FRANCHISE DISCLOSURE DOCUMENT

ACFP Management, Inc.
a Delaware corporation
200 West Cypress Creek Road, Suite 220
Fort Lauderdale, Florida 33309
(954) 618-2000
https://acfp.com | franchising@acfp.com

The franchise offered is for a restaurant featuring "well-done" pizza, coal fired chicken wings, homemade meatballs, sandwiches, salads, wine, craft beers, and other products that we periodically specify or approve. Some restaurants may offer full alcohol service. An "Anthony's Coal Fired Pizza & Wings" Restaurant offers lunch and dinner menus for dine-in, take-out or delivery, and operates using the franchisor's proprietary recipes, formulae, techniques, trade dress, trademarks and logos.

The total investment necessary to begin operation of an "Anthony's Coal Fired Pizza & Wings" franchised business ranges from $810,000 to $1,239,500, which includes a franchise fee of $50,000 that must be paid to the franchisor and/or its affiliate(s) when you sign the Franchise Agreement.

If you enter into a Development Agreement to develop multiple Restaurants, when you sign the Development Agreement you will pay the full franchise fee of $50,000 for the first Restaurant and a reservation fee of $25,000 for each additional Restaurant to be developed under the Development Agreement. The development fee is applied toward the franchise fee payable for each Restaurant developed after the first one, and the balance of the franchise fee of $25,000 is due and payable when you sign the second and each additional Franchise Agreement for a reserved Restaurant developed under the Development Agreement. The total investment necessary to begin operation of an "Anthony's Coal Fired Pizza & Wings" franchised business under a Development Agreement ranges from $4,050,000 to $6,197,500, which includes franchise fees of $250,000 that must be paid to the franchisor and/or its affiliate(s). The minimum number of Restaurants that you must commit to developing under a Development Agreement is two.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Legal Department at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 (954.618.2000).

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

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

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

Issuance Date: May 26, 2023, as amended October 13, 2023

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 and Exhibits D and E.
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 and Exhibit A include 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 restaurants.
Will my business be the only "Anthony's Coal Fired Pizza & Wings" business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an "Anthony's Coal Fired Pizza & Wings" franchisee?	Item 20 and Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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:

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with us by mediation and litigation in Florida. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Florida than in your own state.

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

Table of Contents

Exhibits

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

The Franchisor

The franchisor is ACFP Management, Inc. We were incorporated in Delaware on November 30, 2011. In this disclosure document, ACFP Management, Inc. is referred to by the terms "**ACFP**," "**franchisor**," "**we**," "**us**," or "**our**".

Our principal place of business is 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 and we do business under our corporate name and the Marks as described below. We do not own or operate any businesses of the type being franchised, but we do have affiliates that own and operate several businesses as noted below. Other than operating and offering franchises for "Anthony's Coal Fired Pizza & Wings" Restaurants, we are not involved in other business activities. As of December 31, 2022, there were 60 company-owned "Anthony's Coal Fired Pizza" and "Anthony's Coal Fired Pizza & Wings" restaurants in Florida, Delaware, Pennsylvania, New Jersey, New York, Massachusetts, Maryland, and Rhode Island. We have not offered franchises in any other line of business and began offering franchises on June 7, 2022.

Our agents for service of process are listed in Exhibit H-2.

Our Predecessors and Affiliates

Hot Air, Inc. ("**Hot Air**"), a Delaware corporation formed November 9, 2015	Hot Air is our parent entity, but does not operate or franchise any businesses.
Anthony's Pizza Holding Company LLC ("**Holdings**"), a Florida limited liability company formed February 25, 2013.	Holdings is our subsidiary that owns the trademark registrations for the Proprietary Marks. Holdings also owns company-owned Restaurants through various LLCs.
BurgerFi International, Inc. ("**BFI**"), a Delaware corporation	Since April 2021, BFI has offered franchises and operates "BurgerFi" restaurants in the U.S. and internationally (sometimes through affiliated entities). As of December 31, 2022, there were 25 company-owned "BurgerFi" restaurants operating in the United States. BFI offers "BurgerFi" franchises under a separate disclosure document.
BurgerFi International LLC (the "**LLC**"), a Delaware limited liability company formed on January 27, 2011.	The LLC is BFI's predecessor and now our affiliate, and does business under its corporate name and the Marks. The LLC offered franchises for "BurgerFi" businesses in the US and internationally from January 2011 through April 2021.

Our parent and affiliates also maintain their offices at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309. Except as indicated, none has ever offered franchises in any line of business. Other than as listed above, we have no predecessor or parent, and no affiliates that

offer franchises in any line of business or provide products or services to franchisees. Neither the LLC nor Holdings directly operate any businesses.

As of December 16, 2020, BFI (then-named OPES Acquisition Corp., or "**Opes**") completed its previously-announced business combination with the LLC. Opes was a special purpose acquisition company that was listed on NASDAQ. Upon completion of the transaction, Opes changed its name to "BurgerFi International, Inc.", and is now publicly-traded on NASDAQ under the ticker symbol "BFI". On November 3, 2021, BFI acquired Hot Air.

Description of the "Anthony's Coal Fired Pizza & Wings" Franchise Opportunity

We offer you* the opportunity, under a Franchise Agreement, to establish and operate a restaurant under our "Anthony's Coal Fired Pizza & Wings" trademark. "Anthony's Coal Fired Pizza & Wings" restaurants featuring "well-done" pizza, coal fired chicken wings, homemade meatballs, sandwiches, salads, wine, craft beers, and other products that we periodically specify or approve (each, a "**Restaurant**" or a "**Franchised Restaurant**"). Some Restaurants will feature full alcohol service as mutually agreed upon by the parties.

Restaurants operate under the trade name and marks "Anthony's Coal Fired Pizza" and "Anthony's Coal Fired Pizza & Wings", as well as additional service marks, trademarks, trade names, logos, emblems and indicia of origin. These marks and all other marks that we may designate in the future for use with the System (defined below) are referred to in this Disclosure Document as the "**Marks**" or "**Proprietary Marks**."

The Restaurants are established and operated under a comprehensive system (the "**System**") that includes distinctive signage, interior and exterior design, décor and color scheme; special recipes and menu items, including proprietary products and ingredients; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures (including, but not limited to, point of sale and tracking systems); training and assistance; and advertising and promotional programs; all of which we have the right to change, improve, and further develop as we see fit. Certain aspects of the System are more fully described in this Disclosure Document and the Manual, which will evolve over time (as defined and described in Item 11). You must operate your Restaurant in accordance with our standards and procedures, as set out in our Brand Manual, which we will lend you, or make available electronically, for the duration of the Franchise Agreement.

Anthony's Coal Fired Pizza & Wings Restaurants are generally located in free-standing locations or end-cap units of a strip mall. Traditional Restaurants will typically be approximately 2,000 to 2,500 square feet in size, and non-traditional Restaurants will typically be approximately 850 to 1,200 square feet in size (depending upon availability and size of kitchen areas).

Franchise Agreement

We offer franchisees the right to establish and operate a Restaurant at a specific location under the terms of a single unit franchise agreement (the "**Franchise Agreement**"), a copy of which appears as Exhibit B to this Disclosure Document. Under a Franchise Agreement, we will grant

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* The person or entity that signs a Franchise Agreement or a Development Agreement is referred to in this disclosure document as "**you**," "**your**," or "**franchisee**" (and that term includes all of your owners and partners).

you the right, and you will accept the obligation, to establish and operate a Restaurant at an agreed-upon location.

Development Agreement

We may offer qualified parties the right to sign a multi-unit agreement in the form attached as Exhibit C to this Disclosure Document (a "**Development Agreement**") to develop multiple franchised Restaurants.

Under a Development Agreement, we and the "Developer" will agree upon, and the Development Agreement will specify: (1) the territory within which you will open and operate Restaurants; (2) the minimum number of Restaurants that you will be required to develop; and (3) the development schedule to open and start operating those Restaurants.

For each Restaurant that is established under the Development Agreement, the parties will sign a separate Franchise Agreement. The Franchise Agreement for the first Restaurant that you develop under the Development Agreement will be in the form attached as Exhibit B to this Disclosure Document. For each additional Restaurant, the parties will sign the form of franchise agreement that we are then-offering to new franchisees (which may be materially different than the one that is attached as Exhibit B to this disclosure document).

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer products similar to or competitive with those offered by an "Anthony's Coal Fired Pizza & Wings" Restaurant. The market for these items is well-established and intensely competitive. These businesses vigorously compete on the basis of factors such as price, service, location, and product quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns. You will compete with a variety of businesses, including locally owned regional, national and chain restaurants, some of which may be franchise systems.

Industry Regulations

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to business generally have particular applicability to restaurants. All Restaurants must comply with federal, state and local laws applicable to the operation and licensing of a restaurant business, including obtaining all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food service operations. If applicable to your Restaurant, the Americans with Disability Act of 1990 and related state laws require readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, drinking facilities, etc. You should consider these laws and regulations when evaluating your purchase of a franchise.

You must offer wine and beer for sale at your Restaurant and comply with any federal, state, county, municipal, or other local laws and regulations relating to wine and beer that may apply to your Franchised Restaurant. (If you offer full alcohol service then you will have to comply with the requirements applicable to serving those products as well.) You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Restaurant. You must also obtain any applicable real estate permits (for example, zoning), real estate licenses, liquor licenses, and operational licenses.

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

You also must follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer payment card transactions.

You must comply with all local, state, and federal laws that apply to your Restaurant operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your Restaurant.

Finally, due to the global coronavirus pandemic, some government agencies have at times ordered (or suggested) that foodservice businesses temporarily close and only offer drive-through, carryout and delivery service, or otherwise have severely limited clientele from patronizing restaurant businesses. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a Restaurant. We recommend that you consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

ITEM 2 BUSINESS EXPERIENCE

Executive Chairman — Ophir Sternberg

Ophir Sternberg has served us and the LLC as our Executive Chairman of the Board since December 2020, having served as a member of our Board of Directors since October 2019, Chairman since April 2020, and Chief Executive Officer from June 2020 to December 2020. Since May 2022, Mr. Sternberg has served on the Board of Directors for MSP Recovery, Inc. d/b/a LifeWallet (NASDAQ: LIFW) of Coral Gables, Florida and since March 2023 has also been Chairman of the Board for Security Matters Public Limited Company (NASDAQ: SMX) based in Israel. Mr. Sternberg is the Founder and Chief Executive Officer of Miami-based Lionheart Capital, founded in June 2009.

Board Member — Andrew C. Taub

Andrew Taub has served as a member of our and the LLC's Board of Directors since November 2021. Mr. Taub has been a Managing Partner of L Catterton, based in Greenwich, Connecticut, where he focuses on the Flagship Buyout Fund, since 1996. Mr. Taub also currently serves as the director of several L Catterton portfolio companies, including JustFoodForDogs, PatientPoint Health Technologies, and FYidoctors.

Chief Executive Officer **Carl Bachmann**

Carl Bachmann has served as our CEO since July 2023. Mr. Bachmann served as President of Smashburger in Denver, Colorado from February 2017 to June 2023.

Chief Financial Officer **Christopher Jones**

Christopher Jones has served as our CFO since July 2023. Mr. Jones served as the CFO of Odyssey Marine Exploration in Tampa, Florida from June 2021 to July 2023. Mr. Jones served as the Vice President of Corporate Finance at Mohegan Gaming & Entertainment in Uncasville, Connecticut from May 2017 to June 2021.

Chief Technology Officer **Karl Goodhew**

Karl Goodhew has served us as our Chief Technology Officer since April 2022. He has served as the Chief Technology Officer of the LLC since April 2021. From April 2019 through April 2021, he was Director, Software Engineering for Macy's Inc. in Johns Creek, Georgia. Mr. Goodhew served Omni Hotels and Resorts in Dallas from August 2018 through April 2019 as its Director, Digital. From September 2016 through August 2018, he served JCPenney, Inc. in Plano, Texas as Associate Director, Mobile Applications (December 2017 to August 2018) and as Senior Manager, Mobile Applications (September 2016 to December 2017).

Chief People Officer/Secretary **Michelle Zavolta**

Michelle Zavolta has served us as our Chief People Officer since July 2017. Ms. Zavolta earlier served as Chief People Officer for Logan's Roadhouse in Nashville from January 2015 to March 2017.

ITEM 3 LITIGATION

Affiliate Matters:

DAJA I, LLC v BurgerFi International, LLC; BurgerFi International, LLC v DAJA I, LLC, Donald Simon, Andrew Balog, Anthony Kesselmark and Joseph Kesselmark (Seventeenth Judicial Circuit Court of Broward County, Florida, Case No. CACE-17-017155, filed September 7, 2017). DAJA I, LLC, a franchisee, filed this suit against BFI seeking unspecified damages in connection with plaintiff's execution of franchise agreements for the development of 11 BurgerFi restaurants in certain specified trade areas in New York and Connecticut. Plaintiff alleges that BFI fraudulently induced the franchisee to enter into these agreements, and in the complaint made the following claims against BFI: fraud in the inducement, negligent misrepresentation, breach of implied covenant of good faith and fair dealing, and violation of FDUTPA and Florida's Franchise Misrepresentation Act. BFI denied any wrongdoing, and moved to dismiss plaintiff's claims. On May 4, 2018, we filed a counterclaim for unspecified money damages, and a third-party complaint against the guarantors, asserting breach of contract for, among other things: (1) failing to adhere to BFI's operating standards in connection with the operation of their BurgerFi restaurant in Poughkeepsie, NY, and (2) failing to open the required number of BurgerFi restaurants per the minimum performance schedule set forth in their Developer agreements. The parties settled the case as of October 28, 2020. Under that settlement, the franchisee parties dropped all of their claims, agreed to terminate all of their Developer and franchise agreements, agreed to never again assert claims against us, and quit claim transferred their franchised restaurant to us; and we dropped our claims for money damages against them.

Burger Guys of Dania Point, LLC, Oil Can Man, Inc., Burger Guys of Sunny Isles, LLC v BurgerFi International, LLC (Fifteenth Judicial Circuit of Palm Beach County, Florida, Case No. 502021CA006501, filed May 21, 2021). Plaintiffs filed this suit against BFI seeking unspecified damages in connection with Plaintiffs' franchise locations in Sunny Isles FL (now closed) and Dania Beach FL, and Plaintiff's marketing company. Plaintiffs allege, among other things, that BFI fraudulently induced them to (i) purchase the Sunny Isles franchise location, (ii) purchase the Dania Beach restaurant, and (iii) invest substantial sums in furtherance of an exclusive printing agreement. The plaintiffs allege violation of the Florida Deceptive and Unfair Trade Practices Act, the Florida Franchise Act, the Florida Sale of Business Opportunities Act, breach of contract, promissory estoppel, and other claims. BFI believes plaintiff's claims lack merit and has asserted various counterclaims against plaintiff. The case is currently in the discovery stage, and BFI continues to vigorously defend the suit.

Other than the two matters disclosed above, no litigation is required to be disclosed in this disclosure document.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Development Agreement: If you sign a Development Agreement for the development of multiple Restaurants, upon execution you must pay us a franchise fee of $50,000 for the first Restaurant you commit to develop, plus $25,000 for each additional Restaurant you commit to develop under

the Development Agreement. The minimum number of Restaurants that you must commit to developing under a Development Agreement is two. By way of example, for a five-Restaurant Development Agreement, the development fee due upon signing the Development Agreement would be $150,000 ($50,000 plus four x $25,000). The development fee is not refundable.

After you secure each accepted site, you will sign a Franchise Agreement for the Restaurant to be operated at that site and pay the remaining balance of the franchise fee ($25,000) for that location. The total franchise fee for each Restaurant will be $50,000.

In 2022, we signed no development agreements.

Franchise Agreement: For each Restaurant, you must sign a Franchise Agreement and pay us a franchise fee of $50,000. The initial franchise fee is not refundable. We did not sign any franchise agreements in 2022.

Except as described above, there are no other purchases from or payments to us or any affiliate of ours that you must make before your Restaurant opens.

ITEM 6 OTHER FEES

OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee (Note 2)	5.5% of Gross Sales	Payable each Week, on Wednesday. Note 2.	Royalty Fees are calculated based on Gross Sales for the previous Week. Amounts due will be withdrawn by EFT from your designated bank account on the Due Date. If Wednesday is a federal holiday, then the due date is the next business day. See Note 2.
Marketing Contribution (Note 3)	Once the Marketing Fund is established, 2.5% of Gross Sales	Weekly together with the Royalty Fee.	See Note 3. Once the Marketing Fund is established, you will have to contribute an amount equal to 2.5% of Gross Sales to the Marketing Fund (we have the right to increase your total marketing contribution to 3.5% of Gross Sales).
Initial Training (Note 4)	First four attendees = $0. For each additional attendee, $2,000.	Before Training	Training for the first four people is included in the franchise fee. You must pay the training fee per person for any additional, new or replacement employees to attend our initial training program. In addition, we may offer an in-store manager certification program. See Note 4.
Additional On-Site Training	Our post-opening training rate, which is	When billed	Only due if we provide additional training at your Restaurant, in which case you must pay our daily fee for each trainer

Type of Fee (Note 1)	Amount	Due Date	Remarks
	currently $500 per trainer, per day.		we send to your Restaurant. Our current rate is $500 per trainer, per day.
Interest	1.5% per month	On demand	Only due if you do not make payments on time and in full. Interest may be charged on all overdue amounts. Interest accrues from the original due date until payment is received in full. Interest will not exceed the limit (if any) that applies to you under state law.
Audit Fee	Cost of audit	When billed	Only due if we find, after an audit, that you have understated any amount you owe to us or Gross Sales by 2% or more. Also due if you do not submit sales reports to us as required or if you do not afford us access your Computer System. You must also pay the understated amount plus interest.
Transfer Fee – Franchise Agreement and Development Agreement	$12,500 or 25% of our then-current initial franchise fee	Submitted with transfer application	Only due if you propose to engage in a transfer.
Renewal of the Franchise Agreement	$12,500 or 25% of our then-current initial franchise fee	Upon renewal.	Due upon renewal.
Inspection and Testing	The reasonable cost of the inspection, as well as the actual cost of the test.	Will vary and must be paid upon request.	Payable if you request that we evaluate a service, product or supplier that we have not previously approved and that you want to use in your Restaurant. Also payable if we remove items from your Restaurant for testing and the items do not meet our specifications.
Lost Future Royalties (Note 5)	Varies	15 days after Franchise Agreement is terminated	Only due as described in Note 5.
Technology fee	To be determined, but expected to be $100 per month,		We have the right to institute a technology fee and if we do so, you would have to pay our then-current

Type of Fee (Note 1)	Amount	Due Date	Remarks
	subject to change		technology fee. We will have the right to periodically change the fee. This fee is in addition to charges that you will have to pay to tech vendors that provide products and services to you.
Delivery Service Provider ("**DSP**") marketing fee	To be determined, but expected to be $1,000 per quarter for DoorDash and 2% of sales for Uber Eats	On demand	These marketing fees are in addition to delivery and per-transaction fees that the DSPs charge. We expect that we will collect these marketing fees assessed by DSPs from you and then remit them to the DSPs. These amounts may change as the DSPs revise their pricing structure.
Location Assistance and Construction Fee	For each site visit after the first site is rejected, $500 per day plus our actual costs and expenses. If more than three on-site visits are required during the construction process, $500 per day plus our actual costs and expenses.	On demand	We do not charge any fees or expenses for the first on-site visit. This fee is due only if your first site is rejected and additional visits are required, in which case you must pay us a nonrefundable location assistance fee of $500 per day plus reimburse our expenses related to this assistance (such as travel, lodging, and meals). If during the construction process more than three on-site visits from our construction team are required, you must pay us $500 per day, plus reimburse our expenses for travel, lodging and meals
Delayed Opening	First month delay – $1,000 Second month delay – $5,000 Third month delay – $10,000 Each additional month delay – $10,000 per month	On demand	Only due if you do not open your Restaurant by the Scheduled Opening Date (except for circumstances beyond your control). The delayed opening fee would be: $1,000 for the first month's delay; an additional $5,000 for the second month's delay; an additional $10,000 for the third month's delay; and an additional $10,000 per month for each additional month. If your Restaurant is not opened and operating within three months of the Scheduled Opening Date, we have the right to immediately terminate your Franchise Agreement. (The "**Scheduled Opening Date**" is the earlier of one year after the Effective Date of Franchise Agreement

Type of Fee (Note 1)	Amount	Due Date	Remarks
			or six months after we approve your franchised location.)
Costs and Attorneys' Fees	Will vary under circumstances	On demand	Only due if you are default under your agreement; if so, you must reimburse us for our expenses (such as attorneys' fees) in enforcing or terminating your agreement.
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Restaurant or for costs associated with defending claims that you used the trademarks in an unauthorized manner.
Insurance	Reimbursement of our costs and premiums	If incurred	Only due if you do not maintain the required insurance coverages; if so, we have the right (but not the obligation) to obtain insurance on your behalf. If so, you must reimburse us for our costs as well as the premiums.
Crisis Situation	Reimbursement of our costs	If incurred	Only due if there is a crisis situation at your Restaurant that has or reasonably may cause harm or injury to customers, guests, and/or employees (for example, food spoilage/poisoning, food tampering/sabotage, slip and fall injuries, natural disasters, robberies, shootings, Data Breach, etc.) or may damage the Proprietary Marks, the System, and/or our reputation. We will have the right (but not the obligation) to direct the management of that crisis situation, engage the services of attorneys, experts, doctors, testing laboratories, public relations firms, and other professionals that we deem appropriate. If so, you must reimburse us for our costs.
On-line Ordering	$40 per month, per store	Monthly	Currently payable to our approved supplier. We may become the provider in the future.

Type of Fee (Note 1)	Amount	Due Date	Remarks
On-line Catering	$30 per month, per store	Monthly	Currently payable to our approved supplier. We may become the provider in the future.
Online Learning Management System	$480 per year, per store	Annually	Currently payable to our approved supplier. See Note 6
Food safety, brand standards restaurant re-inspection and failure to provide records (Note 7)	$500 per visit, plus reimbursement of our travel costs	As Needed	See Note 7.
Gift Cards/Loyalty Program (Note 8)	$135 per month, per store	Monthly	See Note 8. Currently payable to our approved supplier.
Reimbursement for Monies Paid by Us on Your Behalf	Varies	On Demand	Only due if you do not pay your vendors on time and in full. If so, we have the right (but not the obligation) to make those payments on your behalf and if we do so, you must reimburse us for our costs as well as the premiums.
Non-Standard technology assistance	Varies	If and when incurred	If you ask (and we agree to provide) for additional technology services, then you will have to pay our then-current charge for that service. This might include, for example, a non-standard integration or implementation. All of these changes will be subject to our review and approval.)

Notes:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may increase due to changes in market conditions, our cost of providing services and future policy changes. The fees described above are uniformly applied to new system franchisees, however, in instances that we consider appropriate, we may waive some or all of these fees.

2. For the purposes of determining the fees to be paid under the Franchise Agreement, "**Gross Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter, delivery and service fees paid to you, and the proceeds of any business interruption insurance policies, whether for cash or

credit, and regardless of theft, or of collection in the case of credit, but excluding: (a) sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities; (b) refunds, discounts, and accommodations reasonably provided to your customers; and (c) meals provided to your staff; and (d) reasonable delivery fees paid by or through third-party delivery providers.

We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us. The Royalty Fee and Marketing Contribution will be withdrawn from your designated bank account by electronic funds transfer ("**EFT**") (for example, by ACH) weekly on the Due Date based on Gross Sales for the preceding Week. If you do not report the Restaurant's Gross Sales, we may debit your account for 120% of the last Royalty Fee and Marketing Contribution that we debited. If the Royalty Fee and Marketing Contribution we debit are less than the Royalty Fee and Marketing Contribution you actually owe us, once we have been able to determine the Restaurant's true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Marketing Contribution we debit are greater than the Royalty Fee and Marketing Contribution you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week.

The term "**Week**" means a calendar week starting on Tuesday just after 12:00 am and ending the following Monday just after 11:59 pm. We have the right to change the days and times that comprise a "**Week**," as well as the "**Due Date**" (which is currently on Wednesday of each week) on which Royalty and Marketing Contribution payments (and related reports) are due to us.

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

If a state or local law applicable to your Restaurant prohibits or restricts in any way your ability to pay Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Restaurant, then the percentage rate for calculating Royalty Fees will be increased, and the definition of Gross Sales will be changed to exclude sales of alcoholic beverages, so that the Royalty Fees to be paid by you will be equal to the amounts you would have had to pay if sales from alcoholic beverages were included in Gross Sales.

3. We expect to establish and administer a Marketing Fund on behalf of the System to provide national, regional, or local creative materials for the benefit of the System. We also have the right to establish Regional Funds, which are intended to focus on promotional activities within a smaller geographic area. See Item 11 (under the subheading "Advertising") for details.

4. After the initial four people have successfully completed, to our reasonable satisfaction, the "Anthony's Coal Fired Pizza & Wings" certification training program in Florida, we may offer a field certification program that allows employees who meet certain eligibility requirements to become a certified worker in an operating franchised restaurant. Other prerequisites and eligibility requirements will be set forth in our Manual. The cost of this in-store certification program will be $2,000 per session and may be attended by up to three people.

