such claim by any other judicial or legally available means.

21.05 Waiver of Certain Damages. Franchisee and Franchisee's owners waive, to the fullest extent permitted by law, any right to or claim of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee and Franchisee's owners shall be limited to the recovery of any actual damages sustained by it or them. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including loss of profits) shall continue in full force and effect.

22. ACKNOWLEDGMENTS

22.01 Franchisee's Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

22.02 Receipt of Agreements; Time to Consider. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related Attachment and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

22.03 Compliance with Franchise Law. Franchisee acknowledges that it received a complete copy of this Agreement and the related Attachment and agreements at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least ten (10) business days prior to the date on which this Agreement was executed.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement in __________ or more counterparts on the day and year first above written.

Franchisor:

STOCKADE FRANCHISING, LP

By: Stockade Franchising Management, LLC,
its General Partner

By: ____
Doug Frieling, Manager

Franchisee:

If a Corporation or
Limited Liability Company:

____
Printed Corporate or LLC's Name

By: ____

____
Printed Name

Title: ____

If an Individual:

____
Signature

____
Print Name

If a Limited Partnership

____
Printed Limited Partnership's Name

By: ____
General Partner

____
Print Name

Title: ____

ATTACHMENT 1
TO FRANCHISE AGREEMENT

RESTAURANT INFORMATION

PREMISES. Pursuant to Section 1.01, the Premises of Franchisee's Franchised Restaurant shall be located at:

GEOGRAPHICAL AREA: Pursuant to Section 1.01, the geographical area within which Franchisee's Franchised Restaurant shall be located is:

INITIAL FRANCHISE FEE. The Initial Franchise Fee payable to Franchisor pursuant to Section 6.01 is Thirty-Five Thousand Dollars ($35,000) unless indicated otherwise by checking the box below:

☐ Twenty Thousand Dollars ($20,000)

CONTINUING ROYALTIES. The Continuing Royalties payable to Franchisor pursuant to Section 6.02 is four percent (4%) of Net Sales unless indicated otherwise by checking the box below:

☐ Three percent (3%) of Net Sales

ATTACHMENT 2
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION
OF OBLIGATIONS

THIS **GUARANTY AND ASSUMPTION OF OBLIGATION** is given this _____day of ________________, 20___, by ____.

In consideration of, and as inducement to, the execution of that certain Franchise Agreement of even date herewith ("**Agreement**") by **Stockade Franchising, LP** ("**Franchisor**"), each of the undersigned hereby personally and unconditionally (a) 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 (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the provisions of Section 3.05 and Section 7.04. Notwithstanding clauses (a) and (b) above, a spouse who is also a guarantor hereunder and who becomes widowed and who does not have (and will not obtain) an ownership interest in the Franchisee, the Agreement, or any Franchise Agreement granted thereunder as an owner, co-owner, investor, member, partner, shareholder or like capacity shall not thereafter be held responsible for any monetary obligations thereafter arising out of the terms and conditions of this Guaranty and Assumption of Obligations unless any such ownership interest is acquired in any manner by the widowed spouse, or the widowed spouse's or deceased spouse's children. Notwithstanding any change in ownership resulting from the death of a spouse, all monetary obligations and liabilities existing at the time of death shall continue to be an obligation of the surviving spouse until such obligations or liabilities shall be paid in full by the estate or by the guarantor spouse. Notwithstanding the limitations set forth above, any and all other non-monetary obligations of the Agreement, including without limitation the restrictions of Section 6.04, shall remain an obligation of the surviving spouse.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (iii) protest and/or non-performance of any obligations hereby guaranteed; (iv) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (i) his/her direct and immediate liability under this guaranty shall be joint and several; (ii) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (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 Franchisor may from time-to-time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto written his/her signature on the same day and year as the Agreement was executed.