5. If we terminate the Franchise Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, then, in addition to all other amounts due under the Franchise Agreement and all other remedies available under the law, you must pay us, as liquidated damages, an amount calculated as follows: (a) the average of your monthly Royalty Fees that are due under this Agreement for the twenty-four months immediately before your

abandonment or our delivery of the notice of default (or, if you have been operating for less than twenty-four months, the average of your monthly Royalty Fees for the number of months you have operated the Shop); (b) multiplied by the lesser of twenty-four or the number of months remaining in the then-current term of this Agreement.

6. An Online Learning Management System ("**LMS**") is an online tool that manages team member training, development, and engagement. Wisetail is our current LMS. The system combines all the components of our training programs and organizes them into one place. We have the right to periodically change the LMS and the vendor.

7. We may use an independent, third-party to inspect Restaurants for safety and proper food handling. Your Restaurant must participate in that inspection program, as we may require. If an inspection reveals a failing score, or if you did not provide us with your records or access to your records for the purpose of conducting a financial or operational inspection upon reasonable request, then you must pay us our then-current fee (currently $500 per visit) for our representatives and you also must reimburse us for our reasonable related travel expenses.

8. You must participate in the Gift Card and Loyalty programs that we implement. The Gift Card program allows a customer to purchase a Gift Card at any Restaurant (or online) to be redeemed at any other Restaurant. The Loyalty program rewards repeat customers and may be used at any Restaurant in the System. The cost for these programs combined is approximately $135 per month, or $1,620 annually, plus the transaction fee (which varies by location, but is currently approximately ten cents per transaction). You are required to purchase gift cards from our approved supplier and sell them to customers from your Restaurant.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Table A: Franchise Agreement					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Franchise Fee (Note 1)	$50,000	$50,000	Lump Sum	On signing Franchise Agreement	Us
Rent (Note 2)	$20,000	$36,000	As determined by Landlord	Before opening	Landlord
Security Deposits (Note 3)	$10,000	$25,000	As arranged	As arranged	Landlord, Utility Companies
Leasehold Improvements (Note 4)	$350,000	$562,000	As arranged	As arranged	Contractors
Equipment, Furniture and Fixtures (Note 5)	$300,000	$350,000	As arranged	As arranged	Us, Approved Suppliers

Table A: Franchise Agreement					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Insurance (Note 6)	$6,000	$10,000	As arranged	As arranged	Insurance Companies
Permits and Licenses (Note 7)	$2,500	$15,000	As arranged	As arranged	Government Agencies
Initial Inventory (Note 8)	$20,000	$30,000	As arranged	As arranged	Us, Approved Suppliers
Signage (Note 9)	$4,000	$15,000	As arranged	As arranged	Approved Suppliers
Grand Opening Advertising (Note 10)	$15,000	$30,000	As arranged	As arranged	Approved Suppliers
Architecture & MEP Drawings (Note 11)	$20,000	$35,000	As arranged	As arranged	Approved Architect, Designers, Engineers
Travel Expenses for Training (Note 12)	$0	$15,000	As arranged	As incurred	Airlines, Hotels, Restaurants, Employees
Professional Fees (Note 13)	$2,500	$6,500	As arranged	As arranged	Attorney, Accountant
Opening Assistance (Note 14)	$0	$15,000	Lump Sum	On demand	Us
Additional Funds (3 months) (Note 15)	$10,000	$45,000	As arranged	As incurred	Various
Total (Note 16)	$810,000	$1,239,500			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

Notes

1. ***Franchise Fee; Location Assistance Fee; Construction Assistance Fee***. Upon execution of the Franchise Agreement, you must pay a nonrefundable franchise fee of $50,000 for the right to establish a single Restaurant. The franchise fee is uniformly imposed on all franchisees. We do not charge any fees or expenses in providing site selection assistance and construction management oversight.

2. ***Rent***. If you do not own adequate property, you must lease the property for your business. The typical size for an “Anthony’s Coal Fired Pizza & Wings” restaurant is 2,000 to 2,500 square feet. Our estimates assume that base rental costs are from $40 to $60 per square foot, annually, that you will obtain a rent abatement for the pre-opening period, and that you will incur three months of rent. The estimates do not include CAM Charges. The costs will vary widely and may

be significantly higher than projected in this table depending on factors such as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Restaurant.

Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("**CAM Charges**"), your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. These amounts are not included in the estimate provided. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your Restaurant, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

3. ***Security Deposits***. We expect that you will need to pay deposits for your local utilities, such as telephone, electricity and gas, and your landlord may require you to pay a security deposit. The amount of your deposits will depend, in part, on your credit rating and the policies of the individual utility companies.

4. ***Leasehold Improvements***. The cost of leasehold improvements will vary depending on numerous factors, including: (a) the size and configuration of the premises; (b) pre- construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); (c) cost of materials and labor, which may vary based on geography and location; (d) requirement to use union workers; and (e) the tenant improvement allowance provided by the landlord. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the Restaurant and the cost of leasehold improvements. Our low estimate assumes a "second generation" restaurant space (meaning the space was formally used as a restaurant) of 2,000 square feet and our high estimate assumes a "first generation" (meaning that a restaurant has never been operated at the space) restaurant space of 2,500 square feet, with leasehold improvements ranging from $175 to $225 per square foot (which includes an average tenant improvement allowance of $25 per square foot).

5. ***Equipment, Furniture and Fixtures***. The equipment you will need for your Restaurant includes a pizza oven, stove, point of sale (POS) computer system, menu boards, reach-in refrigerators and freezer, walk-in cooler, prep tables, stainless custom equipment and smallwares. The furniture and fixtures you will need for your Restaurant include décor items, booths, banquettes, tables, chairs, and stools. We estimate that the total cost to purchase and install these items will range from $300,000 to $350,000. It may be possible to lease some of these items, which will lower the estimates provided. We may designate ourselves or our affiliates as the only approved supplier for some furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

6. ***Insurance***. You must have the insurance that we specify for your Restaurant at all times during the term of your Franchise Agreement. Our insurance requirements are disclosed in Item 8.

7. ***Permits and Licenses***. Our estimate includes the cost of obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on the location of the Restaurant. We strongly recommend that you

verify the cost for all licenses and permits required in your jurisdiction before signing the Franchise Agreement.

Our estimate of the costs for permits and licenses does not include a wine and beer license, nor a full service alcohol license. Since the availability and expenses of acquiring a license vary substantially from jurisdiction to jurisdiction, you should consult the appropriate governmental authority concerning the availability of the required license and the associated expenses for your Restaurant before you sign a Franchise Agreement. The cost of a wine and beer license (or a full service alcohol license) can range from under $2,000 to over $300,000, depending on the location and jurisdiction, but can be even higher in some states. We strongly recommend that you verify the cost and availability of a wine and beer license in your jurisdiction before signing the Franchise Agreement.

The estimate does not account for the cost if you seek a full liquor license, especially in markets where the cost is inestimable, or where you may choose to purchase a license on the secondary market. In some places, such as New Jersey, the cost of obtaining a liquor license may be substantially in excess of the estimate provided for a wine and beer license.

8. ***Initial Inventory***. Our estimate includes your initial inventory of food products, ingredients, beverages, beer, wine and paper goods. We may designate ourselves or our affiliates as the only approved supplier for some food items you are required to purchase for the operation of your Franchised Business.

9. ***Signage***. These amounts represent your cost for your interior and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs. Any proposed changes to our signage must be submitted to us for approval.

10. ***Grand Opening Advertising***. You must conduct a grand opening advertising campaign to promote the opening of your Restaurant. Please refer to Item 11 “Advertising” for details. At our request, you must provide us with proof of your payment to an approved vendor or vendors for the grand opening advertising campaign.

11. ***Architecture and MEP Drawings***. You must hire an approved architect to adapt our standard plans and specifications to create construction drawings, including a kitchen layout design, that are specific to your approved location. We reserve the right to specify the architect you must use. All proposed plans and drawings must be approved by us before construction may begin, and any changes proposed during construction must also be approved by us.

12. ***Travel and Living Expenses While Training***. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages for the first three trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. The lower end of our estimate assumes that the trainees live within driving distance of our training facility.

13. ***Professional Fees***. We expect that you will retain an attorney and an accountant to assist you with evaluating this franchise offering, and with negotiating your lease or purchase agreement for the approved location.

14. ***Opening Assistance***. In connection with opening, we will provide you with up to five of our representatives for up to approximately 14 days. You must pay our current per diem rate for trainers, plus reimburse their expenses, such as travel, lodging and incidentals. There are several factors that will impact your training costs, including the amount of advanced notice given to us so we can book travel arrangements, seasonality increases, and local events that directly affect availability and rates. Travel rates are generally lower with at least a 14-day notice to book, thereafter rates can increase significantly, especially within seven days' notice when rates are usually at full tariff. A deposit of $5,000 is required prior to the training team being scheduled. We will not book a training team until we have received the deposit. The final payment is due upon receipt of the final invoice. We will provide you with the opening assistance described above for the first Restaurant you develop and open. For each subsequent Restaurant you develop and open, we will provide opening assistance at our discretion. If no such opening assistance is needed, or if we do not charge for our services, then you will not incur these costs.

15. ***Additional Funds***. This estimates your initial start-up expenses for an initial three-month period, not including payroll costs, and does not include any revenue that your Restaurant may earn in the first three months of operation. New businesses often generate a negative cash flow initially, so additional funds may be needed to support ongoing expenses and operating costs in the initial period of operation, such as rent, Royalty Fees, Marketing Fund contributions, inventory, utilities, and business licenses, to the extent that aggregate costs are not covered by the revenue you generate. These figures are estimates only and we cannot guarantee that you will not have additional expenses starting your business. Your expenses will depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (for example, the local market for our products or services), the prevailing wage rate, competition and the sales level reached during the initial period. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations. In preparing this estimate, we relied on the experience of our affiliate's franchised "BurgerFi" restaurants. The estimates do not (and could not) account for the impact of future inflation.

16. ***Totals***. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you receive our consent to obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors. We relied on our experience and information that we have gleaned from franchisees in preparing these estimates.

Table B:
YOUR ESTIMATED INITIAL INVESTMENT
DEVELOPMENT AGREEMENT
assumes a Development Agreement for five Restaurants (Note 1)

If you become a Developer, you will pay us an initial fee as described in Item 5. For each Restaurant you develop under the Development Agreement, you can expect to have an initial investment as estimated above for a start-up franchise, subject to potential increases over time or other changes in circumstances. If you sign a Development Agreement, your professional fees (such as legal and financial) may be higher. The following chart shows your estimated initial investment to open five "Anthony's Coal Fired Pizza & Wings" Restaurants; if you sign a Development Agreement for more than five "Anthony's Coal Fired Pizza & Wings" Restaurants,

then your investment will be proportionally higher (including, for example, additional initial franchise fees, which are $50,000 for each Restaurant as described in Item 5 above).

Table B: Development Agreement					
Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment is to be Made**
	Low	**High**			
Initial Investment – Restaurant #1	$810,000	$1,239,500	Varies	Varies	Varies
Initial Investment – Restaurant #2	$810,000	$1,239,500	Varies	Varies	Varies
Initial Investment – Restaurant #3	$810,000	$1,239,500	Varies	Varies	Varies
Initial Investment – Restaurant #4	$810,000	$1,239,500	Varies	Varies	Varies
Initial Investment – Restaurant #5	$810,000	$1,239,500	Varies	Varies	Varies
Total	**$4,050,000**	**$6,197,500**			

Notes

1. ***Initial Investment for Multiple Restaurants***. Please refer to Table A, above, for the Estimated Initial Investment for expenses associated with opening a single Restaurant under a Franchise Agreement signed under a Development Agreement. The amounts in Table B assume that you sign a Development Agreement for five Restaurants. If you sign a Development Agreement, your professional fees (such as legal and financial) may be higher. The minimum number of "Anthony's Coal Fired Pizza & Wings" Restaurants that you must commit to developing under a Development Agreement is two. Table B shows your estimated initial investment to open five "Anthony's Coal Fired Pizza & Wings" Restaurants; if you sign a Development Agreement for more than five "Anthony's Coal Fired Pizza & Wings" Restaurants, then your investment will be proportionally higher (including, for example, additional initial franchise fees, which are $50,000 for each Restaurant as described in Item 5 above).

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Brand Manual or otherwise). Among other things, these standards require that you must:

- sell or offer for sale only those Products and Services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;

- sell or offer for sale all those Products and Services, using the equipment and other items, and employing the techniques that we specify in writing;

- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent; and

- stop using and offering for use any Products or Services that we at any time disapprove of in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved those deviations, they will become our exclusive property.

We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies. We may designate ourselves or our affiliates as the only approved supplier for some food items, and some furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

The Franchise Agreement also provides that you may not use any item bearing our Proprietary Marks without our prior written approval as to those items.

We estimate that the cost of your purchases and leases from sources that we designate, approve, or that are made in accordance with our specifications will be approximately 85-95% of the total cost of establishing a Franchised Business and approximately 85-95% of the cost of continued operation of the franchise.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

If you want to buy any items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing that supplier. We will provide our decision within 60 days after we have received your complete proposal. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;

- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and

- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

We will have the right, among other things, to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the

inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-60 days, but that varies depending on factors such as the nature of the item that is proposed for our consideration and the supplier's cooperation and response. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

We (and one of our affiliates) are the only designated supplier for certain items that you must buy for the operation of your Franchised Business.

None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business (except through ownership of mutual funds that might hold such an interest).

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon system-wide purchases of Products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of the Products, equipment and other items. We may retain those volume discounts, rebates, or incentives to defray our expenses related to seeking, negotiating, and arranging purchasing agreement, or we may contribute all or a portion of those amounts to the Marketing Fund. In our fiscal year ended January 2, 2023, we received no Allowances on items offered by suppliers.

We and our affiliates may derive revenue based on franchisee purchases. In our fiscal year ended January 2, 2023, we and our affiliates derived no revenue from the sale of products and services to franchisees and company-owned Restaurants.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of December 31, 2022, there are no purchasing or distribution cooperatives for any of the items described above in which you must participate.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Restaurants in our System. If we establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of Restaurants.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the requirements described above.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise as specified by us. You must obtain our prior written approval before you use any advertising and promotional materials and plans. Any advertising and promotional materials you submit to us for our review will become our property.

You must obtain our prior written approval of the site for the Restaurant before you acquire that site, and also obtain our prior written approval of any lease, sublease, or contract of sale for the Restaurant before you sign that lease, sublease, or contract. If you will lease the property from which the Restaurant will operate, you and your Lessors must sign the Lease Rider in the form attached to the Franchise Agreement.

Before you open your Restaurant, you must obtain the insurance coverages we require. Our current insurance requirements are described in general terms below (the details are specified in Section 15 of the Franchise Agreement). We may modify our insurance requirements during the term of your Franchise Agreement. We will communicate any modifications to you in our Manual or otherwise in writing. This insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a reputable, duly licensed carrier or carriers that we have approved, having a rating of at least "A+" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide), and licensed and admitted to do business in the state in which your Restaurant is located. All insurance must be on an "occurrence" basis and must include, at least, the following coverages:

1. Commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of $1,000,000 limit per occurrence and $2,000,000 general aggregate per location. This coverage may not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

2. Liquor liability coverage of not less than $1,000,000 per occurrence, $2,000,000 aggregate (if any alcohol is served, sold or distributed).

3. Comprehensive automobile liability insurance with limits of liability not less than $1,000,000 combined single limit for both bodily injury and property damage.

4. Business Interruption coverage, either on an actual loss sustained basis for up to twelve months or in an amount sufficient to cover twelve months of net profit plus continuing business expenses (including royalty fees due to us for the trailing 12 months before the loss), with coverage written using ISO Forms CP0030 (10 12) and CP1030 (10 12) (or their substantial equivalent).

5. Statutory workers' compensation insurance and employer's liability insurance with a minimum limit equal to at least $500,000 or more if required by your umbrella carrier, plus other disability insurance that may be required by your state.

6. Data theft and cybersecurity coverage with limits of liability not less than $1,000,000 combined single limit.

7. Employment practices liability insurance with limits of liability not less than $1,000,000 combined single limit.

8. Commercial umbrella liability insurance that brings the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers' liability) to at least $1,000,000 total limit of liability. The umbrella liability must provide at least those coverages and endorsements required in the underlying policies.

9. Foodborne illness coverage must be included within the general liability coverage, with coverage of at least $1,000,000 combined single limit for both bodily injury and property damage.

10. Property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage of the greater of $750,000 for the building and replacement value and $500,000 for contents coverage (with no more than a $10,000 deductible) for all risk perils, including the perils of flood and earthquake. This coverage must include equipment breakdown insurance coverage with a minimum coverage of $250,000. Appropriate coverage must also be provided for boiler and machinery exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least $250,000, off premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% (but 5% in the South Florida area or any other area that requires a higher deductible) with $10,000 minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.

11. Products liability insurance in an amount not less than $1,000,000 (this policy will be considered primary).

12. Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than $10,000 and naming us as loss payee.

13. Any other insurance coverage that is required by applicable law.

You may, after obtaining our prior written consent, have reasonable deductibles under the coverage described above. Also, related to any construction, renovation or remodeling of the Restaurant, you must maintain builder's risks insurance and performance and completion bonds

in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us, those of our affiliates that we specify, and the respective officers, directors, shareholders, partners, agent, representatives, independent contractors, servants and employees of each of them, as additional named insureds and must include a waiver of subrogation, in favor of all of those parties. All policies must be written with no coinsurance penalty.

We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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 Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	10	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5	1, 2, and 10	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	9.3	11
e.	Opening	3.3, 3.7, 5, and 8.2	10	5, 6, 7, 11
f.	Fees	2.2.6, 4, 5.1.2, 5.9, 6.2. 6.4, 6.5, 7.1.1, 7.1.4, 8.4.7, 9.2.9, 11.2, 12.5, 12.7, 13, 14, 16.5.10, 16.7.1, 16.11, 17.7, 18, 19.10, 21.4., 27.9	4, 11	5, 6
g.	Compliance with standards and policies/operating manual	1.6, 2.2, 3.4, 5, 6, 7, 8, 10, 12, 13.8, 14, and 15	11	8, 11, 15
h.	Trademarks and proprietary information	1.1, 7.4, 8.9, 9, and 10	7, 8, and 11	13, 14

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
i.	Restrictions on products / services offered	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2, 5, 6	12
l.	Ongoing product / service purchases	7	Not applicable	8
m.	Maintenance, appearance, and remodeling requirements	5 and 8.8	Not applicable	11
n.	Insurance	15	11.3	7, 8, 11
o.	Advertising	3.6, 3.7, and 13	Not applicable	6, 11
p.	Indemnification	8.17.2, 9.2.9, 16.11.2, 21, and Ex. C	11.9, 15	14
q.	Owner's participation / management / staffing	8, 8.3	Not applicable	11, 15
r.	Records and reports	4.2, 12, and 15.5	Not applicable	6, 11
s.	Inspections and audits	3.8, 6.4, 7.1, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 16 and 19.5	11.4, 12	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3, and 19.5	11.6	17
w.	Non-competition covenants	19	11.7	17
x.	Dispute resolution	27	11.14	17
y.	Other: Taxes / permits	4.2.2.1, 5.4, 8.7, and 20	11.8	Not applicable
z.	Other: Personal guarantee	Ex. B	Not applicable	15

ITEM 10 FINANCING

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

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

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

Pre-Opening Assistance:

Before your open your Franchised Business, we will:

1. Provide services in connection with your site, including:

    - Site selection guidelines, counseling, and assistance as we deem advisable (see Franchise Agreement, Section 1.2; Development Agreement, Section 10);

        - For each proposed site for a Restaurant under a Development Agreement, you will submit a completed site selection package submission at least 180 days before the date on which the Restaurant must be open as listed in the Development Schedule.

    - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (see Franchise Agreement, Site Selection Addendum Section 2);

    - Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (see Franchise Agreement, Section 1.2; Site Selection Addendum, Section 1(d); Development Agreement, Section 10); and

        - Some of the factors we might consider in assessing a site include general location and neighborhood, population, traffic patterns, parking, size, physical characteristics of existing buildings, and other businesses in the area.

        - If you have not acquired or leased a site that we have approved at the time you and we execute the Franchise Agreement, and you do not acquire or lease a site that we have approved in writing within 180 days of the date of the Site Selection Addendum, we will have the right to terminate the Franchise Agreement and the Site Selection Addendum.

    - Review of lease, sublease, design plans, and renovation plans for the Restaurant (see Franchise Agreement, Section 5);

        - We generally do not own premises for Restaurants and then lease them to franchisees.

2. Make available our standard layout, design and image specifications for a Restaurant, including:

    - Plans for exterior and interior design and layout (see Franchise Agreement, Section 3.3); and

- Written specifications for fixtures, furnishings, equipment, and signage (see Franchise Agreement, Section 3.3), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);

3. Give you access to the Brand Manual (as more fully described below in this Item 11 of this FDD) (see Franchise Agreement, Section 3.5);

4. Provide you with training (as more fully described below in this Item 11 of this FDD) (see Franchise Agreement, Section 3.1);

5. Assist you in developing your Grand Opening Marketing Program (see Franchise Agreement, Section 3.6);

6. Inspect and evaluate your Restaurant before it first opens for business (see Franchise Agreement, Section 3.8); and

7. Provide a representative to be present at the opening of the Restaurant (see Franchise Agreement, Section 3.4).

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

1. Provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine (see Franchise Agreement, Sections 3.4 and 3.9);

2. Periodically offer you the services of certain of our representatives, such as field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations (see Franchise Agreement, Section 3.9); and

3. Provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper (see Franchise Agreement, Section 6.4).

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

We may periodically provide suggested retail pricing (see Franchise Agreement, Section 8.12), but you will have the right to set your own prices. We may however, establish reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant and (subject to applicable law): (a) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (b) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

Typical Length of Time Before Start of Operations:

You must open your Franchised Business within one year from the date you sign the Franchise Agreement. If you do not do so, that will be a default under the Franchise Agreement.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your Restaurant at 270 to 365 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You should have a suitable location and signed lease within nine months of signing the Franchise Agreement.

Your franchised Restaurant must be open within the earlier of one year after the Effective Date of Franchise Agreement or eight months after we approve your franchised location (the "**Scheduled Opening Date**"). If you do not open your Restaurant by the Scheduled Opening Date (except circumstances beyond your control), you must pay a delayed opening fee as described in Item 6 of this disclosure document, we will also have the right to terminate the Franchise Agreement.

Advertising:

Once the Marketing Fund (defined below) is established, we will require that you contribute an amount equal to 2.5% of Gross Sales of the Franchised Business for marketing (the "**Marketing Contribution**") (but we will have the right to increase your total Marketing Contribution to 3.5% of Gross Sales).

We have the right to allocate your Marketing Contribution in the proportion that we designate between: (a) the marketing and promotional fund for the U.S. (the "**Marketing Fund**"), if established as noted below; and (b) local marketing, consisting of (i) expenditure on local marketing and promotion, or (ii) contributions to a Regional Fund (if one is established for your area). You may spend what additional amounts you wish on local marketing. We are not obligated to spend any specific amount on advertising in the area or territory in which your Franchised Business is located.

The Marketing Fund. The following terms will apply to the Marketing Fund (as well as other terms contained in the Franchise Agreement), which is new and will be established in the next year:

(1) We will have the right to make all decisions and set all standards concerning all marketing programs, and any concepts, materials, and media used in such programs.

(2) The Marketing Fund, all contributions to that fund, and the fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations or promotional programs and materials, and any other activities that we believe will enhance the image of the System.

(3) The Marketing Fund will not be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Marketing Fund as shown on our books.

(4) Although the Marketing Fund is intended to be of perpetual duration, we will have the right to terminate the Marketing Fund. The fund will not be terminated, however, until all monies in those funds have been expended for those funds' purposes.

(5) None of the amounts in the Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises.

(6) As to the Marketing Fund: (a) we will not be required to spend any particular amount on marketing in the area where your Restaurant is located; and (b) if there are unspent amounts in the Marketing Fund at fiscal year-end, those amounts are carried over for expenditure in the following year.

(7) We do not currently have an advertising council composed of franchisees that advises us on advertising policies.

(8) We will make an annual accounting of the Marketing Fund available upon your request to us. The fund will not be audited.

(9) At present, neither Company-owned nor affiliate-owned Restaurants will contribute to the Marketing Fund, although that may change in future years.

(10) The Marketing Fund will be used (among other things) to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, search engine optimization and other similar functions, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).

Local promotional expenditures. Your local promotional expenditures will have two possible components. The first and primary component will be your own local store marketing (as described below). The second component will arise in areas where there is a concentration of Restaurants in the same marketing area, where we may create a regional fund (as also described below). We have the right to allocate your local promotion expenditures as between those two possible components.

1) *Local Store Marketing*. You may be required to spend a certain amount on local store marketing on a continuous basis throughout the term of your Franchise Agreement.

(1) Local store marketing includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.

(2) We will apply certain criteria in reviewing and evaluating the local store marketing that you conduct. All of your local store marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, then we will have been deemed to disapprove of the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.

(3) We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local store marketing.

(4) You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local store marketing, which will focus on disseminating marketing directly related to your Franchised Business.

2) *Regional Fund*. If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. We currently have only one Regional Fund (for South Florida). If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

(1) If a Regional Fund for the area in which your Franchised Business operates was already established when you start operating under the Franchise Agreement, then you will have to join that Regional Fund.

(2) If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you would have to join that Regional Fund within 30 days after that Regional Fund is established. You will not be required to join more than one Regional Fund. Both franchised outlets and franchisor-owned outlets will be required to contribute to the Regional Fund. Your contribution to any Regional Fund will not exceed 1.5% of Gross Sales.

(3) We will administer each Regional Fund if and when established. Each Regional Fund will be organized and governed in a form and manner, and start operations on a date that we have approved, in writing. Governing documents for a Regional Fund, if any, will be available for review at your request. Voting will be on the basis of one vote per full-service Restaurant (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).

(4) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.

(5) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to close any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund are spent for marketing purposes.

Our Marketing Fund did not make expenditures in our last fiscal year ended January 2, 2023.

Grand Opening Marketing Program. You must spend at least $15,000 for grand opening marketing and promotional programs in conjunction with the Restaurant's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin 60 days before the Scheduled Opening Date for your Franchised Business and must be completed no later than 60 days after the Franchised Business starts to operate. At our request, you must provide us with proof of your payment to an approved vendor or vendors for the Grand Opening Marketing Program. Like all other marketing, your Grand Opening Marketing Program will be subject to our prior approval, marketing standards, and requirements. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost of those food give-aways).

Local or Regional Advertising Cooperative. We do not require you to participate in any local or regional advertising cooperative.

Computer Requirements:

You are required to purchase a Computer System. You must meet our requirements concerning the Computer System, including: (a) back office and point of sale systems, networks, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us; (b) point-of-sale (POS) systems; (c) physical, electronic, and other security systems and measures; (d) printers and other peripheral devices; (e) archival back-up systems; (f) internet access mode (such as form of telecommunications connection) and speed; (g) technology used to enhance and evaluate the customer experience (including digital ordering devices, kiosk, touchpads, and the like); (h) digital and virtual display boards and related technology, hardware, software, and firmware; (i) front-of-the-house WiFi and other connectivity service for customers; (j) cloud-based back-end management systems and storage sites; (k) in shop music systems; and (l) consumer-marketing oriented technology (including Customer Apps, affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites) (collectively, all of the above are referred to as the "**Computer System**").

You must be able to maintain a continuous connection to the internet to send and receive POS data to us. You must establish merchant accounts and internet-based credit card and gift card authorization accounts that we designate for use with online card authorizations.

We have the right to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("**Required Software**"), which you must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you must install; (c) the tangible media upon which you must record data; and (d) the database file structure of your Computer System.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support.

You must follow our guidelines and requirements with respect to technology that will be used at your Restaurant (as further explained in Section 14 of the Franchise Agreement). You will bear the cost of meeting these requirements. Among other things, this includes your agreement to install, use, maintain, update, and replace (as needed) all elements of the Computer System and Required Software. You must pay us or third-party vendors initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System. You may also be required to pay us a technology fee in our then current amount. You may also be charged fees by tech vendors that provide products or services to you, and you must pay those charges in the ordinary course of business.

We estimate that the cost of purchasing the Computer System and Required Software will typically range from $15,000 to $18,000. The estimated annual cost of maintenance, support, and upgrades is $5,000 to $7,000. You may also incur an optional annual cost for hardware maintenance of $1,500 to $2,000 (hardware comes with one year warranty; this is the estimated cost after year one). This does not include replacement for hardware, software, and other equipment. Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software. You will not be able to implement, use, or otherwise engage with AI Sources unless we have given our prior written consent. "**AI Source**" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

You must be able to access information that is available on the Internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address or require you to use only an e-mail address that we provide for your Franchised Business' business e-mails.

You must afford us unimpeded access to your Computer System in the manner, form, and at the times we may request. We will have the independent right at any time to retrieve and use this data and information from your Computer System in any manner we deem necessary or desirable.

We have the right to require you to use one or more designated telephone and internet/network vendors. If we so require, you must use our designated telephone vendors for the phone service to your Franchised Business. We may designate, and own, the telephone numbers for your Franchised Business. There are no contractual limitations on our right to access your Computer System and no contractual limitations on our right use data and information from your Computer System.

Vehicles. You may not wrap your vehicles in our Proprietary Marks, or otherwise use a vehicle to promote the Franchised Business, without our prior written approval. We have the right to

condition our approval on those factors that we deem appropriate, including that your vehicle meets our then current standards for wrapping, insurance requirements, and other standards.

Digital Sites. Unless we have otherwise approved in writing, you may not establish nor permit anyone else to establish a Digital Site relating to your Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (including Facebook, Twitter, LinkedIn, YouTube, TikTok, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (for example, iOS or Android apps), the metaverse and other applications, etc. However, if we approve a separate Digital Site for you (which we are not obligated to do), then each of the following provisions will apply: (1) you may neither establish nor use any Digital Site without our prior written approval; (2) before establishing any Digital Site, you must submit to us, for our prior written approval, a sample of the proposed Digital Site, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta tags), in the form and manner we may require; (3) you must not use or modify an Digital Site (which is deemed marketing) without our prior written approval; (4) you must comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing; (5) if we require, you must establish hyperlinks to our Digital Site and other Digital Sites; (6) we may require period updates to your Digital Site; and (7) we may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf.

Data. All of the data that you collect, create, provide, or otherwise develop is and will be owned exclusively by us, and we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. All other data that you create or collect in connection with the System, and in connection with operating the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, the Franchise Agreement. ("Data" for this purpose will exclude customers' payment card information.) You will have to transfer to us all data (in the digital machine-readable format that we specify, including printed copies and originals) promptly upon our request, whether during the term of the Franchise Agreement, upon termination or expiration of this Agreement, or any transfer.

You must comply with all laws pertaining to the privacy of consumer, employee, and transactional information ("**Privacy Laws**"). You must also comply with our standards and policies concerning the privacy of consumer, employee, and transactional information.

Brand Manual:

We will loan you a copy of our Brand Manual (digital, on paper, or in the format that we deem appropriate) for your use during the term of the Franchise Agreement. The Brand Manual contains our standards and specifications for you to follow in the operation of your Franchised Restaurant. The Brand Manual will at all times remain our sole property and you will agree under the terms of the Franchise Agreement to treat the Brand Manual as confidential and to promptly return any and all copies to us following termination or expiration of the Franchise Agreement (see Franchise Agreement Section 10).

We have the right to periodically update and modify the contents and format of the Brand Manual. The Brand Manual currently has 140 pages or digital screens, and its Table of Contents is found as Exhibit F to this FDD.

Training

The subjects covered in the initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1: Orientation, Anthony's Coal Fired Pizza History and Culture, Review Training Agenda and Schedule, Lunch in Training Restaurant, Harassment Course, Introduction to ACFP LMS	6	0	Restaurant Support Center
Week 1: Overview of Restaurant Operation from the BOH. Focus is Prep. Food Safety and Sanitation including Eco Sure, Janitorial, Recipes and Yields, Overview of BOH Ordering Food and Supplies, Vendors, Receiving Orders, Prep List, BOH Training Material, Mirus Introduction, ServSafe Course	10	36	Certified Training Restaurant
Week 2: Focus is the Oven. Proper Opening and Closing the Oven, Oven Fans and Tools, Floor of the Oven, Line Check, Troubleshooting on the Line, Scheduling and Labor Scheduler, Continuation of Prep List and Ordering	10	42	Certified Training Restaurant
Week 3: Focus is Pizza and Wings. Recipes, Pressing Dough, Proper Opening and Closing Pizza and Wings, Petty Cash Audit, Cash Handling and Manager Closing Procedure, Payroll	10	42	Certified Training Restaurant
Week 4: Focus is on Kitchen Manager functions. Food Cost, Labor Cost, Inventory, Recruiting and Hiring, Service Channel, Catering Recipes, BOH Standard Operating Procedures, Introduction to ACFP reporting	12	40	Certified Training Restaurant

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Week 5: Continuation of Kitchen Manager Functions. Food Cost, Labor Cost, Inventory, Recruiting and Hiring, Service Channel, Catering Recipes, BOH Standard Operating Procedures, Introduction to ACFP reporting	12	40	Certified Training Restaurant
Week 6: Focus is on FOH Functions (Takeout | Server| Bar) FOH training Material and Quizzes, Loyalty, 3-Party, Online Ordering, 1st Time Guests, 3 at 3, Comment Cards, Takeout Procedures, Steps of Service, Bar Manual, Beverage Classroom (Includes Nespresso Machine, Beer, Wine and Liquor), Opening and Closing, Daily and Weekly Cleaning, Ambiance, Ordering Beer, Wine, and Liquor, Catering Orders, Going Above and Beyond "Not being an Order Taker"	8	44	Certified Training Restaurant
Week 7: Intro to Management Functions. Guest Recovery, Opening Manager Shift. Cash Handling, Opening Office Reporting and Cash Procedure, Reporting and Procedures, Pre-Shifts, "14 Flawlessly Executed Shifts" Review of POS Back Office, P&L and GL, Scorecard, Discounts, Voids, and Small Gestures, COMP Cards, ACFP Great Orientation, Local Marketing	12	40	Certified Training Restaurant
Week 8: Continuation of FOH Management Functions: Guest Recovery, Opening Manager Shift. Cash Handling, Opening Office Reporting and Cash Procedure, Reporting and Procedures, Pre-Shifts, "14 Flawlessly Executed Shifts" Review of POS Back Office, P&L and GL, Scorecard, Discounts, Voids, and Small Gestures, COMP Cards, ACFP Great Orientation, Local Marketing	12	40	Certified Training Restaurant

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Additional Support Sessions that are included in the Training Weeks: MIT Sessions, Restaurant Support Center Visit			Teams Meeting and RSC
Total Hours	**92**	**324**	

Our training is supervised by Lexie Upperco, who has been with Anthony's Coal Fired Pizza & Wings since 2009. She has an operations background. During her 13 years with Anthony's Coal Fired Pizza & Wings, she has been training and developing managers and team members. She has helped to open over 25 Anthony's Coal Fired Pizza and Wings locations. During training she will assist along with the use of certified training General Managers and team members to conduct our training programs. Our additional instructors generally have substantial operations experience, and a minimum of one year of experience in training and developing well-versed managers and team members. They have demonstrated successful operations and performance with our affiliate-owned operations.

Training will be conducted over an eight-week period, starting at our Restaurant Support Center and at a Corporate Certified Training Restaurant, both in the South Florida area.

Training sessions will be scheduled and conducted as frequently as it is necessary. Training will not be scheduled until a lease is signed for your location. All of your personnel must attend all aspects of the training program established. If any of your personnel do not attend or successfully complete any portion of the training program, that may result in failure of certification and a delayed store opening, or termination of the Franchise Agreement.

The instructional materials for our training programs include the Brand Manual, lecture, discussions, and practice.

Under the Franchise Agreement, the Operating Principal and General Manager must attend and successfully complete, to our satisfaction, our training program. You must complete training at least 60 days and not more than 90 days before you open your Restaurant. (Franchise Agreement Sections 6.2, 6.3, and 6.4.)

You may send up to four additional individuals to the initial training program; if you want to send more individuals, and we agree to have them join the session, then you must pay us a discounted training fee for each of those individuals.

If for any reason your Operating Principal or your General Manager stop active management or employment at the Franchised Business, or if we revoke the certification of your Operating Principal or your General Manager to serve in those capacities, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. If the replacement is the fourth or any subsequent replacement during the term of your Franchise Agreement, then you will have to pay us a discounted training fee (our then-current daily training rate) for each such person to be trained, with full payment due before training starts.

We may require that you and your Operating Principal and General Manager attend refresher courses, seminars, and other training programs that we may reasonably require periodically. We may further require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

We will bear the cost of providing the instruction and required materials, except for additional and replacement training. You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your staff that attends the training program.

ITEM 12 TERRITORY

Franchise Agreement

Under the Franchise Agreement, you have the right to establish and operate one Restaurant at a specific location that we have accepted ("**Accepted Location**"). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

However, during the term of the Franchise Agreement, so long as you remain in compliance with the terms of the Franchise Agreement, we will not establish nor license anyone else to establish, another "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" Restaurant within the "**Protected Area**" that is designated in your Franchise Agreement. Your Protected Area will consist of a radius of miles with its center at the front door of the Restaurant. There is no minimum Protected Area you will receive. We (and our affiliates) retain all other rights. Accordingly, we will have the right (among other things), on the conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;
- We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under the Franchise Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
- We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;
- We have the right to operate (and license other parties to operate) remote, dark, ghost, and all other kinds of off-premises kitchens anywhere;
- We have the right to conduct and/or authorize catering and delivery service anywhere (except as explained below);
- We have the right to acquire (or be acquired), combine, or otherwise merge with and then operate any business of any kind, anywhere (but not to be operated as an "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" Restaurant inside the Protected Area); and

- We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e commerce), anywhere (but not from an "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" Restaurant operating inside the Protected Area).

The term "**Captive Market Location**" includes, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including, for example, hotels and resorts).

The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

You may offer and sell services and products only: (a) according to the requirements of the Franchise Agreement and the procedures set out in the Brand Manual; and (b) to customers and clients of the Franchised Business.

You may not offer or sell services or products through any means other than through the Franchised Business at the Accepted Location; and, therefore, for example, you may not offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, or through any other electronic or print media.

For catering service provided at customers' homes, offices, and other locations ("**Catering**"), and for delivery service through the use of an approved local third-party provider of delivery services ("**Delivery**"): (a) you may not conduct Catering or Delivery activities during the initial operating and training period of the Franchised Business or without our prior written approval; (b) all Catering and Delivery activities must be conducted in accordance with the terms and conditions stated in this Agreement and the standards that we set in the Brand Manual; and (c) we have the right to revoke our approval of Catering or Delivery at any time. Further, we have the right to require that you execute Delivery through Restaurant staff or through approved third-party delivery vendors. We will have the right at all times to approve or disapprove of any such Delivery services, including the arrangements that you propose to make with any third-party delivery vendor.

The Accepted Location for the Franchised Business will be specified in the Franchise Agreement. You may not relocate the Franchised Business without our prior written consent. If you ask to relocate the Franchised Business, we will evaluate your request on the basis of the same standards that we apply to reviewing the proposed location of a new "Anthony's Coal Fired Pizza & Wings" Restaurant for a new franchisee.

You do not need to meet any particular sales or revenue volume in order to keep your Protected Territory as described above so long as you stay in compliance with the terms of your Franchise Agreement.

We do not have the right to modify your Protected Territory so long as you stay in compliance with the terms of your Franchise Agreement.

Under the Franchise Agreement you will not have any options, rights of first refusal, or similar rights to acquire additional franchises or other rights, whether inside the Protected Territory or elsewhere.

Development Agreement:

If you and we enter into a Development Agreement, you will be awarded a Development Area. The size of the Development Area will vary based on a number of factors including the density of the area, the number of Restaurants you must develop, demographics, competition, and location of any existing Restaurants in the general area. As a result, the Development Area is likely to consist of a portion of the city, county, or designated market area. The agreed-upon Development Area will be identified in the Development Agreement.

For each proposed site for a Restaurant under a Development Agreement, you must submit to us a completed site acceptance package no later than 180 days before the date on which the Restaurant must open as listed in the Development Schedule. You also must obtain our site acceptance for the first Restaurant to be developed under the Development Agreement within four months of the date of the Development Agreement. If we provide our written acceptance of a proposed site, then we will send you written notice within 30 days after we receive your completed site acceptance package. If we do not send notice of our acceptance within such 30 day period, then we shall be deemed to have disapproved the proposed site. Until we have provided our written acceptance of a proposed site, you may not open or operate a Restaurant at that location.

If you are a Developer, then we will not establish or license anyone other than you to establish a Restaurant under the System in your Development Area, until the end of the period of time specified in the Development Schedule to your Area Development Agreement (so long as you are in compliance with the Development Agreement), except that we will reserve all of the rights described below.

We (and our affiliates) retain all rights not specifically granted to you. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to conduct any or all of the business activities that we reserve the sole right to conduct under the Franchise Agreement, as described above in this Item 12.

As a result, you will not receive an exclusive territory under a Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except for the requirement that you be in compliance with your obligations under the Development Agreement (including for example the development schedule), continuation of your rights under the Development Agreement, as described above, is not subject to achieving any particular sales or revenue volume, market penetration, quota, or other benchmark. We may not modify your territorial rights. We will review (and when appropriate, accept) proposed sites for Restaurants under a Development Agreement using our then-current site criteria.

ITEM 13 TRADEMARKS

Under a Franchise Agreement, we will license you to operate a Franchised Business under the trademark "Anthony's Coal Fired Pizza & Wings" (plus the designs, logos, and other current or future trademarks that we authorize you to use to identify your Restaurant).

Our subsidiary, Holdings, owns and has registered the following principal Proprietary Marks (among others) on the principal register of the U.S. Patent and Trademark Office ("**USPTO**"):

Mark	Registration or Application Number	Registration or Application Date
ANTHONY'S COAL FIRED PIZZA	U.S. Reg. 5146811	Feb. 21, 2017
ANTHONY'S COAL FIRED PIZZA and design	U.S. Reg. 5195312	May 2, 2017
ANTHONY'S COAL FIRED PIZZA and design	U.S. Reg. 5988325	Feb. 18, 2020
ANTHONY'S COAL FIRED PIZZA EST. 2002 and design	U.S. Reg. 6049375	May. 5, 2020
ANTHONY'S COAL FIRED PIZZA & WINGS	U.S. Reg. 6888526	Nov. 1, 2022

All affidavits and renewals have been or will be filed at the appropriate time.

We are parties to a perpetual trademark license agreement dated May 1, 2022 with Holdings, our subsidiary, under which Holdings licensed to us the right to use and to license other to use these Marks (the "**License Agreement**"). We control Holdings. The License Agreement may only be terminated if we are in an uncured material breach or upon both parties' consent. If the License Agreement is terminated, Holdings or its designee will license the Marks to you for your use as an "Anthony's Coal Fired Pizza & Wings" franchisee for the remainder of the term of your Franchise Agreement.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. Other than the License Agreement, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks can no longer be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. If we do so, you will have to adopt the new Proprietary Marks (for example, update your signage) at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we would defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, then we would defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Copyrights

We own common law copyrights in the Brand Manual, our recipe books, certain drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will provide to you, under the terms of the Franchise Agreement, standard floor plans and specifications for construction of a Restaurant. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable acceptance, to prepare plans and specifications for construction of your Restaurant, based upon our standard plans. These revised plans will be subject to our acceptance. You will be entitled to use the plans only for the construction of a single Restaurant at the site that we have accepted under the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the USPTO, U.S. Copyright Office, or any court concerning any copyright. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Brand Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Manual. We will lend you one set of our Brand Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Manual, any other Brand Manual we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, in whole or in part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always maintain the security of the Brand Manual.

We may periodically revise the contents of the Brand Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, the version of the Brand Manual (that we maintain) will be controlling.

Confidential Information

Except for the purpose of operating the Restaurant under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your Principals and your General Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are attached as Exhibit F-1 and Exhibit F-2 to the Franchise Agreement). Once signed, you must provide us with a copy of each executed confidentiality agreement.

Patents

No patents are material to the franchise. If it becomes advisable to us at any time to acquire a patent, you will be obligated to use the acquired patent as we may require.

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

The Franchise Agreement requires that you (or your Operating Partner or one of your designated Management Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your Restaurant must be managed at all times by you (or your Operating Partner or General Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Partner must own a voting and ownership interest in the franchisee entity. Your General Manager need not possess any amount of voting or ownership interest in the franchisee entity. You must obtain personal covenants from your Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. All of the owners of your entity, and their spouses, must sign the personal guarantee that is attached to the Franchise Agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the trademarks.

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Brand Manual. All items offered from the Restaurant will be sold only at retail to customers unless otherwise approved by us.

We have the right to add other authorized goods and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make these changes.

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.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
a.	Length of the franchise term	2.1	Term expires at the earlier of: (a) ten years from the commencement date of the lease for the Franchised Business' premises; and (b) eleven years after the Effective Date of the Franchise Agreement

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for two additional five-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in “c” below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination / non-renewal	18 to 19	Stop operating the Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, and 19.
j.	Assignment of contract by us	16.1	There are no limits on our right to assign the Franchise Agreement.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
k.	"Transfer" by you – defined	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights or obligations under the Franchise Agreement; or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement (which may contain terms and conditions materially different from those in your original agreement), payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the term of the franchise	19.2 to 19.8	Prohibits engaging in “Competitive Business” (meaning any foodservice business that is the same as or similar to the overall presentation of an “Anthony’s Coal Fired Pizza & Wings” Restaurant, or whose sale of pizza and/or chicken wings accounts for more than 10% of its total offerings or total revenue in any one or month calendar months) during the Franchise Agreement term, with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.8	Prohibits engaging in Competitive Business within two miles of (a) at the Accepted Location; (b) within five miles of the Accepted Location; and (c) within five miles of any other “Anthony’s Coal Fired Pizza & Wings” Restaurant business that is then-currently operated or planned elsewhere in the United States.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
			Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.3	Only with mutual agreement and in writing.
t.	Integration / merger clause	25	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations, prior statements, or promises will be binding (and supersede all prior agreements). Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over Fort Lauderdale, Fla. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	Florida law. Your state law may impact this provision.

The table that follows lists important provisions of the Development Agreement, which is attached as Exhibit C to this FDD. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

DEVELOPMENT AGREEMENT			
	Provision	**Section in Development Agreement**	**Summary**
a.	Length of the development agreement term	3	The Development Schedule term will be agreed upon by the parties before entering into the Development Agreement
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by you	Not Applicable	
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	3, 9, 11.5, and 13	Failure to meet the Development Schedule, default or termination under the Franchise Agreement, abandonment, and other grounds; this also cross-references § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements. This clause, like many of those in the Development Agreement, incorporates by reference the corresponding provisions of the Franchise Agreement.
g.	"Cause" defined – curable defaults	11.5 and 13	Please also see §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	11.5 and 13	Failure to meet development schedule or termination of a Franchise Agreement, and others; please also see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination / non-renewal	11.6, 11.7	Please see also §§ 18.1 to 18.11 of the Franchise Agreement.
j.	Assignment of contract by us	11.4	There are no limits on our right to assign the Development Agreement.

DEVELOPMENT AGREEMENT			
	Provision	**Section in Develop-ment Agreement**	**Summary**
k.	"Transfer" by you – defined	11.4, 12	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Development Agreement; (b) you; (c) any or all of your rights or obligations under the Development Agreement; or (d) all or substantially all of the assets of the developer's business.
l.	Our approval of transfer by you	11.4, 12	We have the right to review and approve all proposed transfers.
m.	Conditions for our approval of transfer	11.4, 12	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement (which may contain terms and conditions materially different from those in your original agreement), the payment of transfer fee, and others; please also see §§ 16.5.1 to 16.5.10 of the Franchise Agreement. We may withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under the Development Agreement.
n.	Our right of first refusal to acquire your business	11.4, 12	We can match any offer, or the cash equivalent. Please also see § 16.6 of the Franchise Agreement.
o.	Our option to purchase your business	11.4, 12	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration. Please also see §§ 18.4 to 18.5 of the Franchise Agreement
p.	Your death or disability	11.4, 12	An interest in Development Agreement must be transferred to a third-party we have approved within six months. Please also see § 16.7 of the Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	11.7	Prohibits engaging in "Competitive Business" (meaning any foodservice business that is the same as or similar to the overall presentation of an "Anthony's Coal Fired Pizza & Wings" Restaurant, or whose sale of pizza and/or chicken wings accounts for more than 10% of its total offerings or total revenue in any one or month calendar months)

DEVELOPMENT AGREEMENT			
	Provision	**Section in Develop-ment Agreement**	**Summary**
			during the Development Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	11.7	Includes a two-year prohibition similar to "q" (above), within the Development Area and within five miles of that area, and also within five miles of any other Restaurant then operating under the System.
s.	Modification of the agreement	14	Must be in writing executed by both parties.
t.	Integration / merger clause	14	Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this FDD.
u.	Dispute resolution by arbitration or mediation	11.14	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	11.14	Any action you bring against us must be brought only within courts with jurisdiction over Fort Lauderdale, Fla. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	11.14	Florida law. Your state law may impact this provision.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The financial information presented below is historical information that relates to only Traditional Restaurants, was prepared by our management, and has not been reviewed or audited. Please review these tables together with all of the notes that follow. The data is for the fiscal years indicated in the tables. Through the end of 2021, our fiscal years ended on December 31st. Beginning with fiscal year 2022, our fiscal year end now falls on the Monday closest to December 31st each year (in FY22, our fiscal year ended January 2, 2023).

Table A: Corporate Restaurants (Gross Sales) (Unaudited)	2022	2021	2020	2019
Average	$2,127,064	$2,023,741	$1,754,656	$2,262,856
Median	$2,008,666	$1,892,974	$1,634,939	$2,135,372
1st Quartile	$2,966,491	$2,797,893	$2,413,342	$2,973,123
2nd Quartile	$2,219,053	$2,117,568	$1,850,772	$2,329,417
3rd Quartile	$1,871,424	$1,794,788	$1,534,694	$2,031,325
4th Quartile	$1,451,287	$1,384,715	$1,205,150	$1,712,806
# of Restaurants in FPR	60	60	59	57
# of Restaurants total	61	61	66	65
# of Restaurants above average	23	25	28	24
% of Restaurants above average	38%	42%	47%	42%
Lowest Gross Sales	$1,068,099	$1,134,529	$1,005,306	$1,413,717
Highest Gross Sales	$4,054,287	$3,739,873	$3,218,716	$3,643,174

Table B: Certain Expenses: Corporate Restaurants (Unaudited)	2022	2021	2020
Food, beverage, and paper costs	25.8%	29.8%	27.2%
Labor and related expenses	30.2%	28.9%	28.3%
# of Restaurants in FPR	60	60	59
# of Restaurants in system	61	61	66

Notes:

1. Table A includes data from:

   - 2022 Restaurants include: Any Restaurant that was open for sales all 12 months of 2022
   - 2021 Restaurants include: Any Restaurant that was open for sales all 12 months of 2021 and 2022
   - 2020 Restaurants include: Any restaurant that was open for sales all 12 months 2022, 2021 and 2020
   - 2019 Restaurants include: Any restaurant that was open for sales all 12 months 2022, 2021, 2020 and 2019
   - If we included restaurants that were open for only partial years and that were not engaged in sales, as noted above, the sales volume figures would be lower.