Guarantor(s):	**Percentage of Ownership of Franchisee**	
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)
______________________ (Signature)	_______%	______________________ (Typed or Printed Name)

ATTACHMENT 3
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTINGS, AND INTERNET ADDRESSES

THIS ASSIGNMENT is entered into this ____ day of ______________, 20___, in accordance with the terms of that certain Stockade Franchising, LP Franchise Agreement ("**Franchise Agreement**") between ________________________ ("**Franchisee**"), and **Stockade Franchising, LP,** a Nevada limited partnership ("**Franchisor**"), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a franchise located at ______________________________________ ("**Franchised Restaurant**").

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Telephone Numbers and Listings**") and (2) those certain Internet Website Addresses ("**URLs**") associated with Franchisor's trade and service marks and used from time to time in connection with the operation of the Franchised Restaurants at the address provided above. This Assignment is for collateral purposes only and, except as specified in this Agreement, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to as "**Telephone Company**") and/or Franchisee's internet service provider ("**ISP**") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers, the Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers, Listings and URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers, Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the Assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers, Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers, Listings and URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers, Listings, and URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:	**ASSIGNOR:**
STOCKADE FRANCHISING, LP	**FRANCHISEE**
By: Stockade Franchising Management, LLC, its General Partner	
By: ______________________________	By:______________________________
Doug Frieling, Manager	Name:: ____________________________
	Its: ______________________________

ACCEPTED AND AGREED TO BY:

____
(Telephone Company Authorized Representative)

____
(Name of Telephone Company)

____
(Internet Service Provider Authorized Representative)

____
(Name of Internet Service Provider)

ATTACHMENT 4
TO FRANCHISE AGREEMENT

FRANCHISEE QUESTIONNAIRE

As you know, we are about to enter into a Franchise Agreement for the operation of a Montana Mike's Steakhouse® franchised business ("**Franchise**"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION		YES	NO
1.	Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("Franchise Disclosure Document") provided to you?		
2.	Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?		
3.	Do you understand all of the information contained in the Franchise Disclosure Document?		
4.	Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5.	Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: _______________		
6.	Do you understand the terms of and your obligations under the Franchise Agreement?		
7.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8.	Do you understand the risks associated with operating the Franchise?		
9.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10.	Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		

QUESTION	YES	NO
11. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?		

If you answered "Yes" to any of questions 10 or 11, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you answered "No" to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Franchise Applicant date	Guarantor date
Franchise Applicant date	Guarantor date
Franchise Applicant date	Guarantor date
Franchise Applicant date	Guarantor date
	Guarantor date
	Guarantor date

ATTACHMENT 5
TO FRANCHISE AGREEMENT

STATE SPECIFIC ADDENDA

See Exhibit H to Franchise Disclosure Document

ATTACHMENT 6
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: ____

Trade Name (if different from above): ______________________________

Form of Ownership
(Check One)

____ **Individual** ____ **Partnership** ____ **Corporation** ____ **Limited Liability Company**

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

____
____
____
____

Franchisee acknowledges that this Statement of Ownership applies to the Franchised Restaurant authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

______________________	______________________
Date	By
	______________________
	Name

ATTACHMENT 7
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS

____ (Name of Person or Legal Entity)

____(ID Number)

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Stockade Franchising, LP ("**Franchisor**") or any of Franchisor's affiliates to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to Franchisor's instructions.

________________________	________________________	
Depository	Branch	
________________________	____________	____________
City	State	Zip Code
________________________	________________________	
Bank Transit/ABA Number	Account Number	

____

This authorization is to remain in full and force and effect until sixty days (60) after Franchisor has received written notification from Franchisee regarding any changes to the information above.

Printed Name of
Depositor: ____________________________

Signed: ______________________________

Printed Name: _________________________

Title: ________________________________

Date: ________________________________

ATTACHMENT 8

CONFIDENTIALITY AGREEMENT[1]

This Nondisclosure and Noncompetition Agreement ("**Agreement**") is made and entered into on ____ by and between ____________________________________ ("**Franchisee**") and ____________________________ ("**Associate**"), who resides or has a principal place of address at ____. Franchisee and Associate are collectively referred to herein as the "**Parties**" and individually as a "**Party**".