2. Table B includes data from:

   - 2022 Restaurants include: Any Restaurant that was open for sales all 12 months of 2022
   - 2021 Restaurants include: Any Restaurant that was open for sales all 12 months of 2021 and 2022
   - 2020 Restaurants include: Any restaurant that was open for sales all 12 months 2022, 2021 and 2020

3. Corporate restaurants include restaurants owned by the franchisor's affiliates.

4. With respect to Table B, these costs do not include all of the costs that you will incur operating a restaurant. For example, these costs do not include other costs that you will incur, such as: rent and occupancy costs; Store facilities, utilities, repair, and maintenance (and reserves for future maintenance); franchisee compensation over and above that earned from the operations of the Store business (such as a salary that you may draw);

employee benefits, such as health, vacation and pension plan contributions; debt service; insurance; technology-related expenses; third-party delivery fees; equipment and consumables, such as paperware and linens; bank charges and credit card fees; business and regulatory fees, taxes, and licenses; ongoing and supplemental training expenses; recruitment expenses; legal and accounting fees; payroll processing, bookkeeping and other professional services. A franchisee must also pay us royalties and conduct advertising, including making Marketing Fund contributions. We provide only the costs associated with company- and affiliate-owned Restaurants because although we have not audited these figures, we have verified this data internally. We do not have accurate information on the costs that our franchisees incurred operating their Restaurants (which, or course, will differ from those incurred at company- and affiliate-owned Restaurants).

5. We recommend that you review all of this data with your own financial advisors to determine the relevance of the information to you as well as all of the types of expenses that you will incur in operating your own Restaurant.

6. Written substantiation for the financial performance representations appearing above will be made available to prospective franchisees and developers upon reasonable request.

7. **Some Restaurants have earned these amounts. Your individual results may differ. There is no assurance you will earn as much.**

8. Your net sales and costs may vary depending on a number of factors such as your Restaurant location, competition, changing demographics, consumer tastes, vendor policies, and how you operate and manage your business, prevailing economic or market area condition, geographic location, interest rates, your capitalization level, the amount and terms of any financing that you may secure, property values and lease rates, your business and management skills, staff strengths and weaknesses, and the cost and effectiveness of your marketing activities.

9. The above notes are meant to explain the circumstances in which the data applies, but in no way disclaim (and should not be read to disclaim) the information that we provide in this Item 19.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's Legal Department in writing, at ACFP Management, Inc., 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2020 to 2022 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Company-Owned (note 3)	2020	65	60	-5
	2021	60	61	+1
	2022	61	60	-1
Total Outlets	2020	65	60	-5
	2021	60	61	+1
	2022	61	60	-1

Notes to Item 20 tables:

1. All of the data that we disclose in this Item 20 is unaudited.

2. This reflects data as of our fiscal year end. Through the end of 2021, our fiscal years ended on December 31. Beginning with fiscal year 2022, our fiscal year end now falls on the Monday closest to December 31 each year (in FY22, our fiscal year ended January 2, 2023).

3. The company-owned outlets are owned and operated by our affiliated entities that are under common control with us. These entities are listed in Exhibit D.

4. States that are not listed had no activity during the relevant years.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
All States	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
DE	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
FL	2020	27	1	0	0	0	28
	2021	28	0	0	0	0	28
	2022	28	0	0	0	0	28
IL	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
MA	2020	5	0	0	1	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
MD	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
NJ	2020	9	0	0	1	0	8
	2021	8	0	0	0	0	8
	2022	8	0	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
NY	2020	9	0	0	4	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
PA	2020	11	0	0	0	0	11
	2021	11	1	0	0	0	12
	2022	12	0	0	1	0	11
RI	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
TOTAL	2020	64	2	0	6	0	60
	2021	60	1	0	0	0	61
	2022	61	0	0	1	0	60

Table No. 5
Projected Openings As Of December 31, 2022

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
All States	0	0	0
Total	0	0	0

Attached as exhibits to this disclosure document are the following:

Exhibit D	A list of all corporate-owned restaurants as well as franchisees and developers as of December 31, 2022.
Exhibit E	A list of all franchisees and developers whose franchise or development agreement was terminated, cancelled, not renewed or otherwise voluntarily or involuntarily stopped doing business during our last fiscal year. The list also includes any franchisees or developers with whom we did not communicate in the ten weeks before we issued this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During our last three fiscal years, no franchisees signed confidentiality provisions that would restrict their ability to honestly speak about their experience with “Anthony’s

Coal Fired Pizza & Wings" System. There are no trademark-specific organizations formed by our franchisees that are associated with "Anthony's Coal Fired Pizza & Wings" System.

ITEM 21 FINANCIAL STATEMENTS

Attached as exhibits to this disclosure document are the following:

Exhibits A-1 and A-2	BFI's audited financial statements for the fiscal years ended January 2, 2023, December 31, 2021, and December 31, 2020. Through the end of 2021, our (and BFI's) fiscal year ended on December 31st. Beginning with fiscal year 2022, our (and BFI's) fiscal year end now falls on the Monday closest to December 31 each year (in FY22, our fiscal year ended January 2, 2023).
Exhibit A-3	BFI's unaudited financial statements for the period from January 2, 2023 through October 2, 2023 (which was the end of our (and BFI's) third quarter).
Exhibit A-4	BFI's corporate guarantee of our obligations.

ITEM 22 CONTRACTS

Attached as exhibits to this disclosure document are the following contracts and their attachments:

Exhibit B	Franchise Agreement
Exhibit C	Development Agreement
Exhibit I	Form of General Release

ITEM 23 RECEIPTS

Attached as Exhibit K are two copies of an acknowledgment of receipt of this Disclosure Document (the last two pages of this Disclosure Document). Please sign and date one copy of the receipt and send that back to us, and keep the other copy with this FDD for your records.

Exhibit A: Financial Statements

Exhibit A-1 Audited Financial Statements for FY 2022 and FY2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors
BurgerFi International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of BurgerFi International, Inc. and subsidiaries (the Company) as of January 2, 2023 and the related consolidated statement of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 2, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 10 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2022 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2022.

Miami, Florida
April 3, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
BurgerFi International, Inc.
North Palm Beach, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of BurgerFi International, Inc. and Subsidiaries (the "Company") as of December 31, 2021, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, LLP

We served as the Company's auditor from 2015 to 2022.

West Palm Beach, Florida
April 14, 2022

BurgerFi International Inc., and Subsidiaries
Consolidated Balance Sheets

(in thousands, except for per share data)	January 2, 2023	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	$ 11,917	$ 14,889
Accounts receivable, net	1,766	1,689
Inventory	1,320	1,387
Asset held for sale	732	732
Other current assets	2,724	2,526
Total Current Assets	18,459	21,223
Property & equipment, net	19,371	29,035
Operating right-of-use assets, net	45,741	—
Goodwill	31,621	98,000
Intangible assets, net	160,208	168,723
Other assets	1,380	738
Total Assets	$ 276,780	$ 317,719
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable - trade and other	$ 8,464	$ 7,841
Accrued expenses	10,589	5,302
Short-term operating lease liability	9,924	—
Other liabilities	6,241	7,856
Short-term borrowings	4,985	3,331
Total Current Liabilities	40,203	24,330
Non-Current Liabilities		
Long-term borrowings	53,794	56,797
Redeemable preferred stock, $0.0001 par value, 10,000,000 shares authorized, 2,120,000 shares issued and outstanding, $53 million principal redemption value	51,418	47,525
Long-term operating lease liability	40,748	—
Related party note payable	9,235	8,724
Warrant liability	195	2,706
Other non-current liabilities	1,017	3,009
Deferred income taxes	1,223	1,353
Total Liabilities	197,833	144,444
Commitments and Contingencies - Note 7		
Stockholders' Equity		
Common stock, $0.0001 par value, 100,000,000 shares authorized, 22,257,772 and 21,303,500 shares issued and outstanding as of January 2, 2023 and December 31, 2021, respectively	2	2
Additional paid-in capital	306,096	296,992
Accumulated deficit	(227,151)	(123,719)
Total Stockholders' Equity	78,947	173,275
Total Liabilities and Stockholders' Equity	$ 276,780	$ 317,719

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Operations

(in thousands, except for per share data)	Year Ended January 2, 2023	Year Ended December 31, 2021
Revenue:		
Restaurant sales	$ 167,201	$ 57,790
Royalty and other fees	9,733	9,090
Royalty - brand development and co-op	1,786	1,987
Total Revenue	178,720	68,867
Restaurant level operating expenses:		
Food, beverage and paper costs	48,487	17,153
Labor and related expenses	49,785	16,272
Other operating expenses	30,277	12,039
Occupancy and related expenses	15,607	4,940
General and administrative expenses	25,974	17,300
Depreciation and amortization expense	17,138	10,060
Share-based compensation expense	10,239	7,573
Brand development, co-op and advertising expense	3,870	2,462
Goodwill and intangible asset impairment	66,569	114,797
Asset impairment	6,946	—
Store closure costs	1,949	—
Restructuring costs	1,459	—
Pre-opening costs	474	1,905
Operating Loss	(100,054)	(135,634)
Other income, net	2,675	2,047
Gain on change in value of warrant liability	2,511	13,811
Interest expense, net	(8,659)	(1,406)
Loss before Income Taxes	(103,527)	(121,182)
Income tax benefit (expense)	95	(312)
Net Loss	$ (103,432)	$ (121,494)
Weighted average common shares outstanding:		
Basic	22,173,694	18,408,247
Diluted	22,173,694	18,624,447
Net Loss per common share:		
Basic	$ (4.66)	$ (6.60)
Diluted	$ (4.66)	$ (7.20)

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except for share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2020	**17,541,838**	**$ 2**	**$ 261,298**	**$ (2,225)**	**$ 259,075**
Share-based compensation	—	—	7,573	—	7,573
Stock issued in acquisition of Anthony's	3,362,424	—	28,120	—	28,120
Vested shares issued	107,500	—	—	—	—
Shares issued for warrant exercises	8,069	—	1	—	1
Exchange of unit purchase option units	283,669	—	—	—	—
Net loss	—	—	—	(121,494)	(121,494)
Balance, December 31, 2021	**21,303,500**	**$ 2**	**$ 296,992**	**$ (123,719)**	**$ 173,275**
Share-based compensation	—	—	10,239	—	10,239
Stock issued in acquisition of Anthony's[1]	123,131	—	—	—	—
Vested shares issued	1,001,532	—	—	—	—
Shares withheld for taxes	(170,391)	—	(1,135)	—	(1,135)
Net loss	—	—	—	(103,432)	(103,432)
Balance, January 2, 2023	**22,257,772**	**$ 2**	**$ 306,096**	**$ (227,151)**	**$ 78,947**

[1] *Timing of share issuance differs from recognition of related financial statement dollar amounts.*

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Cash Flows Provided By (Used In) Operating Activities		
Net loss	$ (103,432)	$ (121,494)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Goodwill and intangible asset impairment	66,569	114,797
Asset impairment	6,946	—
Gain on change in value of warrant liability	(2,511)	(13,811)
Depreciation and amortization	17,138	10,060
Share-based compensation	10,239	7,573
Forfeited franchise deposits	(1,481)	(834)
Deferred income taxes	(130)	312
Non-cash interest	4,457	841
Provision for bad debts	8	234
Loss on disposal of property & equipment	38	203
Non-cash store closure costs	661	—
Non-cash lease cost	185	—
Gain on extinguishment of debt	—	(2,237)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(268)	(633)
Inventory	67	(142)
Other assets	(499)	81
Accounts payable - trade and other	224	303
Accrued expenses	3,576	(4,045)
Deferred rent	—	871
Deferred revenue and other liabilities	381	454
Cash Flows Provided By (Used In) Operating Activities	2,168	(7,467)
Net Cash Flows From Investing Activities		
Purchase of property & equipment	(2,517)	(10,665)
Cash acquired as part of the Anthony's acquisition	—	5,522
Proceeds from the sale of property & equipment	1,087	80
Other investing activities	(119)	48
Net Cash Flows Used In Investing Activities	(1,549)	(5,015)
Net Cash Flows From Financing Activities		
Proceeds from borrowings	1,500	—
Payments on borrowings	(3,339)	(12,168)
Payment of direct costs on issuance of common stock	(1,089)	(844)
Debt issuance costs	(486)	—
Repayments of finance leases	(177)	—
Net Cash Flows Used In Financing Activities	(3,591)	(13,012)
Net Decrease in Cash and Cash Equivalents	(2,972)	(25,494)
Cash and Cash Equivalents, beginning of year	14,889	40,383
Cash and Cash Equivalents, end of year	$ 11,917	$ 14,889
Supplemental cash flow disclosures:		
Cash paid for interest	$ 2,884	$ 551
Value of common stock issued in Anthony's acquisition	$ —	$ 28,965
Value of preferred stock issued in Anthony's acquisition	$ —	$ 46,906
Cash paid for income taxes	$ —	$ 7

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 2, 2023 and December 31, 2021

1. Organization and Summary of Significant Accounting Policies

Organization

BurgerFi International, Inc. and its wholly owned subsidiaries (*"BFI," the "Company," also "we," "us," and "our"*), is a multi-brand restaurant company that develops, markets and acquires fast-casual and premium-casual dining restaurant concepts around the world, including corporate-owned stores and franchises located in the United States and Saudi Arabia. As of January 2, 2023, the Company has 174 franchised and corporate-owned restaurants of the two following brands:

BurgerFi. BurgerFi is a fast-casual "better burger" concept with 114 franchised and corporate-owned restaurants as of January 2, 2023, offering burgers, hot dogs, crispy chicken, frozen custard, hand-cut fries, shakes, beer, wine and more.

Anthony's. Anthony's is a pizza and wing brand that operated 60 corporate-owned casual restaurant locations, as of January 2, 2023. The concept is centered around a coal fired oven, and its menu offers "well-done" pizza, coal fired chicken wings, homemade meatballs, and a variety of handcrafted sandwiches and salads.

Basis of presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (*"GAAP"*) and the rules and regulations of the Securities and Exchange Commission (*"SEC"*) assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, during the third quarter of 2022, substantial doubt about the Company's ability to continue as a going concern was raised due to uncertainty surrounding the Company's ability to comply with its forecasted financial covenants. The going concern uncertainty was cured by the Credit Agreement, as amended on February 24, 2023. See Note 9, "*Debt*," for additional disclosure surrounding the amended Credit Agreement.

On November 3, 2021, the Company completed the acquisition of Hot Air, Inc. (the *"Anthony's acquisition"*), which through its subsidiaries, owns and operates casual dining pizza restaurants under the trade name Anthony's Coal Fired Pizza & Wings (*"Anthony's"*). The results of operations, financial position and cash flows of Anthony's is included in its consolidated financial statements as of the closing date of the acquisition.

On July 28, 2022, the Company's Board of Directors approved the change to a 52-53-week fiscal year ending on the Monday nearest to December 31 of each year in order to improve the alignment of financial and business processes following the acquisition of Anthony's. With this change, the Company's fiscal year 2022 ended on January 2, 2023. For the year ended December 31, 2021, the BurgerFi brand operated on a calendar year-end and Anthony's operated on a 52-53 week fiscal year ended on the Monday closest to December 31. Differences arising from the different fiscal year-ends were not deemed material for the year ended December 31, 2021.

Reclassifications

Certain current year amounts primarily in restaurant level operating expenses, general and administrative expenses and brand development, co-op and advertising expense have been reclassified within the consolidated statements of operations and are not comparable to the year ended December 31, 2021.

Principles of Consolidation

The consolidated financial statements present the consolidated financial position, results from operations and cash flows of BurgerFi International, Inc., and its wholly owned subsidiaries. All material balances and transactions between the entities have been eliminated in consolidation.

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 2, 2023 and December 31, 2021

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Corporate-owned stores and Franchised stores

The Company grants franchises to independent operators who in turn pay an initial franchise fee, royalties and other fees as stated in the franchise agreement. Store activity for the years ended January 2, 2023 and December 31, 2021 is as follows:

	2022			2021		
	Corporate-owned	Franchised	Total	Corporate-owned	Franchised	Total
Total BurgerFi and Anthony's	**85**	**89**	**174**	**86**	**93**	**179**
BurgerFi stores, beginning of year	25	93	118	17	102	119
BurgerFi stores opened	3	8	11	10	6	16
BurgerFi stores transferred/sold	(3)	3	—	(1)	1	—
BurgerFi stores closed	—	(15)	(15)	(1)	(16)	(17)
BurgerFi total stores, end of year	**25**	**89**	**114**	**25**	**93**	**118**
Anthony's stores, beginning of period	61	—	61	—	—	—
Anthony's stores, acquired	—	—	—	61	—	61
Anthony's stores opened	—	—	—	—	—	—
Anthony's stores closed	(1)	—	(1)	—	—	—
Anthony's total stores, end of year	**60**	**—**	**60**	**61**	**—**	**61**

End of year store totals included one international store for both fiscal year's ended January 2, 2023 and December 31, 2021, respectively.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also include approximately $2.4 million and $1.1 million as of January 2, 2023 and December 31, 2021, respectively, of amounts due from commercial credit card companies, such as Visa, MasterCard, Discover, and American Express, which are generally received within a few days of the related transactions. At times, the balances in the cash and cash equivalents accounts may exceed federal insured limits. The Federal Deposit Insurance Corporation insures eligible accounts up to $250,000 per depositor at each financial institution. The Company limits uninsured balances to only large, well-known financial institutions and believes that it is not exposed to significant credit risk on cash and cash equivalents.

Accounts Receivable, net

Accounts receivable consist of amounts due from vendors for rebates on purchases of goods and materials, franchisees for training and royalties and are stated at the amount invoiced. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable. The allowance for uncollectible accounts was approximately $0.2 million at January 2, 2023, and nominal at December 31, 2021.

Employer Retention Tax Credits

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to employer retention tax credits previously made available under The Coronavirus Aid, Relief, and Economic Security Act, including modifying and extending the Employee Retention Credit ("*ERC*") for the six calendar months ending June 30, 2021. As a result of such legislation, the Company qualified for ERC for the first and second calendar quarters of 2021 and has applied for ERC through amended payroll tax filings for the applicable quarters. We recognized $2.6 million, net of third party preparation fees, in other income, net related to ERC in the Company's consolidated statements of operations for the year ended January 2, 2023 of which approximately $1.4 million had been collected as of January 2, 2023. As of January 2, 2023, the Company had $1.5 million included in other current assets on its consolidated balance sheets.

Inventories

Inventories primarily consist of food and beverages. Inventories are accounted for at lower of cost or net realizable value using the first-in, first-out (FIFO) method. Spoilage is expensed as incurred.

Property & Equipment, net

Property & equipment are carried at cost, net of accumulated depreciation. Depreciation is provided by the straight-line method over an estimated useful life. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset and the term of the related lease. The estimated lives for kitchen equipment and other equipment, computers and office equipment, furniture and fixtures, and vehicles range from five to seven years. Maintenance and repairs which are not considered to extend the useful lives of the assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Expenditures for renewals and betterments, which materially extend the useful lives of assets or increase their productivity, are capitalized. The Company capitalizes construction costs during construction of the restaurant and will begin to depreciate them once the restaurant is placed in service. Wage costs directly related to and incurred during a restaurant's construction period are capitalized. Interest costs incurred during a restaurant's construction period are capitalized. Upon sale or retirement, the cost of assets and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in operating expense.

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets

The Company assesses the potential impairment of its long-lived assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, negative cash flow, significant underperformance relative to historical or projected future operating results, significant changes in the manner in which an asset is being used, an expectation that an asset will be disposed of significantly before the end of its previously estimated useful life and significant negative industry or economic trends. At any given time, the Company may be monitoring a small number of locations, and future impairment charges could be required if individual restaurant performance does not improve or if the decision is made to close or relocate a restaurant. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Definite-lived intangible assets are amortized on a straight-line basis using the following estimated useful lives of the related classes of intangibles: 7 years for franchise agreements, 30 years for trade names, 10 years for the license agreement (adjusted to 22 months at December 31, 2021), and 10 years for the VegeFi product. Right of use assets are amortized based on the expected remaining term of the lease agreement which can range from 5 to 10 years at inception of the lease or renewal term. Refer to leases below for discussion of amortization of right of use assets.

The Company reviews definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

The Company recorded an impairment charge of approximately $6.9 million during the year ended January 2, 2023, of which $3.1 million related to property & equipment and $3.8 million related to right-of-use assets included in asset impairment on our consolidated statements of operations. For the year ended December 31, 2021 the Company recorded an impairment charge of $8.3 million, of which $7.7 million related to licensing agreements and $0.6 million related to property & equipment included within goodwill and intangible asset impairment on the consolidated statements of operations. Additionally, as a result of impairment of the Company's licensing agreements at December 31, 2021, the Company reevaluated the useful life of 10 years and determined that such useful life be adjusted to 22 months through October 2023. Refer to Note 5, "*Impairment*" and Note 3, "*Intangible Assets,*" for additional information.

Goodwill and Indefinite-Lived Intangible Assets

The Company accounts for goodwill and indefinite-lived intangible assets in accordance with FASB ASC No. 350, Intangibles—Goodwill and Other ("ASC 350"). ASC 350 requires goodwill and indefinite-lived intangible assets to be reviewed for impairment annually, or more frequently if circumstances indicate a possible impairment. The Company evaluates goodwill at the end of the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include but are not limited to (1) changes in the Company's business plans, (2) changing economic conditions including a potential decrease in the Company's stock price and market capitalization, (3) a significant adverse change in legal factors or in business climate, (4) unanticipated competition, or (5) an adverse action or assessment by a regulator.

In evaluating goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. This impairment test involves comparing the fair value of the reporting unit with its carrying value (including goodwill). The Company estimates the fair values of its reporting unit using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the estimated fair value of the reporting unit is less than its carrying value, a goodwill impairment exists for the reporting unit and an impairment loss is recorded.

Based on the results of the Company's interim and annual goodwill impairment tests, it determined it was more likely than not that goodwill was impaired at the Anthony's and the BurgerFi reporting units. Accordingly, the Company recorded goodwill impairment charges of approximately $66.6 million during the year ended January 2, 2023. Refer to Note 5, "*Impairment*," for additional information.

The estimated fair value of goodwill is subject to change as a result of many factors including, among others, any changes in the Company's business plans, changing economic conditions, a potential decrease in its stock price and market capitalization, and the competitive environment. Should actual cash flows and the Company's future estimates vary adversely from those estimates used, the Company may be required to recognize impairment charges in future years.

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The following table represents changes to the Company's goodwill during the year ended January 2, 2023 and December 31, 2021:

	Reporting Unit		
(in thousands)	BurgerFi	Anthony's	Total Goodwill
Balance, December 31, 2020	$ 119,542	$ —	$ 119,542
Goodwill acquired in connection with Anthony's acquisition	—	80,495	80,495
Adjustment to goodwill acquired	4,439	—	4,439
Impairment Loss	(106,476)	—	(106,476)
Balance, December 31, 2021	$ 17,505	$ 80,495	$ 98,000
Adjustment to goodwill acquired	—	190	190
Impairment Loss	(17,505)	(49,064)	(66,569)
Balance January 2, 2023	$ —	$ 31,621	$ 31,621

For details on the goodwill acquired in connection with the Anthony's acquisition, as well as the measurement period adjustment to goodwill (which related to other current liabilities) associated with the purchase price accounting for the Anthony's acquisition, refer to Note 4, "*Acquisitions*." As it relates to impairment of goodwill, refer to Note 5, "*Impairment*."

Indefinite-lived intangible assets are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired. The annual impairment test for indefinite-lived intangible assets may be completed through a qualitative assessment to determine if the fair value of the indefinite-lived intangible assets is more likely than not to be greater than the carrying amount. If the Company elects to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that the estimated carrying value exceeds the fair value, it tests for impairment using a quantitative process. If the Company determines that impairment of its intangible assets may exist, the amount of impairment loss is measured as the excess of carrying value over fair value. The Company's estimates in the determination of the fair value of indefinite-lived intangible assets include the anticipated future revenue of corporate-owned and franchised restaurants and the resulting cash flows.

The Company's liquor licenses are considered to have an indefinite life with a value of $6.7 million for both years ended January 2, 2023 and December 31, 2021 and is included in intangible assets, net on our consolidated balance sheets. Refer to Note 3, "*Intangible Assets,*" for additional information.

Deferred Financing Costs

Deferred financing costs relate to the Company's debt instruments, the short and long-term portions of which are reflected as deductions from the carrying amounts of the related debt instrument, including the Company's Credit Agreement. Deferred financing costs are amortized over the terms of the related debt instruments using the effective interest method. For the years ended January 2, 2023 and December 31, 2021, the Company deferred $0.9 million and $1.0 million, respectively of financing costs in connection with its Credit Agreement. Amortization expense associated with deferred financing costs, which is included within interest expense, net, totaled $0.5 million for the year ended January 2, 2023 and $0.1 million for the year ended December 31, 2021. See Note 9, "*Debt*," for additional information.

Share-Based Compensation

The Company has granted share-based compensation awards to certain employees under the 2020 Omnibus Equity Incentive Plan (the *"Plan"*). The Company measures the cost of employee services received in exchange for an equity award, which may include grants of employee stock options and restricted stock units, based on the fair value of the award at the date of grant. The Company recognizes share-based compensation expense over the requisite service period unless the awards are subject to performance conditions, in which case the Company recognizes compensation expense over the requisite service period to the extent performance conditions are considered probable. Forfeitures are recognized as they occur. The Company will determine the grant date fair value of stock options using a Black-Scholes-Merton option pricing model (the *"Black-Scholes Model"*). The grant date fair value of restricted stock unit awards (*"RSU Awards"*) and performance-based awards are determined using the fair market value of the Company's common stock on the date of grant, as set forth in the applicable plan document, unless the awards are subject to market conditions, in which case the Monte Carlo simulation model is used. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved.

Warrant Liability

The Company has certain warrants which include provisions that affect the settlement amount. Such variables are outside of those used to determine the fair value of a fixed-for-fixed instrument, and as such, the warrants are accounted for as liabilities in accordance with ASC 815-40, *Derivatives and Hedging*, with changes in fair value included in the consolidated statement of operations.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is required to prioritize the inputs used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Restructuring Costs

Restructuring costs for the year ended January 2, 2023 of $1.5 million included $0.8 million in severance costs and other termination benefits related to the departure of certain members of the leadership team notified prior to January 2, 2023 and $0.7 million in professional fees and other costs incurred in connection with the Company's Credit Facility requirements to raise additional capital or debt. See Note 9, "*Debt*," for further discussion of the Company's credit facilities and indebtedness. The Company expects restructuring costs to be settled from operating cash flows within the next 12 months.

Net Loss per Common Share

Net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. The Company has considered the effect of (1) warrants outstanding to purchase 15,063,800 shares of common stock, (2) 75,000 shares of common stock and warrants to purchase 75,000 shares of common stock in the unit purchase option, (3) 1,495,600 shares of restricted stock unit grants in the calculation of income per share, and (4) the impact of any dividends associated with its redeemable preferred stock and they have not been included in the calculation of net loss per common share as it would be anti-dilutive.

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Reconciliation of Net Loss per Common Share

Basic and diluted net loss per common share is calculated as follows:

(in thousands, except for per share data)	Year Ended January 2, 2023	Year Ended December 31, 2021
Numerator:		
Net loss available to common shareholders	$ (103,432)	$ (121,494)
Reversal of gain on change in value of warrant liability	$ —	$ (12,619)
Net loss available to common shareholders - diluted	**$ (103,432)**	**$ (134,113)**
Denominator:		
Weighted-average shares outstanding	22,173,694	18,408,247
Effect of dilutive securities		
Warrants	—	211,854
UPOs	—	4,346
Diluted weighted-average shares outstanding	22,173,694	18,624,447
Basic net loss per common share	$ (4.66)	$ (6.60)
Diluted net loss per common share	$ (4.66)	$ (7.20)

For the year ended December 31, 2021, there were dilutive warrants and UPOs during the interim period, as such the reversal of the change in value of warrant liability is included for that period only to calculate the net loss available to common shareholders - diluted. The diluted weighted shares outstanding for the year ended December 31, 2021 represent the average dilutive warrant and UPOs share equivalents for the year ended December 31, 2021 including the impact of the dilutive warrants and UPOs share equivalents during the interim period for which the warrant and UPOs were dilutive.

Concentration of Risk

Management believes there is no concentration of risk with any single franchisee or small group of franchisees whose failure or nonperformance would materially affect the Company's results of operations. The Company had no customers which accounted for 10% or more of consolidated revenue for the year ended January 2, 2023, or for the year ended December 31, 2021. As of January 2, 2023, the Company had two main in-line distributors of food, packaging and beverage products that provided approximately 80% of the Company's restaurants purchasing of those products in the U.S. We believe that the Company's vulnerability to risk concentrations related to significant vendors and sources of its raw materials is mitigated as it believes that there are other vendors who would be able to service its requirements. However, if a disruption of service from any of its main in-line distributors was to occur, the Company could experience short-term increases in its costs while distribution channels were adjusted.

The Company's restaurants are principally located throughout the United States. The Company has corporate-owned and franchised locations in 23 states, with the largest number in Florida. We believe the risk of geographic concentration is not significant. The Company could be adversely affected by changing consumer preferences resulting from concerns over nutritional or safety aspects of ingredients it sells or the effects of food safety events or disease outbreaks.

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from vendors for rebates, franchisees for royalties and franchise fees. This concentration of credit risk is mitigated, in part, by the number of franchisees and the short-term nature of the franchise receivables.

Revenue Recognition

Revenue consists of restaurant sales and franchise licensing revenue.

Restaurant Revenue

Revenue from restaurant sales is presented net of discounts and recognized when food, beverage and retail products are sold. Sales tax collected from customers is excluded from restaurant sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Revenue from restaurant sales is generally paid at the time of sale. Credit cards and delivery service partners sales are generally collected shortly after the sale occurs.

The revenue from gift cards is included in unearned revenue when purchased by the customer and revenue is recognized when the gift cards are redeemed. Unearned revenues include liabilities established for the value of the gift cards when sold and are included in other current liabilities on the Company's consolidated balance sheets. The Company estimates the amount of gift cards for which the likelihood of redemption is remote, referred to as "breakage," using historical gift card redemption patterns. The estimated breakage is recognized over the expected period of redemption as the remaining gift card values are redeemed and is immaterial. If actual redemption patterns vary from these estimates, actual gift card breakage income may differ from the amounts recorded. Estimates of the redemption period and breakage rate applied are updated periodically.

The Company contracts with delivery service partners for delivery of goods and services to customers. The Company has determined that the delivery service partners are agents, and the Company is the principal. Therefore, restaurant sales through delivery services are recognized at gross sales and delivery service commission is recorded as expense.

Franchise Revenue

The franchise agreements require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Generally, payment for the initial franchise fee is received upon execution of the franchise agreement. Owners can make a deposit equal to 50% of the total franchise fee to reserve the right to open additional locations. The remaining balance of the franchise fee is due upon signing by the franchisee of the applicable location's lease or mortgage. Franchise deposits received in advance for locations not expected to open within one year are classified as long-term liabilities, while franchise deposits received in advance for locations expected to open within one year are classified as short-term liabilities.

Generally, the licenses granted to develop, open and operate each BurgerFi franchise in a specified territory are the predominant performance obligations transferred to the licensee in the Company's contracts, and represent symbolic intellectual property. Certain initial services such as training, site selection and lease review are considered distinct services that are recognized at a point in time when the performance obligations have been provided, generally when the BurgerFi franchise has been opened. We determine the transaction price for each contract and allocate it to the distinct services based on the costs to provide the service and a profit margin. On an annual basis, the Company performs a review to reevaluate the amount of this initial franchise fee revenue that is recognized.

The remainder of the transaction price is recognized over the remaining term of the franchise agreement once the BurgerFi restaurant has been opened. Because the Company transfers licenses to access its intellectual property during a contractual term, revenue is recognized on a straight-line basis over the license term.

Franchise agreements and deposit agreements outline a schedule for store openings. Failure to meet the schedule can result in forfeiture of deposits made. Forfeiture of deposits is recognized as terminated franchise fee revenue once contracts have been terminated for failure to comply. All terminations are communicated to the franchisee in writing using formal termination letters. Additionally, a franchise store that is already open may terminate before its lease term has ended, in which case the remainder of the transaction price is recognized as terminated franchise fee revenue.

Revenue from sales-based royalties (i.e. royalty and other fees, brand development and advertising co-op royalty) is recognized as the related sales occur. The sales-based royalties are invoiced and collected from the franchisees on a weekly basis. Rebates from vendors received on franchisee's sales are also recognized as revenue from sales-based royalties.

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Contract Balances

Opening and closing balances of contract liabilities and receivables from contracts with customers for the years ended January 2, 2023 and December 31, 2021 are as follows:

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Franchising receivables	$ 168	$ 212
Gift card liability	$ 1,847	$ 2,587
Unearned revenue, current	$ 84	$ 468
Unearned revenue, long-term	$ 1,008	$ 2,109

Franchise Revenue

Revenue recognized during the years ended are as follows:

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Franchise Fees	$ 1,806	$ 1,069

An analysis of unearned revenue is as follows:

(in thousands)	January 2, 2023	December 31, 2021
Balance, beginning of period	$ 2,577	$ 3,306
Initial/Transfer franchise fees received	364	290
Revenue recognized for stores open and transfers during period	(325)	(235)
Revenue recognized related to franchise agreement terminations	(1,481)	(834)
Other unearned revenue (recognized) received	(43)	50
Balance, end of period	$ 1,092	$ 2,577

Presentation of Sales Taxes

The Company collects sales tax from customers and remits the entire amount to the respective states. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of sales. Sales tax payable amounted to approximately $1.0 million and $1.1 million at January 2, 2023 and December 31, 2021, respectively, and is presented in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the years ended January 2, 2023 and December 31, 2021 was $2.4 million and $0.9 million, respectively and are included in other operating expenses for specific store related advertising costs and brand development, co-op and advertising expense on the consolidated statements of operations. Anthony's includes nine weeks of advertising costs in 2021 and a full year in 2022 as a result of the acquisition on November 3, 2021.

Brand Development Royalties and Expenses

The Company's franchise agreements provide for franchisee contributions of a percentage of gross restaurant sales, which are recognized as royalty income. Amounts collected are required to be used for advertising and related costs, including reasonable costs of administration. For the year ended January 2, 2023, the Company had brand development royalties of approximately $1.4 million and brand development expenses of approximately $1.8 million. For the year ended December 31, 2021, the Company had brand development royalties of approximately $1.5 million and approximately $1.7 million of brand development expenses.

Advertising Co-Op Royalties and Expenses

The Company's South Florida franchises contribute a percentage of gross restaurant sales, which are recognized as royalty income. Amounts collected are required to be used for local advertising and related costs, including reasonable costs of administering the advertising program. For the year ended January 2, 2023, the Company had advertising co-op royalties of approximately $0.4 million and advertising co-op expenses of approximately $0.8 million. For the year ended December 31, 2021, the Company had advertising co-op royalties of approximately $0.5 million and approximately $0.8 million of advertising co-op expenses.

Pre-opening Costs

The Company follows ASC Topic 720-15, "*Start-up Costs,"* which provides guidance on the financial reporting of start-up costs and organization costs. In accordance with this ASC Topic, costs of pre-opening activities and organization costs are expensed as incurred. Pre-opening costs include all expenses incurred by a restaurant prior to the restaurant's opening for business. These pre-opening costs include costs to relocate and reimburse restaurant management staff members, costs to recruit and train hourly restaurant staff members, wages, travel, and lodging costs for the Company's training team and other support staff members, as well as rent expense. Pre-opening costs can fluctuate significantly from period to period based on the number and timing of restaurant openings and the specific pre-opening costs incurred for each restaurant.

Pre-opening costs expensed for the years ended January 2, 2023 and December 31, 2021 were $0.5 million and $1.9 million, respectively.

Leases

The Company currently leases all of its corporate-owned restaurants, corporate offices, and certain equipment. The Company's leases are accounted for under the requirements of ASC Topic 842, "*Leases*", effective January 1, 2022.

Upon the possession of a leased asset, the Company determines its classification as an operating or finance lease. The Company's real estate leases are classified as operating leases, and the Company's equipment leases are classified as finance leases. Generally, the real estate leases have initial terms averaging 10 years and typically include two five-year renewal options. Renewal options are generally not recognized as part of the initial right-of-use assets and lease liabilities as it is not reasonably certain at commencement date that the Company would exercise the options to extend the lease. The real estate leases typically provide for fixed minimum rent payments or variable rent payments based on a percentage of monthly sales or annual changes to the Consumer Price Index. Fixed minimum rent payments are recognized on a straight-line basis over the lease term from the date the Company takes possession of the leased property. Lease expense incurred before a corporate-owned store opens is recorded in pre-opening costs in the consolidated statements of operations. Once a corporate-owned store opens, the straight-line lease expense is recorded in occupancy and related expenses in the consolidated statements of operations. Many of the leases also require the Company to pay real estate taxes, common area maintenance costs and other occupancy costs which are included in occupancy and related expenses in the consolidated statements of operations. The Company from time to time enters into sublease agreements as lessor which are immaterial for the years ended January 2, 2023 and December 31, 2021. See Note 10, "*Leases*," for further discussion.

Income Taxes

The Company accounts for income taxes under the asset and liability method. A deferred tax asset or liability is recognized whenever there are (1) future tax effects from temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (2) operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the years in which those differences are expected to be recovered or settled.

Deferred tax assets are recognized to the extent the Company believes these assets will more likely than not be realized. In evaluating the realizability of deferred tax assets, the Company considers all available positive and negative evidence, including the interaction and the timing of future reversals of existing temporary differences, projected future taxable income, recent operating results and tax-planning strategies. When considered necessary, a valuation allowance is recorded to reduce the carrying amount of the deferred tax assets to their anticipated realizable value.

The Company measures income tax uncertainties in accordance with a two-step process of evaluating a tax position. We first determine if it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is then measured, for purposes of financial statement recognition, as the largest amount that has a greater than 50% likelihood of being realized upon effective settlement. We had $0.2 million and $0.7 million unrecognized tax benefits at January 2, 2023 and December 31, 2021, respectively.

The Company accrues interest related to uncertain tax positions in "Interest expense" and penalties in "General and administrative expenses." At January 2, 2023 and December 31, 2021, there were no amounts accrued for interest or for penalties.

The statute of limitations for the Company's state tax returns varies, but generally the Company's federal and state income tax returns from its 2019 fiscal year forward remain subject to examination.

New Accounting Pronouncements

In October 2021, the FASB issued guidance which requires entities to recognize contract assets and contract liabilities in a business combination. As a public company, this standard was effective for the Company's fiscal year beginning after January 3, 2023, including interim periods and will be applied prospectively to business combinations. It is not possible to determine the future impact of the application of this standard to future transactions.

2. Property & Equipment

Property & equipment consisted of the following:

(in thousands)	January 2, 2023	December 31, 2021
Leasehold improvements	$ 17,029	$ 19,900
Kitchen equipment and other equipment	8,196	7,810
Computers and office equipment	1,468	1,425
Furniture and fixtures	2,677	2,340
Vehicles	37	88
	29,407	31,563
Less: Accumulated depreciation and amortization	(10,036)	(2,528)
Property & equipment – net	$ 19,371	$ 29,035

Depreciation expense for the years ended January 2, 2023 and December 31, 2021 was $8.7 million and $2.5 million.

The Company's long-lived assets are reviewed for impairment annually and whenever there are triggering events that require us to perform this review. The Company recorded $3.1 million and $0.6 million of property & equipment impairment during the years ended January 2, 2023 and December 31, 2021, respectfully. Refer to Note 5, "*Impairment,*" for further discussion.

3. Intangible Assets

The following is a summary of the components of intangible assets and the related amortization expense:

	January 2, 2023			December 31, 2021		
(in thousands)	Amount	Accumulated Amortization	Net Carrying Value	Amount	Accumulated Amortization	Net Carrying Value
Franchise agreements	$ 24,839	$ 7,245	$ 17,594	$ 24,839	$ 3,696	$ 21,143
Trade names / trademarks	143,726	8,010	135,716	143,750	3,220	140,530
Liquor license	6,678	—	6,678	6,678	—	6,678
License agreement	1,176	1,063	113	1,176	925	251
VegeFi product	135	28	107	135	14	121
	$ 176,554	$ 16,346	$ 160,208	$ 176,578	$ 7,855	$ 168,723

Liquor license is considered to have an indefinite life, and in addition to the Company's definite-lived intangible assets, is reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The Company recorded a $7.7 million impairment charge for the year ended December 31, 2021, in relation to the Company's license agreement. No impairment charge was recorded for the year ended January 2, 2023 related to this license agreement. See Note 5 "*Impairment*," for further information.

Amortization expense for the years ended January 2, 2023 and December 31, 2021 was $8.5 million and $7.6 million, respectively. The estimated aggregate amortization expense for intangible assets over the next five years ending January 2 and thereafter is as follows:

(in thousands)	
2023	$ 8,467
2024	8,353
2025	8,353
2026	8,353
2027	8,204
Thereafter	111,800
Total	$ 153,530

4. Acquisitions

Acquisition of Hot Air, Inc.

On November 3, 2021, the Company acquired 100% of the outstanding common shares and voting interest of Anthony's. The results of Anthony's operations have been included in the consolidated financial statements since that date. Anthony's, through its subsidiaries, owns and operates casual dining pizza restaurants under the trade name Anthony's Coal Fired Pizza & Wings. As of the acquisition date, Anthony's had 61 restaurants open and operational in Florida, Delaware, Pennsylvania, New Jersey, New York, Massachusetts, Maryland, and Rhode Island.

The acquisition-date fair value of the consideration transferred totaled $75.9 million, which consisted of the following:

Consideration Paid

(in thousands)		
Common Stock	$	25,562
Preferred Stock		46,906
Option Consideration Shares		3,403
Total Consideration	$	75,871

The fair value of the common shares issued and option consideration shares was determined based on the closing market price of the Company's common shares on the day preceding the acquisition date. The fair value of the preferred stock was determined using a discounted cash flow methodology. The expected future redemption payment was forecasted based on the contractual PIK (payment in kind) interest and estimated redemption date of December 31, 2024.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company determined the fair value of certain intangible assets. The measurement period for such purchase price allocations ended on November 3, 2022 or twelve months from the date of acquisition and the allocation below is final.

(in thousands)		Fair Value November 3, 2021
Cash	$	5,522
Accounts receivable		597
Inventory		986
Other current assets		1,662
Property & equipment		13,534
Intangible assets		67,344
Accounts payable, accrued expenses, and other current liabilities		(15,451)
Long-term borrowings		(77,063)
Deferred tax liability	$	(1,755)
Fair Value of Tangible and Identifiable Intangible assets and liabilities assumed	$	(4,624)
Consideration paid		75,871
Goodwill	$	80,495

Of the $67.3 million of acquired intangible assets, $60.7 million was assigned to registered trademarks with a 30-year useful life and $6.6 million was assigned to acquired liquor licenses with an indefinite life. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Anthony's. None of the goodwill is expected to be deductible for income tax purposes.

The Company recognized $3.1 million of acquisition-related costs that were expensed in the year ended December 31, 2021. These costs are included in the consolidated statement of operations within general and administrative expenses. The Company also recognized $0.8 million in costs associated with issuing and registering the shares issued as consideration in the Anthony's acquisition during the year ended December 31, 2021. Those costs were deducted from the recognized proceeds of issuance within stockholders' equity.

During the year ended January 2, 2023, the Company adjusted its preliminary estimate of the fair value of net assets acquired by $0.2 millions. The adjustments to the preliminary estimate of net assets acquired resulted in a corresponding increase in estimated goodwill and include updates to estimates of provisional amounts recorded for certain accruals and receivables as of the Anthony's closing date.

The amounts of revenue and net loss for Anthony's included in the Company's consolidated statement of operations for the period from November 3, 2021, the acquisition date, through December 31, 2021 are as follows:

(in thousands)	2021
Revenue	$ 22,419
Net Loss	(142)

Proforma Information (Unaudited)

The following represents the unaudited proforma consolidated statement of operations as if the Anthony's acquisition had been included in the consolidated results of the Company for the entire year ending December 31, 2021:

(in thousands)	Year Ended December 31, 2021
Revenue	$ 168,906
Net Loss	(138,490)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Anthony's to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied on January 1, 2021, together with the consequential tax effects.

5. Impairment

The Company recognized a non-cash impairment charge of approximately $73.5 million during the year ended January 2, 2023 and $114.8 million for the year ended December 31, 2021. This consisted of the following:

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Goodwill	$ 66,569	$ 106,476
Definite-lived intangible assets	—	7,706
Long-lived assets	3,100	615
Right-of-use assets	3,846	—
Total non-cash impairment charge	$ 73,515	$ 114,797

Based on the results of the Company's interim and annual goodwill impairment tests, the Company determined it was more likely than not that goodwill was impaired for the Anthony's and BurgerFi reporting units. Accordingly, for the BurgerFi reporting unit the Company recorded goodwill impairment charges of approximately $17.5 million and $106.5 million for the years ended January 2, 2023 and December 31, 2021. We also recognized impairment charges for Anthony's reporting unit's goodwill for the year ended January 2, 2023 of $49.1 million. The majority of the goodwill impairment was driven by the impact on the Company's market capitalization due to the decrease in stock price, coupled with significant declines to the equity values of its peers.

Based on the Company's review at the end of each reporting period of its long-lived assets and definite-lived intangible assets, it performed impairment testing for the related asset group for which there are independently identifiable cash flows. Based on its impairment testing, the Company determined that certain long-lived assets relating to its right-of-use assets, and property & equipment at certain corporate-owned restaurants were impaired at the BurgerFi and Anthony's reporting units, and accordingly, the Company recorded impairment charges of approximately $6.9 million for the year ended January 2, 2023. For the year ended December 31, 2021, the Company recorded impairment charges of approximately $7.7 million for the BurgerFi reporting unit and none for Anthony's. The impairment amount was primarily the result of lower cash flow estimates associated with the licensing agreements, as well as a change in estimate of the related useful life.

As it relates to determining the fair values of the assets impaired such as goodwill and definite lived intangible assets, refer to Note 13, "*Fair Value Measurements*." The Company utilized the income approach to fair value it's long-lived and right-of-use assets and based on the weight of unobservable inputs classifies their fair value measurements as level 3 of the fair value hierarchy.

6 Related Party Transactions

The Company is affiliated with various entities through common control and ownership. The accompanying consolidated balance sheets reflect amounts related to periodic advances between the Company and these entities for working capital and other needs as due from related companies or due to related companies, as appropriate. The amounts due from related companies are not expected to be repaid within one year and accordingly, are classified as non-current assets in the accompanying consolidated balance sheets. These advances are unsecured and non-interest bearing.

There was approximately $0.3 million and a nominal amount due from related companies as of January 2, 2023 and December 31, 2021.

For the years ended January 2, 2023 and December 31, 2021, the Company received royalty revenue from franchisees related to a significant shareholder totaling approximately $0.1 million and $0.3 million.

The Company leases building space for its corporate office from an entity under common ownership with a significant shareholder. This lease had a 36-month term, effective January 1, 2020. For the years ended January 2, 2023 and December 31, 2021, rent expense was approximately $0.1 million and $0.2 million. In January 2022, the Company exercised its right to terminate this North Palm Beach lease effective as of July 2022.

The Company leases building space for its new combined BurgerFi and Anthony's corporate office from an entity controlled by Ophir Sternberg, its Executive Chairman. In February 2022, the Company amended the lease agreement to, among other things, (1) extend the term to ten years beginning March 1, 2022 expiring in 2032, and (2) expand its square footage from approximately 16,500 square feet to approximately 18,500 square feet. For the year ended January 2, 2023 rent expense was approximately $0.5 million.

In addition, in April 2021, the Company entered into an independent contractor agreement with a company (the *"Consultant"*) for which the Chief Operating Officer (the "*Consultant Principal*") of Lionheart Capital, LLC, an entity controlled by Ophir Sternberg, the Executive Chairman of the Board, serves as President. Pursuant to the terms of the agreement, the Consultant Principal shall provide certain strategic advisory services to the Company in exchange for total annual cash compensation and expense reimbursements of $0.1 million, payable in twelve (12) equal monthly payments. For the years ended January 2, 2023 and December 31, 2021, the Consultant Principal received $0.1 million and a nominal amount of cash compensation and expense reimbursement for services provided in each year, respectively. In 2021, the Consultant Principal received an award of 50,000 restricted stock units, which shall vest in five equal annual installments, subject to the Company achieving certain annual revenue targets starting in 2021. In November 2021, the Consultant Principal received a $0.25 million bonus in connection with the Company's Anthony's Acquisition. As of January 2, 2023, 10,000 of these units vested. On January 3, 2022, the Company granted the Consultant Principal approximately 38,000 unrestricted shares of common stock of the Company. The Company recorded share-based compensation expense of $0.4 million and $0.2 million for the years ended January 2, 2023 and December 31, 2021, respectively.

On November 3, 2021, and as part of the Anthony's acquisition, the Company issued redeemable preferred stock and assumed certain liabilities, which were incurred from a related party and a significant shareholder. Refer to Note 8, "*Redeemable Preferred Stock*" and Note 9, "*Debt,*" for further discussion including recent amendments to these instruments executed subsequent to January 2, 2023,

7. Commitments and Contingencies

Sale Commitment

In February 2020, the Company entered into an asset purchase agreement with an unrelated third party for the sale of substantially all of the assets used in connection with the operation of BF Dania Beach, LLC for an aggregate purchase price of $1.3 million. During January to March 2020, the Company received three cash deposits totaling $0.9 million in connection with this transaction. The closing of this transaction has been delayed due to additional negotiation that has been ongoing. In the event the transaction is terminated, the Company would resume operating the restaurant, and return the $0.9 million to the unrelated third-party purchaser. Assets used in the operations of BF Dania Beach, LLC totaling $0.7 million have been classified as held for sale in the consolidated balance sheets as of January 2, 2023 and December 31, 2021.