WHEREAS, Stockade Franchising, LP, a Nevada limited partnership ("**Franchisor**"), located at 1611 Chisholm Trail, Round Rock, Texas 78681 is the franchisor of restaurants and the licensor of the name "MONTANA MIKE'S STEAKHOUSE®", and certain other trademarks, trade names, service marks, logos and commercial symbols (the "**Marks**");

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement, (the "**Franchise Agreement**") pursuant to which the Franchisee is granted the right to operate a franchised restaurant utilize distinctive recipes, ingredients, and methods of preparing and serving foods ("**Franchised Restaurant**").

WHEREAS, the Franchised Restaurant is operated (a) under the Franchisor's trademark "MONTANA MIKE'S STEAKHOUSE®", and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "**Marks**") and (b) by using the Franchisor's proprietary and distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, trade secrets, operating procedures and know-how (collectively, the "**System**"), all of which constitutes Confidential Information as defined herein;

WHEREAS, Associate is a member of the Franchisee's management staff, or is an employee of the Franchisee whose job duties will cause Associate to be given access to the Confidential Information;

WHEREAS, pursuant to the Franchise Agreement, Franchisee is obligated to, among other things, maintain the confidentiality of the Confidential Information and to ensure that all persons associated with Franchisee who receive access to the Confidential Information agree not to disclose or use the Confidential Information in connection with a Competitive Restaurant as defined herein; and

NOW THEREFORE, to confirm the obligations and covenants of the Associate with respect to the prohibited use and disclosure of the Franchisor's Marks and Confidential Information, and for good and valuable consideration, the sufficiency of which each Party hereby acknowledges, the Parties hereby agree as follows:

---

[1] Franchisee acknowledges that this form document is provided as a starting point and that Franchisee shall consult with its own counsel to modify this form as needed.

1. Definitions.

(a) "**Competitive Restaurant**" means any family-style steak house restaurant or any other restaurant engaged in the sale or preparation of steak and/or a combination of steak and/or other food items or services similar to the principal food items or services then approved for use in the restaurants then in operation in the System, other than another Franchised Restaurant.

(b) "**Confidential Information**" means and includes, but is not limited to, menu items and new test menu items, ingredients, recipes, formulas, and methods of preparation and presentation of food products sold at Franchised Restaurants, as well as the methods, techniques, formats, specifications, procedures, information, systems, computer software, and knowledge of and experience in the operation and franchising of Franchised Restaurants, and further includes, without limitation, any and all of the foregoing that may arise by reason of Franchisor's franchise of, and Franchisee's operation of, the Franchised Restaurant during the term of this Agreement ("**Confidential Information**"). The term "Confidential Information" also includes Franchisor's System as a whole, and Franchisor's resource library, regardless of whether any particular aspects of the System or Franchisor's resource library may be generally available to, and/or used by, the public.

2. Non-Disclosure of Confidential Information.

(a) Associate acknowledges that Associate will receive from the Franchisee Confidential Information pertaining to the operation of the Franchised Restaurant.

(b) Associate acknowledges that the Confidential Information developed and utilized in connection with the operation of the Franchised Restaurant are unique and the exclusive property of the Franchisor or its affiliates, and that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Franchisor or its affiliates. Associate further acknowledges that the Franchisor or its affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Franchisor or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information, and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

(c) During the term of Associate's employment or affiliation with Franchisee and for a period of five years after the expiration or termination of such employment or affiliation (unless such information is a trade secret in which case the requirements will remain in place for as long as such information constitutes a trade secret), Associate shall not at any time, publish, disclose, divulge or use, directly or indirectly, for Associate's own benefit or otherwise, the Confidential Information.