Contingencies

Eric Gilbert v. BurgerFi International, Inc., Ophir Sternberg, et al. (Court of Chancery of the State of Delaware, Case No. 2022-0185- , filed on February 25, 2022). Mr. Gilbert filed a class action lawsuit against BurgerFi International, Inc. and each of the members of the Board of Directors alleging that the Company's Amended and Restated Bylaws improperly contains a provision restricting written consents by the stockholders. Mr. Gilbert sought an amendment to the bylaws, as well as attorney' fees and costs. On March 23, 2022, BurgerFi made conforming amendments to its bylaws to remove the provision restricting written consent by the stockholders. On March 24, 2022, the Court of Chancery entered a stipulated order pursuant to which plaintiff voluntarily dismissed the action with prejudice as to himself only. The Court of Chancery retained jurisdiction solely for the purpose of deciding the anticipated application of plaintiff's counsel for an award of attorneys' fees and reimbursement of expenses in connection with the corrective actions. The Company subsequently agreed to pay $150 thousand to plaintiff's counsel for attorneys' fees and expenses in full satisfaction of the claim for attorneys' fees and expenses in the action and to finally settle the matter, which amount is included in accrued expenses in the accompanying consolidated balance sheets.

*Second 82nd SM, LLC v. BF NY 82, LLC, BurgerFi International, LLC and BurgerFi International, Inc. (*in the Supreme Court of the State of New York County of New York, having index No. 654907/2021 filed August 11, 2021). A lawsuit was filed by Second 82nd SM, LLC ("*Landlord*") against BF NY 82, LLC ("*Tenant*") whereby Landlord brought a seven-count lawsuit for, among other things, breach of the lease agreement and underlying guaranty of the lease. The amount of damages Landlord is seeking approximately $1.5 million, which constitutes back rent, late charges, real estate taxes, illuminated sign charges and water/sewer charges. On November 3, 2021, the Company filed a Motion to Dismiss the Complaint. On November 17, 2021, the Tenant filed an Answer to Landlord's Complaint and a cross claim against the Company, which the Company answered on December 7, 2021. On December 22, 2021, the Company filed its Response in Opposition to Landlord's Motion for Summary Judgment and Memo in further Support of its Motion to Dismiss. The parties continue to discuss possible settlement, including turning over possession of the premises and payment of certain rent amounts to the Landlord. The Company is unable to predict the ultimate outcome of this matter, however, losses may be material to the Company's financial position and results of operations.

Lion Point Capital, L.P.("Lion Point") v. BurgerFi International, Inc. (Supreme Court of the State of New York County of New York, Index No. 653099/2022, filed August 26, 2022. A lawsuit filed by Lion Point against the Company, alleging that the Company failed to timely register Lion Point's shares in violation of the registration rights agreement to which Lion Point is a party, which allegedly resulted in losses in excess of $26 million. In November 2022, as amended in February 2023, the Company filed its answer to the complaint and continues to believe that all claims are meritless and plans to vigorously defend these allegations. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the cases described above, therefore, no contingent liability has been recorded as of January 2, 2023; any losses, however, may be material to the Company's financial position and results of operations.

John Rosatti, as Trustee of the John Rosatti Revocable Trust U/A/D 08/27/2001 (the "JR Trust") v. BurgerFi International, Inc. (*In the Circuit Court for the Eleventh Judicial Circuit, Florida, File No. 146578749*). On March 28, 2022, the JR Trust filed a suit against BurgerFi alleging that the JR Trust suffered losses in excess of $10 million relating to BurgerFi's alleged failure to timely file a registration rights agreement. The parties entered into a settlement agreement on January 11, 2023, whereby (i) the Company agreed to pay Mr. Rosatti $0.5 million in cash and issue him 200,000 shares of BFI common stock and, (ii) Mr. Rosatti agreed to transfer the assets and liabilities of the five former JR Trust stores to the Company. This settlement agreement, which the Company values on a net basis to be approximately $0.8 million of value transferred to Mr. Rosatti, resolved all remaining disputes between the parties, and Mr. Rosatti withdrew the related lawsuits against the Company.

Burger Guys of Dania Pointe, et. al. v. BFI, LLC (Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida, Case No. 50-2021-CA -006501-XXXX-MB *filed May 21, 2021).* In response to a demand letter issued by BurgerFi to Gino Gargiulo, a former franchisee, demanding that Mr. Gargiulo pay the balance owed under an asset purchase agreement wherein BurgerFi sold the Dania Beach, Florida BurgerFi location to Mr. Gargiulo, Mr. Gargiulo filed suit against BurgerFi claiming, in addition to other matters, that no further monies are owed under the asset purchase agreement and alleges that the Company is responsible for one of Mr. Gargiulo's failed franchises in Sunny Isles, Florida, losses he has allegedly sustained at his Dania Beach location, and reimbursement of expenses in connection with his marketing company. Mr. Gargiulo seeks damages in excess of $2 million in the aggregate. The parties attended mediation on January 20, 2022, which ended in an impasse. Mr. Gargiulo amended his complaint in April 2022, which, among other matters, amended the defendant parties. In October 2022, the Company filed an additional motion to dismiss the amended complaint and a motion to stay discovery. In January 2023, Mr. Gargiulo filed a third amended complaint. In March 2023, the Company filed an answer to Mr. Gargiulo's complaint and a counterclaim against Mr. Gargiulo relating to the breach of the asset purchase agreement discussed above. The matter is scheduled for trial in the second half of 2023. We believe that all Mr. Gargiulo claims are meritless, and the Company plans to vigorously defend these allegations. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the cases described above, therefore, no contingent liability has been recorded as of January 2, 2023; any losses, however, may be material to the Company's financial position and results of operations.

All Round Food Bakery Products, Inc. v. BurgerFi International, LLC and Neri's Bakery Products, Inc. et al (Supreme Court Westchester County, New York (Index Number 52170-2020)). In a suit filed in February 2020, the plaintiff, All Round Food Bakery Products, Inc. (*"All Round Food"*) alleges breach of contract and lost profits in excess of $1 million over the course of the supply agreement with the Company and Neri's Bakery Products, Inc. ("*Neri's*" and together with the Company, the *"Defendants"*). The Defendants assert, among other matters, that the supply agreement amongst the parties, whereby All Round Food was warehousing BurgerFi products produced by Neri's, was terminated when All Round Food failed to cure its material breach of the supply agreement after due notice. The parties attended mediation to attempt to resolve the dispute, however, no resolution was reached. The parties have been ordered to attend an additional mediation on March 22, 2023. We believe that all claims are meritless, and the Company plans to vigorously defend these allegations. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the cases described above, therefore, no contingent liability has been recorded as of January 2, 2023; any losses, however, may be material to the Company's financial position and results of operations.

Employment Related Claims.

In July 2021, the Company received a demand letter from the attorney of one of its now former hourly restaurant employees. The letter alleges that the former employee was sexually harassed by one of her co-workers. The demand letter claims that the Company discriminated and retaliated against the former employee based on her gender and age and also alleged intentional infliction of emotional distress, negligent hiring, negligent training, and negligent supervision. While the Company entered into a partial settlement with the former employee in December 2022 for a *de minimus* cash amount relating solely to the discrimination claim, the other claims remain.

While the Company believes that all claims of the above mentioned Employment Related Claims, which are covered under the Company's insurance policies, are meritless, and it plans to defend these allegations, it is reasonably possible that the Company may ultimately be required to pay substantial damages to the claimants, which could be up to $0.8 million or more in aggregate compensatory damages, attorneys' fees and costs. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

General Liability and Other Claims.

The Company is subject to other legal proceedings and claims that arise during the normal course of business, including landlord disputes, slip and fall cases, and various food related matters. While it intends to vigorously defend these matters, it is reasonably possible that the Company may be required to pay substantial damages to the claimants. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

Purchase Commitments

From time to time, the Company enters into purchase commitments for food commodities in the normal course of business. As of January 2, 2023, it has entered into $3.1 million in conditional purchase obligations over the next 12 months.

8. Redeemable Preferred Stock

On November 3, 2021, and as part of the Anthony's acquisition, the Company issued 2,120,000 shares of redeemable preferred stock, par value $0.0001 per share, as Series A Preferred Stock (the *"Series A Junior Preferred Stock"*). The Series A Junior Preferred Stock is redeemable on November 3, 2027 and accrues dividends at 7% per annum compounded quarterly from June 15, 2024 with such rate increasing by an additional 0.35% per quarter commencing with the three month period ending September 30, 2024 and (b) in the event that the Credit Facility is refinanced or repaid in full prior to June 15, 2024 and the Series A Junior Preferred Stock is not redeemed in full on such date, from and after such date, shall accrue dividends at 5% per annum, compounded quarterly, until June 15, 2024.

As of January 2, 2023 and December 31, 2021, the value of the redeemable preferred stock was $51.4 million and $47.5 million, respectively and the principal redemption amount was $53.0 million. During the years ended January 2, 2023 and December 31, 2021, the Company recorded non-cash interest expense on the redeemable preferred stock in the amount of $3.9 million and $0.6 million respectively related to accretion of the preferred stock to its estimated redemption value.

On February 24, 2023, the Company filed an amended and restated certificate of designation, (the "*A&R CoD*"), which among other matters, added a provision providing that in the event the Company fails to timely redeem any shares of Series A Preferred Stock on November 3, 2027, the applicable dividend rate shall automatically increase to the lesser of (A) the sum of 10% plus the 2% applicable default rate (with such aggregate rate increasing by an additional 0.35% per quarter from and after November 3, 2027), or (B) the maximum rate that may be applied under applicable law, unless waived in writing by a majority of the outstanding shares of Series A Junior Preferred Stock.

The A&R CoD also added a provision providing that in the event the Company fails to timely redeem any shares of Series A Junior Preferred Stock in connection with a Qualified Financing (as defined in the A&R CoD) on November 3, 2027 (a "*Default*"), the Company agrees to promptly commence a debt or equity financing transaction or sale process to solicit proposals for the sale of the Company and its subsidiaries (or, alternatively, the sale of material assets) designed to yield the maximum cash proceeds to the Company available for redemption of the Series A Junior Preferred Stock as promptly as practicable, but in any event, within 12 months from the date of the Default. If on or after November 3, 2026, the Company is aware that it is reasonably unlikely to have sufficient cash to timely effect the redemption in full of the Series A Junior Preferred Stock when first due, the Company shall, prior to such anticipated due date, take reasonable steps to engage an investment banking firm of national standing (and other appropriate professionals) to conduct preparatory work for such a financing transaction and sale process of the Company and its subsidiaries to provide for such transaction to occur as promptly as possible after any failure for a timely redemption of the Series A Junior Preferred Stock.

The Series A Junior Preferred Stock ranks senior to the Common Stock and may be redeemed at the option of the Company at any time and must be redeemed by the Company in limited circumstances. The Series A Junior Preferred Stock shall not have voting rights or conversion rights.

For further discussion of the A&R CoD, including certain board and governance rights included in the A&R CoD, please see Part I, Item 1A Risk Factors "*We have significant stockholders whose interests may differ from those of our public stockholders*." and Part III, Item 10 Directors and Executive Officers.

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9. Debt

(in thousands)	January 2, 2023	December 31, 2021
Term loan	$ 54,507	$ 57,761
Related party note payable	10,000	10,000
Revolving line of credit	4,000	2,500
Other notes payable	780	874
Finance lease liability	933	—
Total Debt	$ 70,220	$ 71,135
Less: Unamortized debt discount to related party note	(765)	(1,276)
Less: Unamortized debt issuance costs	(1,441)	(1,007)
Total Debt, net	68,014	68,852
Less: Short-term borrowings, including finance leases	(4,985)	(3,331)
Total Long-term borrowings, including finance leases and related party note	$ 63,029	$ 65,521

Credit Agreement

On November 3, 2021, as further amended as described below and as part of the Anthony's acquisition, the Company joined a credit agreement with a syndicate of commercial banks (as amended, the *"Credit Agreement"*). The Credit Agreement, which was scheduled to terminate on June 15, 2024, provides the Company with lender financing structured as a $57.8 million term loan and a $4.0 million revolving loan. The terms of the Credit Agreement require the Company to repay the principal of the term loan in quarterly installments of approximately $0.8 million with the balance due at the maturity date. The principal amount of revolving loans is due and payable in full on the maturity date. The loan and revolving line of credit are secured by substantially all of the Company's assets and incurred interest on outstanding amounts of 4.75% until December 31, 2022.

Effective March 9, 2022, certain of the covenants of (i) the Company and Plastic Tripod, Inc., as the borrowers (the *"Borrowers"*), and (ii) the subsidiary guarantors (the *"Guarantors"*) party to the Credit Agreement were amended (such amendment herein referred to as the "*Twelfth Amendment*"). Pursuant to the terms of the Twelfth Amendment, the Borrowers and Guarantors agreed to pay incremental deferred interest of 2% per annum, in the event that the obligations under the Credit Agreement were not repaid on or prior to June 15, 2023; provided, however, that if no event of default has occurred and is continuing then (1) no incremental deferred interest will be due if all of the obligations under the Credit Agreement have been paid on or prior to December 31, 2022, and (2) only 50% of the incremental deferred interest will be owed if all of the obligations under the Credit Agreement have been paid from and after January 1, 2023 and on or prior to March 31, 2023.

The Credit Agreement was further amended on December 7, 2022 (such amendment herein referred to as the "*Thirteenth Amendment")* by amending certain covenants of the Credit Agreement and extending the maturity date from June 15, 2024 to September 30, 2025. The amendment also provided for periodic increases to the annual rate of interest changing the rate per annum to (1) 5.75% from January 1, 2023 through June 15, 2023; (2) 6.75%per annum from June 16, 2023 through December 31, 2023; (3) 7.25% per annum from January 1, 2024 through June 15, 2024; and (4) 7.75% per annum from and after June 16, 2024 through maturity. In addition, the 2% incremental deferred interest implemented on March 9, 2022 was reduced to 1% beginning January 3, 2023 and will be eliminated at December 31, 2023.

The terms of the Thirteenth Amendment also provided for a change in the timing of paying approximately $0.3 million of deferred interest payments previously scheduled to be paid on June 16, 2023 to be paid monthly from January to June 2023, while deferring the balance of deferred interest amount of approximately $1.3 million from June 15, 2023 to December 31, 2023. The Borrowers and Guarantors also agreed to obtain $5,000,000 in net cash proceeds from (x) a shelf registration and equity issuance by not later than January 2, 2023, or (y) issuance of unsecured subordinated debt by not later than January 30, 2023, referred to as the "*Initial New Capital Infusion Covenant*".

Under the terms of the Thirteenth Amendment, certain modifications were made to the accounting definitions in the Credit Agreement to bring such definitions in line with Company practices and needs.

In addition, under the terms of the Thirteenth Amendment, the Borrowers and Guarantors agreed to reset their consolidated senior lease-adjusted leverage ratio and fixed charge coverage ratio as follows:

(a) maintain a quarterly consolidated senior lease-adjusted leverage ratio greater than (i) 7.00to 1.00 as of the end of the fiscal quarter ending on or about December 31, 2022, (ii) 7.00 to 1.00 as of the end of the fiscal quarter ending on or about March 31, 2023, and (iii) 6.50 to 1.00 as of the end of the fiscal quarter ending on or about June 30, 2023 and the end of each fiscal quarter thereafter;
(b) maintain a quarterly minimum fixed charge coverage ratio of 1.10 to 1.00 as of the end of the fiscal quarter ending on or about December 31, 2022 and the end of each fiscal quarter thereafter; and
(c) the liquidity requirement of the Credit Agreement remains unchanged; provided, that in the event the Company has not received by January 2, 2023 at least $5,000,000 in net cash proceeds as a result of shelf registration and equity issuance then the required liquidity amount as of January 2, 2023 is reduced to $9,500,000.

The consolidated senior lease-adjusted leverage ratio, fixed charge coverage ratio and liquidity are computed in accordance with the Credit Agreement.

If upon delivery of the quarterly financial statements, the consolidated fixed charge coverage ratio as of the end of any fiscal quarter of the Company ending after January 2, 2023 was less than 1.15 to 1.00, then Borrowers and Guarantors agreed to engage a consulting firm to help with certain operational activities and other matters as reasonably determined by the lenders; provided, that, if after delivery of the quarterly financial statements, (x) the consolidated fixed charge coverage ratio as of the end of each of the two prior consecutive fiscal quarters of the Company was greater than 1.15 to 1.00, and (y) the consolidated senior lease-adjusted leverage ratio as of the end of each of the two prior consecutive fiscal quarters of the Company was less than the correlative amount of the consolidated senior lease-adjusted leverage ratio required for the financial covenants for such fiscal quarters by 0.25 basis points or more, then retention of the consulting firm shall not be required during the following fiscal quarter.

The terms of the amended Credit Agreement require the Company to repay the principal of the term loan in quarterly installments with the balance due at the maturity date, as follows:

in thousands		
2023	$	3,254
2024		3,254
2025		47,999
Total		54,507

The Delayed Draw Term Loan Facility is a non-interest bearing loan and accordingly was recorded at fair value as part of the Anthony's acquisition which resulted in a debt discount of approximately $1.3 million which is being amortized over the period of the Delayed Draw Term Loan Facility. For the years ended January 2, 2023 and December 31, 2021, the Company recorded $0.5 million and $0.1 million, respectively as amortization of the debt discount which is included within interest expense in the accompanying consolidated statements of operations. The Company had $9.2 million outstanding under the Delayed Draw Term Loan Facility as of January 2, 2023 included in related party note payable in the consolidated balance sheets.

On February 1, 2023, the Credit Agreement was further amended through the Fourteenth Amendment to amend the Initial New Capital Infusion Covenant to provide that, not later than February 24, 2023, the Company will obtain $5,000,000 of new indebtedness through the Initial New Capital Infusion, and exchange $10,000,000 of existing debt from delayed draw term loan, which was part of the Credit Agreement and provided by a related party and significant stockholder, for $10,000,000 in new junior subordinated secured debt, resulting in the Company holding $15,000,000 in junior subordinated secured debt on terms reasonably acceptable to the Required Lenders (as defined in the Credit Agreement),including , without limitation, that (1) such indebtedness shall not mature until at least two (2) years after the maturity date of the credit facility of September 30, 2025; (2) no payments of cash interest shall be made on such indebtedness until after the repayment in full of the obligations under the Credit Agreement; and (3) no scheduled or voluntary payments of principal shall be made until after the repayment in full of the obligations under the Credit Agreement.

On February 24, 2023, the Credit Agreement was further amended through Fifteenth Amendment, whereby, the Borrowers and the Guarantors were released from liability with respect to the Delayed Draw Term Loan in the amount of $10,000,000 under the Credit Agreement (the *"Existing Loan"*) in consideration of the continuation and amendment and restatement of the Existing Loan under the Note (as such term is defined below). The Company was in compliance with its financial covenants under the amended Credit Agreement as of January 2, 2023.

On February 24, 2023, the Borrowers entered into the Note with Junior Lender, pursuant to which the Junior Lender continued, amended and restated the Existing Loan of $10,000,000, which is junior subordinated secured indebtedness, and also provided $5,100,000 of new junior subordinated secured indebtedness, to the Borrowers (collectively, the "*Junior Indebtedness*"), which Junior Indebtedness was incurred outside of the Credit Agreement. See also Part III, Item 13 Certain Relationships and Related Transactions, and Director Independence.

The Junior Indebtedness, which accrues interest at 4% per annum (i) is secured by a second lien on substantially all of the assets of the Borrowers and the Guarantors pursuant to the terms of the Note and that certain Guaranty and Security Agreement, dated February 24, 2023, by and among the Guarantors and the Junior Lender, (ii) is subject to the terms of that certain Intercreditor and Subordination Agreement dated February 24, 2023, by and between the Administrative Agent and the Junior Lender and acknowledged by the Borrowers and the Guarantors, and (iii) matures on the date that is the second anniversary of the maturity date under the Credit Agreement (the "*Junior Maturity Date*") (September 30, 2027, based on the maturity date under the Credit Agreement of September 30, 2025).

Under the terms of the Note, no payments of cash interest or payments of principal shall be due until the Junior Maturity Date, and no voluntary prepayments may be made on the Junior Indebtedness prior to the Junior Maturity Date until after the repayment in full of the obligations under the Credit Agreement.

The loan and revolving line of credit are secured by substantially all of the Company's assets and incur interest on outstanding amounts at the following rates per annum through maturity:

Time Period	Interest Rate
Through December 31, 2022	6.75 %
From January 1, 2023 through June 15 2023	6.75 %
From June 16, 2023 through December 31, 2023	6.75 %
From January 1, 2024 through June 15, 2024	7.25 %
From June 16, 2024 through maturity	7.75 %

For the years ended January 2, 2023 and December 31, 2021, the Company deferred $0.9 million and $1.0 million respectively of financing costs in connection with Credit Agreement. Amortization expense associated with deferred financing costs, in the amounts of $0.5 million for the year ended January 2, 2023 and $0.1 million, for the year ended December 31, 2021 is included in interest expense in the accompanying consolidated statements of operations.

Other Notes Payable

Other notes payable relates to a note payable to an individual, issued in connection with the Company's acquisition of a franchised restaurant, which requires monthly payments of $9,000 over a seven-year amortization, including 7% interest, with a maturity date of May 1, 2027. The other notes payable relates to an Economic Injury Disaster Loan from the Small Business Administration (*"SBA"*) and is primarily for one corporate-owned restaurant.

PPP Loans

On May 11, 2020, the Company received loan proceeds in the amount of $2.2 million under the Paycheck Protection Program (*"PPP"*). During the year ended December 31, 2021, all PPP loans amounting to $2.2 million were forgiven by the SBA. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness of the loan; however, loans in excess of $2 million are subject to a mandatory audit. The audit will include the loan forgiveness application, as well as whether the Company met the eligibility requirements of the PPP and received the proper loan amount. The timing and outcome of any SBA review is not known.

10. Leases

The Company has entered into various lease agreements. For the years ended January 2, 2023 and December 31, 2021, rent expense was approximately $16.2 million and $5.2 million, respectively. The Company's lease agreements expire on various dates through 2032 and have renewal options.

On January 1, 2022, the Company adopted ASU 2016-02. Results for reporting periods beginning on or after January 1, 2022 are presented under Accounting Standards Codification Topic 842 (*"ASC 842"*). Prior period amounts were not revised and continue to be reported in accordance with ASC Topic 840, the accounting standard then in effect.

Upon transition, on January 1, 2022, the Company recorded the following increases (decreases) to the respective line items on the Condensed Consolidated Balance Sheet:

(in thousands)	Adjustment as of January 2, 2022
Prepaid expenses	$ (773)
Operating right-of-use asset, net	57,385
Finance right-of-use asset, net	855
Deferred rent	(900)
Short-term operating lease liability	9,457
Short-term finance lease liability	143
Long-term operating lease liability	49,149
Long-term finance lease liability	712

A summary of finance and operating lease right-of-use assets and liabilities as of January 2, 2023 is as follows:

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(in thousands)	**Classification**	**Year Ended January 2, 2023**
Operating leases	Operating right-of-use asset, net	$ 45,741
Finance leases	Property & equipment, net	852
Total right-of-use assets		$ 46,593
Operating leases:		
	Short-term operating lease liability	$ 9,924
	Long-term operating lease liability	40,748
Finance leases:		
	Short-term borrowings, including finance leases	150
	Long-term borrowings, including finance leases	783
Total lease liabilities		$ 51,604

The components of lease expense for the year ended January 2, 2023 is as follows:

(in thousands)	**Classification**	**Year Ended January 2, 2023**
Operating lease cost	Occupancy and related expenses Pre-opening costs Store closure costs	$ 12,969
Operating lease impairment	Asset impairment	3,846
Finance lease cost:		
Amortization of right-of-use assets	Depreciation and amortization expense	258
Interest on lease liabilities	Interest expense	63
Less: Sublease income	Occupancy and related expenses	(194)
Total lease cost		**$ 16,942**

The maturity of the Company's operating and finance lease liabilities as of January 2, 2023 is as follows:

(in thousands)	Operating Leases	Finance Leases
2023	$ 12,653	$ 200
2024	11,040	184
2025	9,544	170
2026	7,728	159
2027	6,318	152
2028 and thereafter	13,442	253
Total undiscounted lease payments	60,726	1,118
Less: present value adjustment	(10,054)	(185)
Total net lease liabilities	$ 50,672	$ 933

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of lease payments. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates.