(d) The Associate also agrees that money damages alone cannot adequately compensate the Franchisee or the Franchisor if there is a breach of this Agreement by Associate, and that injunctive relief against the Associate is essential for the protection of the Franchisor and the Franchisee. Associate agrees therefore that, if the Franchisee or the

Franchisor alleges that Associate has breached this Agreement, then the Franchisee and Franchisor will have the right to petition a court of competent jurisdiction for injunctive relief against the Associate, in addition to all other remedies that may be available. The Franchisee and/or Franchisor will not be required to post a bond or other security for any injunctive proceeding. If ex parte injunctive relief is granted against the Associate, then the Associate will have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

(e) In any litigation, arbitration or other proceeding concerning enforcement of Franchisee's or Franchisor's rights hereunder, Associate, for value, voluntarily waive such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Franchisee; it being specifically understood and agreed between the Parties that no action or lack of action on the part of the Franchisee will entitle or permit the Associate to use or disclose any such Confidential Information in any circumstances.

(f) The restrictions of this Section 2 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

3. Entire Agreement, Amendments; Waivers. This Agreement contains the entire agreement between Associate and the Franchisee relating to the matters set forth herein. No amendments or other variation to this Agreement will be effective unless in writing and signed by an authorized person on behalf of each Party. Any waiver of any provision of this Agreement must be in writing and signed by the Party whose rights are being waived. No waiver of any breach of any provision of this Agreement will be, or be deemed to be, a waiver of any preceding or subsequent breach of the same or any other provision of this Agreement.

4. Third Party Beneficiary. Franchisor shall be a third-party beneficiary of this Agreement and shall be entitled to enforce it.

5. Governing Law, Jurisdiction, and Attorneys' Fees. The laws of the State of ________________ will govern this Agreement (regardless of its or any other jurisdiction's choice-of-law principles). Associate expressly consents to the personal jurisdiction of any state and federal courts in the State of _____________, for any lawsuit instituted by Franchisor arising from or relating to this Agreement. If any Party employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees from the non-prevailing Party. This instrument shall be governed by and construed under the laws of the State of ______________.

6. Severability. If any provision of this Agreement is determined to be unenforceable or invalid, the remaining provisions of this Agreement will remain in full force and effect. The Parties further expressly agree that if the scope of enforceability of the terms hereof is disputed at any time, a court or arbitrator, as the case may be, may modify such terms to the extent that it deems necessary to make such provisions enforceable under applicable law.

7. No Employment Relationship With Franchisor. Associate also acknowledges and agrees that notwithstanding Associate's execution of this Agreement and Franchisor being a third-party beneficiary hereof, Franchisor is not Associate's employer and Associate has no relationship, employment or otherwise, with Franchisor. Associate is employed solely by Franchisee.

8. Severability. If any provision of this Agreement is determined to be unenforceable or invalid, the remaining provisions of this Agreement will remain in full force and effect. The Parties further expressly agree that if the scope of enforceability of the terms hereof is disputed at any time, a court or arbitrator, as the case may be, may modify such terms to the extent that it deems necessary to make such provisions enforceable under applicable law.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have signed this Nondisclosure and Noncompetition Agreement on the date first above written.

FRANCHISEE:	**ASSOCIATE:**
______________________________	______________________________
By: ___________________________	By: ___________________________
Title: _________________________	Print Name: ____________________
Date: _________________________	Date: _________________________

STOCKADE FRANCHISING, LP

EXHIBIT G

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT G

OPERATIONS TABLE OF CONTENTS

Stockade Franchising, LP
(Montana Mike's® Steakhouse)

Index

The combined total number of pages in the manuals listed in this Exhibit G as of this date is 335.

STOCKADE FRANCHISING, LP

EXHIBIT H

STATE ADDENDA

EXHIBIT H

STATE AND PROVINCIAL LAW ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the Stockade Franchising, LP Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated ____________________, 20__ and Area Development Agreement dated ____________________, 20__.

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the UFDD.

Neither we, nor any person or franchise broker disclosed in ITEM 2 of the UFDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling these persons from membership in this association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. Business and Professions Code Section 20040.5 relating to forum selection clauses restricting venue outside the State of California for arbitration may be preempted by the Federal Arbitration Act. Section 20040.5 may still apply to any provision relating to judicial proceedings.

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

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

The Franchise Agreement requires application of the law of Texas. This provision may not be enforceable under California law.

The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

MICHIGAN

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

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

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

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

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

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

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

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

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

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) You or your proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

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

ESCROW REQUIREMENTS (IF ANY): ______________________________________

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Franchise Disclosure Document, Franchise Agreement and Development Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Sub. d.1(g), to the extent required by law, the Franchise Disclosure Document is amended to state that we will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trade name.

NORTH DAKOTA

Sections of the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to sign a general release upon renewal of the Franchise Agreement may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the Disclosure Document, Section 7.04 of the Franchise Agreement and Section 6.04 of the Area Development Agreement disclose the existence of certain covenants restricting competition to which franchisees must agree. Such covenants not to compete may not be enforceable under Section 9-08-06 of the North Dakota Century Code and may be considered unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement contain provisions providing for dispute resolution at locations outside the state of North Dakota. These provisions may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document, Franchise Agreement and Area Development Agreement provide for jurisdiction of courts outside the State of North Dakota. These provisions may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

The Franchise Disclosure Document, Franchise Agreement and Area Development Agreement require application of the laws of Texas. These provisions may not be enforceable under North Dakota law, and are amended accordingly to the extent required by law.

Sections of the Franchise Agreement and Area Development Agreement requiring franchisees to consent to a waiver of exemplary and punitive damages may not be enforceable under North Dakota law, and are amended to the extent required by law.

WISCONSIN

With respect to franchise agreements governed by Wisconsin law, the following shall supersede any inconsistent provision:

The Wisconsin Fair Dealership Law applies to most franchise agreements in the state and prohibits termination, cancellation, nonrenewal or substantial change in the competitive circumstances of a dealership agreement without good cause. The Law further provides that 90 days' prior written notice of the proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is so cured the notice is void. The Franchise Disclosure Document and Franchise Agreement are hereby modified to state that the Wisconsin Fair Dealership Law, to the extent applicable, supersedes any provisions in the Franchise Agreement that are inconsistent with that Law. Wis. Stats. Ch. 135, The Wisconsin Fair Dealership Law, SEC 32.06(3), Wis. Adm. Code.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the _____ day of __________________, 20___, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this _______ day of ____________________, 20___.

FRANCHISOR:

STOCKADE FRANCHISING, LP

By: Stockade Franchising Management, LLC,
its General Partner

By: _________________________________

____
Printed Name

Title: ____________________________

FRANCHISEE:

By: _________________________________

Title: _______________________________

By: _________________________________

Title: _______________________________

(MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY FRANCHISEE)

STOCKADE FRANCHISING, LP

EXHIBIT I

SPECIAL INDUSTRY LAWS

EXHIBIT I

SUMMARY OF SPECIAL LAWS AND REGULATIONS PERTAINING TO THE FRANCHISED RESTAURANT

The business of operating a Montana Mike's® restaurant franchise is subject to all of the laws, codes and regulations (referred to below generally as "laws") normally applicable to retail businesses. These include: (1) federal, (2) state, and (3) in most instances, city, county, parish, borough, municipality or other local laws.

1. **General Restaurant Industry Laws.**

(a) The United States Department of Agriculture and the Food and Drug Administration regulate the manufacture, labeling and distribution of food products.

(b) State regulations may govern the storage, handling and serving of food.

(c) Many local or state jurisdictions require food service permits for those preparing, handling and serving food to the public. You and your employees may be required to pass a test or other certification process to obtain such a permit. There may also be local ordinances and regulations governing food storage, preparation and serving.