A summary of lease terms and discount rates for finance and operating leases is as follows:

	Year Ended January 2, 2023
Weighted-average remaining lease term (in years):	
Operating leases	6.02 years
Finance leases	6.30 years
Weighted-average discount rate:	
Operating leases	6.0 %
Finance leases	6.1 %

11. Income Taxes

The provision for (benefit) from income taxes is set forth below:

(in thousands)	January 2, 2023	December 31, 2021
Current:		
U.S. Federal	$ —	$ —
State	35	—
Total current income tax expense	35	—
Deferred:		
U.S. Federal	(10,002)	(7,833)
State	(1,469)	(2,192)
Total deferred income tax benefit	(11,471)	(10,025)
Valuation allowance	11,341	10,337
	(130)	312
Income tax (benefit) expense	$ (95)	$ 312

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The reconciliation of income tax computed at the U.S. federal statutory rate of 21% to the Company's effective tax rate is set forth below:

(in thousands)	January 2, 2023	December 31, 2021
Income tax provision at the U.S. federal statutory rate	$ (21,741)	$ (25,407)
Permanent differences	870	402
Share-based compensation	(463)	496
State income taxes, net of federal benefit	(1,640)	(1,888)
Change in warrant liability	(527)	(2,900)
Goodwill impairment	11,471	19,820
True-up	1,983	42
Change in valuation allowance	11,342	10,337
Change in rate	(249)	(406)
Tax credits	(1,141)	(184)
Total income tax (benefit) expense	$ (95)	$ 312

The components of the Company's deferred tax liabilities at January 2, 2023 and December 31, 2021 are set forth below:

(in thousands)	January 2, 2023	December 31, 2021
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	$ 40	$ 57
Goodwill	4,625	2,794
Fixed Assets	2,164	—
Deferred franchise fees	277	684
Deferred rent	—	239
Stock compensation	1,730	1,250
Net operating losses, Federal	13,649	11,215
Net operating losses, State	2,691	2,066
Deferred payroll taxes	—	217
Interest expense	5,351	3,540
Lease liability	13,104	—
Tax credits	1,854	713
Other	1,599	1,075
Gross deferred tax assets	47,084	23,850
Valuation allowance	(22,629)	(11,383)
Net deferred tax assets	24,455	12,467
Intangible assets	(13,878)	(13,300)
Lease ROU asset	(11,800)	—
Fixed assets	—	(520)
Deferred tax liabilities	(25,678)	(13,820)
Total net deferred tax (liabilities) assets	$ (1,223)	$ (1,353)

As of January 2, 2023, the Company's federal net operating loss carryforwards for income tax purposes was $64.9 million. On a tax-effected basis, the Company also had net operating losses of $2.7 million related to various state jurisdictions. $55.4 million of the federal net operating loss carryforwards will be carried forward indefinitely and will be available to offset 80% of taxable income. The remaining amount of the federal net operating loss carryforwards will expire at varying dates through 2037.

Pursuant to Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, the utilization of net operating loss carryforwards and tax credits may be limited as a result of a cumulative change in stock ownership of more than 50% over a three year period. The Company underwent such a change and consequently, the utilization of a portion of the net operating loss carryforwards and tax credits is subject to certain limitations.

In assessing the realizability of deferred income tax assets, ASC 740 requires that a more likely than not standard be met. If the Company determines that it is more likely than not that deferred income tax assets will not be realized, a valuation allowance must be established. The realization of deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies when making this determination. The Company has experienced cumulative losses in recent years which is significant negative evidence that is difficult to overcome in order to reach a determination that a valuation allowance is not required. Based on the Company's evaluation of its deferred tax assets, a valuation allowance of approximately $22.6 million has been recorded against the deferred tax asset.

The following table summarizes the Company's unrecognized tax benefits at January 2, 2023 and December 31, 2021:

(in thousands)	January 2, 2023	December 31, 2021
Beginning balance	$ 660	$ —
Additions based on tax positions related to the current year	—	—
Additions for tax positions of prior years	—	660
Reductions for positions of prior years	(431)	—
Ending balance	$ 229	$ 660

The statute of limitations for the Company's state tax returns varies, but generally the Company's federal and state income tax returns from its 2019 fiscal year forward remain subject to examination.

12. Stockholders' Equity

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At January 2, 2023 and December 31, 2021, there were 22,257,772 shares and 21,303,500 shares of common stock outstanding, respectively.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors.

As of January 2, 2023 and December 31, 2021 there were 2,120,000 shares of preferred stock outstanding. See Note 8, "*Redeemable Preferred Stock*," for further information.

Warrants

As of January 2, 2023 and December 31, 2021, the Company had the following warrants and options outstanding: 15,063,800 warrants outstanding, each exercisable for one share of common stock at an exercise price of $11.50 including 11,468,800 in Public Warrants, 3,000,000 in Private Placement Warrants, 445,000 in Private Warrants and 150,000 in Working Capital Warrants, 75,000 Unit Purchase Option *"UPO"* units that are exercisable for one share of common stock at an exercise price of $10.00 and warrants exercisable for one share of common stock at an exercise price of $11.50. The Public Warrants expire in December 2025. There were no warrants exercised during the year ended January 2, 2023.

During the year ended December 31, 2021, the Company exchanged 675,000 UPO units for 283,669 common shares in a cashless exercise, issued 100 shares for warrants exercised in cash and issued 7,969 shares in cashless warrant exercises.

The Public Warrants became exercisable 30 days after the completion of the BurgerFi acquisition, provided that the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to them is available. Warrant holders may, during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- at any time during the exercise period;
- upon a minimum of 30 days' prior written notice of redemption;
- if, and only if, the last sale price of the Company's common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the date on which the Company sends the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the common stock issuable upon the exercise of the Private Placement Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Private Placement Warrants are accounted for as liabilities.

The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the common stock issuable upon the exercise of the Private Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Private Warrants may be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Private Warrants are accounted for as liabilities.

The Working Capital Warrants are identical to the Public Warrants, except that the Working Capital Warrants and the common stock issuable upon the exercise of the Working Capital Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Working Capital Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Working Capital Warrants are held by someone other than the initial purchasers or their permitted transferees, the Working Capital Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Working Capital Warrants are accounted for as liabilities.

Unit Purchase Options

The Company had an outstanding Unit Purchase Option Agreement with an investor, to purchase up to 750,000 Units (Units include 1 common share and 1 warrant per Unit) exercisable at $10.00 per Unit. The unit purchase option could have been exercised for cash or on a cashless basis, at the holder's option, however, it expired on on March 17, 2023 without being exercised. There were no UPO exchanges during the year ended January 2, 2023. During the year ended December 31, 2021, the Company exchanged 675,000 UPO units for 283,669 common shares in a cashless exercise and issued 7,969 shares in cashless warrant exercises.

Share-Based Compensation

The Company has the ability to grant stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance compensation awards to current or prospective employees, directors, officers, consultants or advisors under the Plan. The Plan was established to benefit the Company and its stockholders, by assisting the Company to attract, retain and provide incentives to key management employees, directors, and consultants of the Company, and to align the interests of such service providers with those of the Company's stockholders. Accordingly, the Plan provides for the granting of Non-qualified Stock Options, Incentive Stock Options, Restricted Stock Unit Awards, Restricted Stock Awards, Stock Appreciation Rights, Performance Stock Awards, Performance Unit Awards, Unrestricted Stock Awards, Distribution Equivalent Rights or any combination of the foregoing.

The initial aggregate number of Shares that may be issued under the Plan shall not exceed Two Million (2,000,000) Shares. The aggregate number of Shares reserved for Awards under the Plan (other than Incentive Stock Options) shall automatically increase on January 1 of each year, for a period of not more than ten (10) years, commencing on January 1 of the year following the year after the date the Plan became effective in an amount equal to five percent (5%) of the total number of shares of common stock outstanding on December 31st of the preceding calendar year, provided that the Committee may determine prior to the first day of the applicable fiscal year to lower the amount of such annual increase. On January 3, 2022, the Company filed a Registration Statement with the SEC to register 1,065,175 additional shares of common stock, $0.0001 par value per share, of the Company under the Plan, pursuant to the "evergreen" provision of the Plan providing for an automatic increase in the number of shares reserved for issuance under the Plan. On January 5, 2023, the Company filed a Registration Statement with the SEC to register 1,112,889 additional shares of common stock, $0.0001 par value per share, of the Company under the Plan, pursuant to the "evergreen" provision of the Plan providing for an automatic increase in the number of shares reserved for issuance under the Plan.

As of January 2, 2023 and December 31, 2021, there were approximately 600,000 and 126,000 shares of common stock available for future grants under the 2020 Plan, respectively.

Restricted Stock Unit Awards

The Company grants RSU Awards with service, performance and market conditions. The RSU Awards granted with service conditions generally vest over 4 years. The market conditions include an index to the market value of the stock price of BurgerFi, and the performance conditions are based on key performance indicators, as identified in the grant agreements. The fair value of restricted stock units granted is determined using the fair market value of the Company's common stock on the date of grant, as set forth in the applicable plan document.

The following table summarizes activity of restricted stock units during the year ended January 2, 2023:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2021	1,783,698	$ 14.18
Granted	587,847	4.55
Vested	(477,799)	13.08
Forfeited	(448,146)	10.85
Non-vested at January 2, 2023	1,445,600	$ 11.68

Share-based compensation recognized during the year ended January 2, 2023 was approximately $10.2 million, inclusive of restricted stock unit grants of $6.4 million and stock grants of $3.9 million. Share-based compensation recognized during the year ended December 31, 2021 was approximately $7.6 million, comprised of restricted stock unit grants. As of January 2, 2023, there was approximately $11.9 million of total unrecognized compensation cost related to unvested restricted stock units or performance-based restricted stock unit awards to be recognized over a weighted average period of 1.3 to 2.8 years.

The unrecognized portion of share-based compensation for unvested market condition restricted stock units (included in above) is approximately $0.5 million over 1.28 years. As detailed below, the fair value of the market condition restricted stock units was determined using a Monte Carlo simulation model.

Performance-Based Restricted Stock Unit Awards

The Company grants performance-based awards (restricted stock units) to certain officers and key employees. The vesting of these awards is contingent upon meeting one or more defined operational or financial goals (a performance condition) or common stock share prices (a market condition) or employment conditions.

The fair values of the performance condition awards granted were determined using the fair market value of the Company's common stock on the date of grant. Share-based compensation expense recorded for performance condition awards is reevaluated at each reporting period based on the probability of the achievement of the goal. Certain goals were achieved as of January 2, 2023. Accordingly, the Company recognized share-based compensation expense of approximately $3.7 million in relation to these awards during the year ended January 2, 2023 and $4.6 million during the year ended December 31, 2021.

The fair value of market condition awards granted were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that the market conditions will be achieved and is applied to the trading price of the Company's common stock on the date of grant. In January 2022 and July 2021, the Company modified the terms related to certain market condition awards that the Compensation Committee previously approved. As a result of these modifications, the Company recorded additional share-based compensation of $0.2 million during the year ended January 2, 2023 and $0.1 million for the year ended December 31, 2021 for these modifications.

The input variables are noted in the table below:

	Year Ended January 2, 2023	Year Ended December 31, 2021
Risk-free interest rate	0.4% - 4.1%	1.03 %
Expected life in years	2.0 years	3.0 years
Expected volatility	57.3% - 65.9%	65.9 %
Expected dividend yield *	0 %	0 %
** The Monte Carlo method assumes a reinvestment of dividends.*		

Share-based compensation expense is recorded ratably for market condition awards during the requisite derived service period and is not reversed, except for forfeitures, at the vesting date regardless of whether the market condition is met. During the years ended January 2, 2023 and December 31, 2021, $0.6 million and $1.5 million, respectively, was recognized ratably as share-based compensation expense for the market condition awards.

Service-Based Restricted Stock Unit Awards

The Company grants service-based awards (restricted stock units) to certain officers and key employees. The vesting of these awards is contingent upon meeting the requisite service period. The fair value of restricted stock unit awards is determined using the publicly-traded price of its common stock on the grant date. During the years ended January 2, 2023 and December 31, 2021, $2.1 million and $1.3 million, respectively, was recognized ratably as share-based compensation expense for the service-based awards.

The following table summarizes activity of the restricted stock units during the year ended January 2, 2023:

	Performance Condition		Service Condition		Market Condition	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2021	1,251,698	$ 15.15	252,000	$ 15.79	280,000	$ 8.42
Granted	282,000	4.12	115,847	6.26	190,000	4.13
Vested	(241,952)	15.14	(205,847)	11.33	(30,000)	8.41
Forfeited	(240,646)	13.14	—	—	(207,500)	8.20
Non-vested at January 2, 2023	1,051,100	$ 12.62	162,000	$ 14.65	232,500	$ 5.34

13. Fair Value Measurements

Fair values of financial instruments are estimated using public market prices, quotes from financial institutions, and other available information. The fair values of cash equivalents, receivables, net, accounts payable and short-term debt approximate their carrying amounts due to their short duration.

The following tables summarize the fair values of financial instruments measured at fair value on a recurring basis as of January 2, 2023 and December 31, 2021.

BurgerFi International Inc., and Subsidiaries
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	Items Measured at Fair Value at January 2, 2023		
(in thousands)	**Quoted prices in active market for identical assets (liabilities) (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Warrant liability	—	195	—
Total	**$** —	$ 195	**$** —

	Items Measured at Fair Value at December 31, 2021		
(in thousands)	**Quoted prices in active market for identical assets (liabilities) (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Warrant liability	—		2,706
Total	$ —	$ —	$ 2,706

The fair value of non-financial assets measured at fair value on a non-recurring basis, classified as Level 3 in the fair value hierarchy, is determined based on the income approach or third-party market appraisals.

In estimating our fair value disclosures for financial instruments, we use the following methods and assumptions:

Cash and cash equivalents: The carrying amount reported in the Consolidated Balance Sheets for these items approximates fair value due to their liquid nature.

Accounts receivable, inventory, other current assets, accounts payable, accrued expenses and other current liabilities: The carrying value reported on the consolidated balance sheets for these items approximates their fair value, which is the likely amount for which the receivable or liability with short settlement periods would be transferred from/to a market participant with a similar credit standing as the Company's.

Long-term borrowings: The fair value of the Company's long-term borrowings under the Credit Agreement approximates $53.2 million and it's carrying value was $58.5 million. The fair value is estimated using Level 2 inputs based on quoted prices for those or similar instruments. Refer to Note 9, "*Debt*,"for further discussion.

The fair value of the Company warrant liability is measured at fair value on a recurring basis, classified as Level 2 in the fair value hierarchy. The fair value of the private placement warrants, private warrants, and working capital warrants are determined using the publicly-traded price of its common stock on the valuation dates of $1.26 on January 2, 2023 and $5.67 on December 31, 2021. The fair value is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period. The calculated warrant price for private warrants was $0.05 and $0.75 on January 2, 2023 and December 31, 2021. The input variables for the Black-Scholes are noted in the table below:

	January 2, 2023	December 31, 2021
Risk-free interest rate	4.14 %	1.11 %
Expected life in years	3.0 years	3.96 years
Expected volatility	68.0 %	41.8 %
Expected dividend yield	0 %	0 %

Assets and liabilities that are measured at fair value on a non-recurring basis include the Company's long-lived assets and definite-lived intangible assets. In determining fair value, the Company uses an income-based approach. As a number of assumptions and estimates were involved that are largely unobservable, they are classified as Level 3 inputs within the fair value hierarchy. Assumptions used in these forecasts are consistent with internal planning, and include revenue growth rates, royalties, gross margins, and operating expense in relation to the current economic environment and the Company's future expectations.

14. Segment Information

Prior to the Anthony's acquisition in November 2021, the Company had one operating and reportable segment. Following the Anthony's acquisition, the Company has two operating and reportable segments:

- BurgerFi, which includes operations of corporate-owned and franchised BurgerFi restaurants, which offer a fast-casual "better burger" concept; and

- Anthony's, which includes operations of casual dining pizza restaurants under the name Anthony's Coal Fired Pizza & Wings.

The CODM includes the CEO, CFO, and Executive Chairman as they assess the performance of the reportable segments and make all the significant strategic decisions, including the allocation of resources.

External sales are derived principally from food and beverage sales, royalty and franchise revenue. The Company does not rely on any major customers as a source of sales, and the customers and long-lived assets of its reportable segments are predominantly in the U.S. There were no material transactions among reportable segments.

The following tables present revenue, capital expenditures, depreciation and amortization, pre-opening costs, interest expense and net loss by segment:

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 2, 2023 and December 31, 2021

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Revenue:		
BurgerFi	$ 49,901	$ 46,448
Anthony's*	128,819	22,419
Total	$ 178,720	$ 68,867
Capital expenditures:		
BurgerFi	$ 1,428	$ 10,348
Anthony's*	1,090	317
Total	$ 2,517	$ 10,665
Depreciation and amortization:		
BurgerFi	$ 9,571	$ 8,694
Anthony's	7,567	1,366
Total	$ 17,138	$ 10,060
Pre-opening costs:		
BurgerFi	$ 474	$ 1,905
Anthony's	—	—
Total	$ 474	$ 1,905
Interest expense:		
BurgerFi	$ 3,843	$ 673
Anthony's	4,816	733
Total	$ 8,659	$ 1,406
Net loss:		
BurgerFi	$ (50,375)	$ (121,352)
Anthony's*	(53,057)	(142)
Total	$ (103,432)	$ (121,494)

** Amounts for Anthony's are only presented from November 3, 2021, the date of acquisition.*

Total assets by segment are as follows:

(in thousands)	Year Ended January 2, 2023	Year Ended December 31, 2021
Total assets:		
BurgerFi	$ 136,811	$ 161,675
Anthony's	139,969	156,044
Total	$ 276,780	$ 317,719

Exhibit A-2 Audited Financial Statements for FY 2021 and FY2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
BurgerFi International, Inc.
North Palm Beach, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of BurgerFi International, Inc. and Subsidiaries (the "Company" or "Successor") as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in stockholders'/members' equity and cash flows for the year ended December 31, 2021, and the period from December 16, 2020 to December 31, 2020, and of BurgerFi International, LLC and Subsidiaries ("Predecessor") for the period from January 1, 2020 to December 15, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021, for the period from December 16, 2020 to December 31, 2020, and the results of the Predecessor's operations and its cash flows for the period from January 1, 2020 to December 15, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP
Certified Public Accountants

We have served as the Company's auditor since 2015.
West Palm Beach, Florida
April 14, 2022

BurgerFi International Inc., and Subsidiaries
Consolidated Balance Sheets

(in thousands, except for per share data)	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	$ 14,889	$ 37,150
Cash - restricted	—	3,233
Accounts receivable, net	1,689	718
Inventory	1,387	268
Asset held for sale	732	732
Other current assets	2,526	1,607
TOTAL CURRENT ASSETS	21,223	43,708
PROPERTY & EQUIPMENT, net	29,035	8,004
DUE FROM RELATED COMPANIES	—	74
GOODWILL	98,000	119,542
INTANGIBLE ASSETS, net	168,723	116,824
DEFERRED INCOME TAXES	—	713
OTHER ASSETS	738	251
TOTAL ASSETS	$ 317,719	$ 289,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade and other	$ 7,841	$ 1,678
Accrued expenses	5,302	1,203
Other liabilities	6,481	430
Short-term borrowings	3,331	4,450
Other deposit	907	907
Deferred revenue, current	468	490
TOTAL CURRENT LIABILITIES	24,330	9,158
NON-CURRENT LIABILITIES		
Long-term borrowings	56,797	1,522
Redeemable preferred stock, $0.0001 par value, 10,000,000 shares authorized, 2,120,000 shares issued and outstanding, $53 million redemption value	47,525	—
Related party note	8,724	—
Warrant liability	2,706	16,516
Deferred revenue, net of current portion	2,109	2,816
Deferred rent	900	29
Deferred income taxes	1,353	—
TOTAL LIABILITIES	144,444	30,041
COMMITMENTS AND CONTINGENCIES - Note 8		
STOCKHOLDERS' EQUITY		
Common stock, $0.0001 par value, 100,000,000 shares authorized, 21,303,500 and 17,541,838 shares issued and outstanding as of December 31, 2021 and December 31, 2020,	2	2
Additional paid-in capital	296,992	261,298
Accumulated deficit	(123,719)	(2,225)
TOTAL STOCKHOLDERS' EQUITY	173,275	259,075
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 317,719	$ 289,116

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Operations

(in thousands, except for per share data)	Year Ended December 31, 2021	Successor: December 16, 2020 through December 31, 2020	Predecessor: January 1, 2020 through December 15, 2020
REVENUE			
Restaurant sales	$ 57,790	$ 1,333	$ 23,683
Royalty and other fees	8,021	255	6,116
Royalty - brand development and co-op	1,987	74	1,441
Franchise fees	1,069	25	1,055
TOTAL REVENUE	68,867	1,687	32,295
Restaurant level operating expenses:			
Food, beverage and paper costs	17,153	406	7,212
Labor and related expenses	16,272	304	6,187
Other operating expenses	12,039	254	4,999
Occupancy and related expenses	4,940	19	2,702
Impairment	114,797	—	—
General and administrative expenses	17,300	855	6,925
Depreciation and amortization expense	10,060	348	1,062
Share-based compensation expense	7,573	818	—
Brand development and co-op advertising expense	2,462	35	2,284
Pre-opening costs	1,905	48	166
TOTAL OPERATING EXPENSES	204,501	3,087	31,537
OPERATING (LOSS) INCOME	(135,634)	(1,400)	758
Other income, net	2,047	791	2
Gain on change in value of warrant liability	13,811	5,597	—
Interest expense	(1,406)	(6)	(125)
(Loss) income before income taxes	(121,182)	4,982	635
Income tax (expense) benefit	(312)	366	—
Net (Loss) Income	(121,494)	5,348	635
Net Income Attributable to Non-Controlling Interests (predecessor)	—	—	20
Net (Loss) Income Attributable to common shareholders (successor) and Controlling Interests (predecessor)	$ (121,494)	$ 5,348	$ 615
Weighted average common shares outstanding:			
Basic	18,408,247	17,541,838	
Diluted	18,624,447	21,426,115	
Net (loss) income per common share:			
Basic	$ (6.60)	$ 0.30	
Diluted	$ (7.20)	$ (0.01)	

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Changes in Stockholders'/Members' Equity

(in thousands)	Predecessor		
	Controlling Interest	Noncontrolling Interest	Total Members' Equity
Balance, December 31, 2019	**$ 2,492**	**$ 15**	**$ 2,507**
Net Income	615	20	635
Distributions	(5,972)	(35)	(6,007)
Balance, December 15, 2020	**$ (2,865)**	**$ —**	**$ (2,865)**

(in thousands, except for share data)	Successor				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 16, 2020	**17,541,838**	**$ 1**	**$ 53,594**	**$ (7,573)**	**$ 46,022**
Share-based compensation	—	—	818	—	818
Stock issued in acquisition of BurgerFi	—	1	103,679	—	103,680
Contingent consideration in acquisition of BurgerFi	—	—	103,207	—	103,207
Net income (December 16, 2020 to December 31, 2020)	—	—	—	5,348	5,348
Balance, December 31, 2020	**17,541,838**	**$ 2**	**$ 261,298**	**$ (2,225)**	**$ 259,075**
Share-based compensation	—	—	7,381	—	7,381
Stock issued in acquisition of Anthony's	3,362,424	—	28,120	—	28,120
Shares issued for share-based compensation	107,500	—	192	—	192
Shares issued for warrant exercises	8,069		1	—	1
Exchange of UPO units	283,669		—	—	—
Net loss	—	—	—	(121,494)	(121,494)
Balance, December 31, 2021	**21,303,500**	**$ 2**	**$ 296,992**	**$ (123,719)**	**$ 173,275**

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31, 2021	Successor: December 16, 2020 through December 31, 2020	Predecessor: January 1, 2020 through December 15, 2020
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES			
Net (loss) income	$ (121,494)	$ 5,348	$ 635
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities			
Impairment	114,797	—	—
Gain on change in value of warrant liability	(13,811)	(5,597)	—
Depreciation and amortization	10,060	348	1,062
Share-based compensation	7,573	818	—
Gain on extinguishment of debt	(2,237)	(791)	—
Forfeited franchise deposits	(834)	—	(693)
Deferred income taxes	312	(370)	—
Other non-cash interest	841	—	—
Provision for bad debts	234	—	133
Loss on disposal of property and equipment	203	—	—
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	(633)	(339)	6
Inventory	(142)	(8)	(10)
Other assets	81	(552)	121
Accounts payable - trade	303	(275)	751
Accrued expenses	(4,045)	284	218
Deferred rent	871	—	—
Deferred revenue and other liabilities	454	196	473
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(7,467)	(938)	2,696
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of restaurant from franchisee	—	—	(385)
Deposit on sale	—	—	907
Purchase of property and equipment	(10,665)	(265)	(3,244)
Assets acquired, net, as part of the BurgerFi acquisition	—	(27,210)	—
Cash acquired as part of the Anthony's acquisition	5,522	—	—
Proceeds from sale of store	80	—	—
Advances to related companies	—	(74)	(7,863)
Repayments from related companies	74	—	11,205
Purchase of trademarks	(26)	—	—
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(5,015)	(27,549)	620
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on borrowings	—	—	5,393
Payments on borrowings	(12,168)	—	(2,329)
Payment of direct costs on issuance of common stock	(844)	—	—
Members' distributions	—	—	(6,007)
NET CASH USED IN FINANCING ACTIVITIES	(13,012)	—	(2,943)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,494)	(28,487)	373
CASH AND CASH EQUIVALENTS, beginning of period	40,383	68,870	2,417
CASH AND CASH EQUIVALENTS, end of period	$ 14,889	$ 40,383	$ 2,790

Supplemental cash flow disclosures:		
Value of common stock issued and option shares assumed in Anthony's acquisition	**$**	**28,965**
Value of preferred stock issued in Anthony's acquisition		**46,906**
Cash paid for interest		**551**
Cash paid for income taxes paid		**7**

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Organization

BurgerFi International, Inc. and its wholly owned subsidiaries (*"BFI," the "Company," or "Successor," also "we," "us," and "our"*), is a multi-brand restaurant company that develops, markets and acquires fast-casual and premium-casual dining restaurant concepts around the world, including corporate-owned stores and franchises located in the United States, Puerto Rico and Saudi Arabia. As of December 31, 2021, the Company has 179 franchised and corporate-owned restaurants of the two following brands:

BurgerFi. BurgerFi is a fast-casual "better burger" concept with 118 franchised and corporate-owned restaurants as of December 31, 2021, offering burgers, hot dogs, crispy chicken, frozen custard, hand-cut fries, shakes, beer, wine and more.