(d) Your Franchised Restaurant is also likely subject to local food and health inspection laws. Health laws are intended in part to reduce food borne illnesses and may cover such issues as: requiring employees to take a test and obtain a license as a food service worker, having accessible sinks, bathrooms for certain size establishments, inspections for cleanliness and compliance, equipment cleaning, storage and packaging, size of facilities, allowed foods, refrigeration, etc.

(e) You are required to obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You will need to understand and comply with those laws in operating the Restaurant. You will not be permitted to operate as a franchisee unless you obtain and maintain a liquor license.

2. **Federal**. Examples of other federal laws affecting many small businesses are wage and hour, occupational health and safety, equal employment opportunity, taxes, hazardous materials communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act.

3. **State**. State laws may cover the same topics as federal laws. Examples of other state laws affecting many small businesses include environmental, occupational health and safety, fire, taxes, health, and building and construction laws.

4. **Local**. Local laws may cover the same topics as federal and state laws. Examples of other local laws affecting many small businesses include health and sanitation, building codes, fire codes, permits, and waste disposal.

The foregoing are examples of some, but not all of the laws that may be applicable to the franchised business described in the Franchise Disclosure Document. The Franchise Agreement places the responsibility for complying with all applicable laws and regulations upon you, the franchisee. You should research these requirements before you invest.

STOCKADE FRANCHISING, LP

EXHIBIT J

STATE EFFECTIVE DATES

STATE EFFECTIVE DATES

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

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

State	Effective Date
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Pending
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

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

STOCKADE FRANCHISING, LP

EXHIBIT K

RECEIPT

RECEIPT
(Franchisee's Copy)

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

If SF offers you a franchise, SF 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 grant. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, SF must provide this disclosure document to you at your first personal meeting to discuss the franchise.

If we do 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, DC 20580, and the appropriate state agency identified on **Exhibit A**.

The name, principal business address and telephone number of each franchise seller offering the franchise:

____

____

Issuance Date: **August 18, 2020.**

See **Exhibit A** for our registered agents authorized to receive service of process.

I have received a disclosure document dated August 18, 2020 that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Former Restaurant Franchisees
Exhibit C	List of Franchisee Outlets
Exhibit D	Financial Statements
Exhibit E	Form of Area Development Agreement
Exhibit F	Form of Franchise Agreement
Exhibit G	Operations Manual Table of Contents
Exhibit H	State Addenda
Exhibit I	Special Industry Laws
Exhibit J	State Effective Dates
Exhibit K	Receipt

____________________	__________________________	__________________________
Date	Signature	Printed Name
____________________	__________________________	__________________________
Date	Signature	Printed Name

Please retain this copy for your records.

RECEIPT
(Franchisor's Copy)

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

If SF offers you a franchise, SF 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 grant. Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, SF must provide this disclosure document to you at your first personal meeting to discuss the franchise.

If we do 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, DC 20580, and the appropriate state agency identified on **Exhibit A**.

The name, principal business address and telephone number of each franchise seller offering the franchise:
____
____

Issuance Date: **August 18, 2020.**

See **Exhibit A** for our registered agents authorized to receive service of process.

I have received a disclosure document dated August 18, 2020 that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Former Restaurant Franchisees
Exhibit C	List of Franchisee Outlets
Exhibit D	Financial Statements
Exhibit E	Form of Area Development Agreement
Exhibit F	Form of Franchise Agreement
Exhibit G	Operations Manual Table of Contents
Exhibit H	State Addenda
Exhibit I	Special Industry Laws
Exhibit J	State Effective Dates
Exhibit K	Receipt

____________________	__________________________	__________________________
Date	Signature	Printed Name
____________________	__________________________	__________________________
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Stockade Franchising, LP, 1611 Chisholm Trail, Round Rock, Texas 78681.