Anthony's. Anthony's is a pizza and wing brand that operates 61 corporate-owned casual restaurant locations, as of December 31, 2021. The concept is centered around a coal fired oven, and its menu offers "well-done" pizza, coal fired chicken wings, homemade meatballs, and a variety of handcrafted sandwiches and salads.

Basis of presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (*"GAAP"*) and the rules and regulations of the Securities and Exchange Commission (*"SEC"*).

On December 16, 2020 (the *"Closing Date"*), the Company consummated its merger with Opes Acquisition Corp. (*"OPES"*). This acquisition (the *"BurgerFi acquisition"*) qualified as a business combination under ASC 805, and OPES was the legal and accounting acquirer in the transaction. The Company's 2020 financial statement presentation distinguishes the Company's financial performance into *two* distinct periods, the period up to the Closing Date (labeled *"Predecessor"*) and the period including and after that date (labeled *"Successor"*). The BurgerFi acquisition was accounted for using the acquisition method of accounting, and the Successor financial statements reflect a new basis of accounting that is based on the fair value of the net assets acquired.

As a result of the application of the acquisition method of accounting for the BurgerFi acquisition, the accompanying consolidated financial statements include a black line division which indicates that the Predecessor and Successor reporting entities shown are presented on a different basis and are therefore, not comparable.

The historical financial information of OPES (a special purpose acquisition company, or *"SPAC"*) prior to the BurgerFi acquisition has not been reflected in the Predecessor financial statements as these historical amounts have been determined to be not useful information to a user of the financial statements. SPACs deposit the proceeds from their initial public offerings into a segregated trust account until a business combination occurs, where such funds are then used to pay consideration for the acquiree and/or to pay stockholders who elect to redeem their shares of common stock in connection with the business combination. The operations of a SPAC, until the closing of a business combination, other than income from the trust account investments and transaction expenses, are nominal. Accordingly, no other activity in the Company was reported for the period prior to December 16, 2020 besides BurgerFi's operations as Predecessor.

On November 3, 2021, we completed the acquisition of Hot Air, Inc. (the *"Anthony's acquisition"*), which through its subsidiaries, owns and operates casual dining pizza restaurants under the trade name Anthony's Coal Fired Pizza & Wings (*"Anthony's"*). The results of operations, financial position and cash flows of Anthony's is included in our consolidated financial statements as of the closing date of the acquisition.

The Company operates on a calendar year-end. Anthony's uses a 52-week or 53-week fiscal year-end and its fiscal year ends on the Monday closest to December 31. Differences arising from the different fiscal year-ends were not deemed material for the year ended December 31, 2021.

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Reclassifications

Certain reclassifications have been made to the prior year presentation to conform to the current year presentation.

Principles of Consolidation

The consolidated financial statements present the consolidated financial position, results from operations and cash flows of BurgerFi International, Inc., and its wholly owned subsidiaries. All material balances and transactions between the entities have been eliminated in consolidation.

The Successor consolidated financial statements include all amounts of the Company and its subsidiaries. The Predecessor consolidated financial statements include all amounts of BurgerFi International, LLC and its subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Corporate-owned stores and Franchised stores

BurgerFi has prepared its Franchise Disclosure Document as required by the United States Federal Trade Commission and has registered or will register in those states where required in order to legally sell its franchises. It is currently BurgerFi's plan to offer franchises for sale in those states where demographics of the population represent a demand for the services. BurgerFi grants franchises to independent operators who in turn pay an initial franchise fee, royalties and other fees as stated in the franchise agreement. Store activity for the years ended December 31, 2021 and 2020 is as follows:

	2021			2020 *		
	Corporate-owned	Franchised	Total	Corporate-owned	Franchised	Total
Total BurgerFi and Anthony's	**86**	**93**	**179**	**17**	**102**	**119**
BurgerFi stores, beginning of year	17	102	119	13	117	130
BurgerFi stores opened	10	6	16	2	9	11
BurgerFi stores transferred/sold	(1)	1	—	2	(2)	—
BurgerFi stores closed	(1)	(16)	(17)	—	(22)	(22)
BurgerFi total stores, end of year	**25**	**93**	**118**	**17**	**102**	**119**
Anthony's stores acquired	61	—	61	—	—	—
Anthony's total stores, end of year	**61**	**—**	**61**	**—**	**—**	**—**

** As Anthony's was acquired on November 3, 2021, Anthony's store activity is not included in the presentation above for 2020.*

End of year store totals included 1 and 2 international stores at December 31, 2021 and 2020, respectively.

Liquidity and COVID-19

Our primary sources of liquidity are cash from operations and cash on hand. As of December 31, 2021, we maintained a cash and cash equivalents balance of approximately $15 million.

Our primary requirements for liquidity are to fund our working capital needs, operating and finance lease obligations, capital expenditures and general corporate needs. Our requirements for working capital are generally not significant because our guests pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items. Our ongoing capital expenditures are principally related to opening new restaurants, remodels and maintenance, as well as investments in our digital and corporate infrastructure.

We believe our existing cash and cash equivalents will be sufficient to fund our operating and finance lease obligations, capital expenditures, and working capital needs for at least the next 12 months and the foreseeable future.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly spreading outbreak of a novel strain of coronavirus designated COVID-19. The pandemic has significantly impacted economic conditions in the United States, where all of our Company restaurants are located. While the adverse effects of the COVID-19 pandemic have partially subsided, its effects vary by region, and uncertainties arising from the COVID-19 pandemic could continue to disrupt economic conditions and business activities, particularly as new variants of COVID-19 arise. The extent to which the COVID-19 pandemic, including the recent and emerging variants, could affect our business, operations and financial results is uncertain as it will depend upon numerous evolving factors that management may not be able to accurately predict, including the duration and scope of the pandemic and the continued emergence of new strains of COVID-19. The acceptance and effectiveness of vaccines and treatments, along with the length and extent of any continuing economic and market disruptions, are unknown, and therefore, any future impacts on our business, financial condition and/or results of operations cannot be quantified or predicted with specificity.

Segment Reporting

The Company owns and operates BurgerFi and Anthony's restaurants in the United States, and also has domestic and international franchisees. The Company has two operating and reportable segments:

- BurgerFi, which includes our operations of corporate-owned and franchised BurgerFi restaurants, which offer a fast-casual “better burger” concept; and

- Anthony's, which includes our operations of casual dining pizza restaurants under the name Anthony’s Coal Fired Pizza & Wings.

The chief operating decision makers (*“CODMs”*) are the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Executive Chairman as they assess the performance of the reportable segments and make all the significant strategic decisions, including the allocation of resources.

Cash and Cash Equivalents

The Company considers highly liquid investments with maturities of three months or less as cash equivalents. Cash and cash equivalents also include approximately $1.1 million and $11,000 as of December 31, 2021 and December 31, 2020, respectively, of amounts due from commercial credit card companies, such as Visa, MasterCard, Discover, and American Express, which are generally received within a few days of the related transactions. At times, the balances in the cash and cash equivalents accounts may exceed federal insured limits. The Federal Deposit Insurance Corporation insures eligible accounts up to $250,000 per depositor at each financial institution. The Company limits uninsured balances to only large, well-known financial institutions and believes that it is not exposed to significant credit risk on cash and cash equivalents.

Restricted Cash

Restricted cash consists of (i) cash held in escrow in an amount equal to the PPP loans as required by the SBA upon a change of control, and (ii) cash proceeds from the BurgerFi acquisition, withheld for working capital purposes. The Company is the custodian of these account balances, but these accounts are in place for specific, restricted purposes, which typically are resolved within twelve months. The Company classifies the restricted cash accounts as current assets.

Accounts Receivable

Accounts receivable consist of amounts due from franchisees for training and royalties and are stated at the amount invoiced. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable. The allowance for uncollectible accounts was approximately $31,000 at December 31, 2021, and $0 at December 31, 2020.

Inventories

Inventories primarily consist of food and beverages. Inventories are accounted for at lower of cost or net realizable value using the first-in, first-out (FIFO) method. Spoilage is expensed as incurred.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is provided by the straight-line method over an estimated useful life. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the asset and the term of the related lease. The estimated lives for kitchen equipment and other equipment, computers and office equipment, furniture and fixtures, and vehicles range from five to seven years. Maintenance and repairs which are not considered to extend the useful lives of the assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Expenditures for renewals and betterments, which materially extend the useful lives of assets or increase their productivity, are capitalized. The Company capitalizes construction costs during construction of the restaurant and will begin to depreciate them once the restaurant is placed in service. Wage costs directly related to and incurred during a restaurant's construction period are capitalized. Interest costs incurred during a restaurant's construction period are capitalized. Upon sale or retirement, the cost of assets and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in operating expense.

Impairment of Long-Lived Assets and Definite-Lived Intangible Assets

The Company assesses the potential impairment of our long-lived assets on an annual basis or whenever events or changes in circumstances indicate the carrying value of the assets or asset group may not be recoverable. Factors considered include, but are not limited to, negative cash flow, significant underperformance relative to historical or projected future operating results, significant changes in the manner in which an asset is being used, an expectation that an asset will be disposed of significantly before the end of its previously estimated useful life and significant negative industry or economic trends. At any given time, we may be monitoring a small number of locations, and future impairment charges could be required if individual restaurant performance does not improve or we make the decision to close or relocate a restaurant. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Definite-lived intangible assets are amortized on a straight-line basis using the following estimated useful lives of the related classes of intangibles: 7 years for franchise agreements, 30 years for trade names, 10 years for the license agreement (adjusted to 22 months at December 31, 2021), and 10 years for the VegeFi product.

The Company reviews definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. Indefinite-lived intangible assets are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired. Our annual impairment test for indefinite-lived intangible assets may be completed through a qualitative assessment to determine if the fair value of the indefinite-lived intangible assets is more likely than not greater than the carrying amount. If we elect to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that the estimated carrying value exceeds the fair value, we test for impairment using a quantitative process. If the Company determines that impairment of its intangible assets may exist, the amount of impairment loss is measured as the excess of carrying value over fair value. Our estimates in the determination of the fair value of indefinite-lived intangible assets include the anticipated future revenue of corporate-owned and franchised restaurants and the resulting cash flows.

Based on our review of long-lived assets, we performed impairment testing. Based on our impairment testing, we determined it was more likely than not that certain long-lived assets relating to our property and equipment and definite-lived intangible assets were impaired at the BurgerFi reporting unit. Accordingly, the Company recorded an impairment charge of approximately $8.3 million during the year ended December 31, 2021. Additionally, as a result of impairment of the Company's licensing agreements at December 31, 2021, the Company reevaluated the useful life of 10 years and determined that such useful life be adjusted to 22 months. Refer to Note 6 Impairment.

Goodwill

The Company accounts for goodwill in accordance with FASB ASC No. 350, Intangibles—Goodwill and Other ("ASC 350"). ASC 350 requires goodwill to be reviewed for impairment annually, or more frequently if circumstances indicate a possible impairment. The Company evaluates goodwill in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. This impairment test involves comparing the fair value of the reporting unit with its carrying value (including goodwill). The Company estimates the fair values of its reporting unit using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the estimated fair value of the reporting unit is less than its carrying value, a goodwill impairment exists for the reporting unit and an impairment loss is recorded.

Based on the results of our annual goodwill impairment test, we determined it was more likely than not that goodwill was impaired at the BurgerFi reporting unit. Accordingly, the Company recorded a goodwill impairment charge of approximately $106.5 million during the year ended December 31, 2021. Refer to Note 6 Impairment.

The estimated fair value of goodwill is subject to change as a result of many factors including, among others, any changes in our business plans, changing economic conditions, a potential decrease in our stock price and market capitalization, and the competitive environment. Should actual cash flows and our future estimates vary adversely from those estimates we use, we may be required to recognize impairment charges in future years.

The following table represents changes to the Company's goodwill during the year ended December 31, 2021:

(in thousands)		
Goodwill as of December 31, 2020	$	119,542
Adjustments to other current liabilities		4,439
Goodwill impairment for BurgerFi reporting unit		(106,476)
Goodwill acquired in connection with the Anthony's acquisition		80,495
Goodwill as of December 31, 2021	**$**	**98,000**

For details on the goodwill acquired in connection with the Anthony's acquisition, as well as the measurement period adjustment to goodwill (which related to other current liabilities) associated with the purchase price accounting for the BurgerFi acquisition, refer to Note 5 Acquisitions. As it relates to impairment of goodwill, refer to Note 6 Impairment.

Deferred Financing Costs

Deferred financing costs relate to the Company's debt instruments, the short and long-term portions of which are reflected as deductions from the carrying amounts of the related debt instrument, including the Company's Credit Agreement. Deferred financing costs are amortized over the terms of the related debt instruments using the effective interest method. For the year ended December 31, 2021, the Company deferred $1.0 million of financing costs in connection with its Credit Agreement. Amortization expense associated with deferred financing costs, which is included within interest expense, net, totaled $0.1 million for the year ended December 31, 2021. See Note 10 Debt.

Share-Based Compensation

The Company has granted share-based compensation awards to certain employees under the 2020 Omnibus Equity Incentive Plan (the *"Plan"*). The Company measures the cost of employee services received in exchange for an equity award, which may include grants of employee stock options and restricted stock units, based on the fair value of the award at the date of grant. The Company recognizes share-based compensation expense over the requisite service period unless the awards are subject to performance conditions, in which case we recognize compensation expense over the requisite service period to the extent performance conditions are considered probable. The Company will determine the grant date fair value of stock options using a Black-Scholes-Merton option pricing model (the *"Black-Scholes Model"*). The grant date fair value of restricted stock unit awards (*"RSU Awards"*) and performance-based awards are determined using the fair market value of the Company's common stock on the date of grant, as set forth in the applicable plan document, unless the awards are subject to market conditions, in which case we use a Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved.

Warrant Liability

The Company has certain warrants which include provisions that affect the settlement amount. Such variables are outside of those used to determine the fair value of a fixed-for-fixed instrument, and as such, the warrants are accounted for as liabilities in accordance with ASC 815-40, *Derivatives and Hedging*, with changes in fair value included in the consolidated statement of operations.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is required to prioritize the inputs used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Net (Loss) Income per Common Share

Net (loss) income per common share is computed by dividing net income by the weighted average number of common shares outstanding for the period. The Company has considered the effect of (1) warrants outstanding to purchase 15,063,800 shares of common stock and (2) 75,000 shares of common stock and warrants to purchase 75,000 shares of common stock in the unit purchase option, (3) 1,503,698 shares of restricted stock unit grants in the calculation of income per share, and (4) the impact of any dividends associated with our redeemable preferred stock.

The historical partnership equity structure of BurgerFi did not include outstanding member units and as such, earnings per share information is omitted for the Predecessor period.

Reconciliation of Net (Loss) Income per Common Share

Basic and diluted net (loss) income per common share is calculated as follows:

		Successor
(in thousands, except for per share data)	**Year Ended December 31, 2021**	**December 16, 2020 through December 31, 2020**
Numerator:		
Net (loss) income available to common shareholders	**$ (121,494)**	$ 5,348
Reversal of gain on change in value of warrant liability	**$ (12,619)**	$ (5,597)
Net loss available to common shareholders - diluted	**$ (134,113)**	$ (249)
Denominator:		
Weighted-average shares outstanding	**18,408,247**	17,541,838
Effect of dilutive securities		
Warrants	**211,854**	3,468,872
UPOs	**4,346**	415,405
Diluted weighted-average shares outstanding	**18,624,447**	21,426,115
Basic net (loss) income per common share	**$ (6.60)**	$ 0.30
Diluted net loss per common share	**$ (7.20)**	$ (0.01)

For the year ended December 31, 2021, there were dilutive warrants and UPOs during the interim period, as such the reversal of the change in value of warrant liability is included for that period only to calculate the net loss available to common shareholders - diluted. The diluted weighted shares outstanding for the year ended December 31, 2021 represent the average dilutive warrant and UPOs share equivalents for the year ended December 31, 2021 including the impact of the dilutive warrants and UPOs share equivalents during the interim period for which the warrant and UPOs were dilutive.

Concentration of Risk

Management believes there is no concentration of risk with any single franchisee or small group of franchisees whose failure or nonperformance would materially affect the Company's results of operations. The Company had no customers which accounted for 10% or more of consolidated revenue for the year ended December 31, 2021, or for the Successor period from December 16, 2020 to December 31, 2020, or for the Predecessor period from January 1, 2020 to December 15, 2020. As of December 31, 2021, the Company had one main in-line distributor of food, packaging and beverage products, excluding breads, that provided approximately 90% of the Company's restaurants purchasing in the U.S. and three additional in-line distributors of beverages that, in the aggregate, provided approximately 5% of the Company's restaurant purchasing in the U.S. We believe that our vulnerability to risk concentrations related to significant vendors and sources of our raw materials is mitigated as we believe that there are other vendors who would be able to service our requirements. However, if a disruption of service from any of our main in-line distributors was to occur, we could experience short-term increases in our costs while distribution channels were adjusted.

The Company's restaurants are principally located throughout the United States. The Company has corporate-owned and franchised locations in 26 states, with the largest number in Florida. We believe the risk of geographic concentration is not significant. We could be adversely affected by changing consumer preferences resulting from concerns over nutritional or safety aspects of ingredients we sell or the effects of food safety events or disease outbreaks.

The Company is subject to credit risk through its accounts receivable consisting primarily of amounts due from franchisees for royalties and franchise fees. This concentration of credit risk is mitigated, in part, by the number of franchisees and the short-term nature of the franchise receivables.

Revenue Recognition

Revenue consists of restaurant sales and franchise licensing revenue. Generally, revenue is recognized as performance obligations transfer to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Restaurant Revenue

Revenue from restaurant sales is presented net of discounts and recognized when food, beverage and retail products are sold. Sales tax collected from customers is excluded from restaurant sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Sales from our gift cards are deferred and recognized upon redemption for goods or services. Revenue from restaurant sales is generally paid at the time of sale. Credit cards and delivery service partners sales are generally collected shortly after the sale occurs.

The revenue from electronic gift cards is deferred when purchased by the customer and revenue is recognized when the gift cards are redeemed. The Company is a Delaware corporation and is subject to Delaware escheatment laws. Delaware escheatment laws state that gift cards are presumed to be abandoned after five years and the balance remitted should represent the maximum cost to the issuer of merchandise.

The Company contracts with delivery service partners for delivery of goods and services to customers. The Company has determined that the delivery service partners are agents, and the Company is the principal. Therefore, restaurant sales through delivery services are recognized at gross sales and delivery service revenue is recorded as expense.

Franchise Revenue

The franchise agreements require the franchisee to pay an initial, non-refundable fee and sometimes continuing fees based upon a percentage of sales. Generally, payment for the initial franchise fee is received upon execution of the licensing agreement. Owners can make a deposit equal to 50% of the total franchise fee to reserve the right to open additional locations. The remaining balance of the franchise fee is due upon signing by the franchisee of the applicable location’s lease or mortgage. Franchise deposits received in advance for locations not expected to open within one year are classified as long-term liabilities, while franchise deposits received in advance for locations expected to open within one year are classified as short-term liabilities.

Franchise revenue is comprised of certain initial franchise fees and ongoing sales-based royalty fees from a franchised BurgerFi restaurant. Generally, the licenses granted to develop, open and operate each BurgerFi franchise in a specified territory are the predominant performance obligations transferred to the licensee in our contracts, and represent symbolic intellectual property. Ancillary promised services, such as training and assistance during the initial opening of a BurgerFi restaurant are typically combined with the licenses and considered as one performance obligation per BurgerFi franchise. Certain initial services such as site selection and lease review are considered distinct services that are recognized at a point in time when the performance obligations have been provided, generally when the BurgerFi franchise has been opened. We determine the transaction price for each contract and allocate it to the distinct services based on their standalone selling price based on the costs to provide the service and a profit margin. On an annual basis, we perform a review to reevaluate the amount of this initial franchise fee revenue that is recognized.

The remainder of the transaction price is recognized over the remaining term of the franchise agreement once the BurgerFi restaurant has been opened. Because we are transferring licenses to access our intellectual property during a contractual term, revenue is recognized on a straight-line basis over the license term. These payments are initially deferred and recognized as revenue as the performance obligations are satisfied.

Franchise agreements and deposit agreements outline a schedule for store openings. Failure to meet the schedule can result in forfeiture of deposits made. Forfeiture of deposits is recognized as terminated franchise fee revenue once contracts have been terminated for failure to comply. All terminations are communicated to the franchisee in writing using formal termination letters. Additionally, a franchise store that is already open may terminate before its lease term has ended, in which case the remainder of the transaction price is recognized as terminated franchise fee revenue.

Revenue from sales-based royalties (i.e. royalty and other fees, brand development and advertising co-op royalty) is recognized as the related sales occur. The sales-based royalties are invoiced and collected from the franchisees on a weekly basis. Rebates from vendors received on franchisee's sales are also recognized as revenue from sales-based royalties.

Contract Balances

Opening and closing balances of contract liabilities and receivables from contracts with customers for the years ended December 31, 2021 and 2020 are as follows:

(in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020
Franchising receivables	**$ 212**	$ 480
Gift card liability	**2,587**	430
Deferred revenue, current	**468**	490
Deferred revenue, long-term	**2,109**	2,816

Franchise Revenue

Revenue recognized during the period ended which were included in the balance of deferred revenue at the beginning of the period are as follows:

		Successor	Predecessor
(in thousands)	Year Ended December 31, 2021	December 16, 2020 through December 31, 2020	January 1, 2020 through December 15, 2020
Franchise Fees	**$ 1,069**	$ 41	$ 1,023

An analysis of deferred revenue is as follows:

		Successor	Predecessor
(in thousands)	December 31, 2021	December 31, 2020 *	December 15, 2020
Balance, beginning of period	**$ 3,306**	$ 3,053	$ 4,688
Initial franchise fees received	**290**	278	413
Revenue recognized for stores open during period	**(235)**	(25)	(362)
Revenue recognized related to franchise agreement termination	**(834)**	—	(693)
Other deferred revenue	**50**	—	—
Balance, end of period	**$ 2,577**	$ 3,306	$ 4,046

** Beginning balance for the Successor period is reflective of a fair value adjustment.*

Presentation of Sales Taxes

The Company collects sales tax from customers and remits the entire amount to the respective states. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of sales. Sales tax payable amounted to approximately $1.1 million and $0.2 million at December 31, 2021 and 2020, respectively, and is presented in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2021 was $0.9 million. Advertising expense for the Successor period from December 16, 2020 to December 31, 2020 and for the Predecessor period from January 1, 2020 to December 15, 2020 was $23,000 and $0.5 million, respectively.

Brand Development Royalties and Expenses

The Company's franchise agreements provide for franchisee contributions of a percentage of gross restaurant sales, which are recognized as royalty income. Amounts collected are required to be used for advertising and related costs, including reasonable costs of administration. For the year ended December 31, 2021, the Company had brand development royalties of approximately $1.5 million and brand development expenses of approximately $1.7 million. For the Successor period from December 16, 2020 to December 31, 2020, and for the Predecessor period from January 1, 2020 to December 15, 2020, the Company had brand development royalties of approximately $55,000 and $1.2 million, respectively, and approximately $35,000 and $1.6 million of brand development expenses, respectively.

Advertising Co-Op Royalties and Expenses

Many of the Company's South Florida franchises contribute a percentage of gross restaurant sales, which are recognized as royalty income. Amounts collected are required to be used for local advertising and related costs, including reasonable costs of administration. For the year ended December 31, 2021, the Company had advertising co-op royalties of approximately $0.5 million and advertising co-op expenses of approximately $0.8 million. For the Successor period from December 16, 2020 to December 31, 2020, and for the Predecessor period from January 1, 2020 to December 15, 2020, the Company had advertising co-op royalties of approximately $19,000 and $0.3 million, respectively, and approximately $0 and $0.6 million of advertising co-op expenses, respectively.

Pre-opening Costs

The Company follows ASC Topic 720-15, *"Start-up Costs,"* which provides guidance on the financial reporting of start-up costs and organization costs. In accordance with this ASC Topic, costs of pre-opening activities and organization costs are expensed as incurred. Pre-opening costs include all expenses incurred by a restaurant prior to the restaurant's opening for business. These pre-opening costs include costs to relocate and reimburse restaurant management staff members, costs to recruit and train hourly restaurant staff members, wages, travel, and lodging costs for our training team and other support staff members, as well as rent expense. Pre-opening costs can fluctuate significantly from period to period based on the number and timing of restaurant openings and the specific pre-opening costs incurred for each restaurant.

Pre-opening costs expensed for the year ended December 31, 2021 were $1.9 million. Pre-opening costs expensed for the Successor period from December 16, 2020 to December 31, 2020 and for the Predecessor period from January 1, 2020 to December 15, 2020 were $48,000 and $0.2 million, respectively.

Deferred Rent

Rent expense on non-cancelable leases containing known future scheduled rent increases or free rent periods is recorded on a straight-line basis over the respective lease term. The lease term begins when the Company has the right to control the use of the leased property and includes the initial non-cancelable lease term plus any periods covered by renewal options that the Company is reasonably assured of exercising. The difference between rent expense and rent paid is accounted for as deferred rent and is amortized over the lease term.

Operating Leases

The Company leases restaurant locations that have terms expiring between May 2022 and February 2033. The initial obligation period is generally 10 years. The restaurant facilities primarily have renewal clauses for two 5-year periods or one 10-year period, exercisable at the option of the Company. The Company includes one 5-year renewal option in its lease term.

Certain lease agreements contain one or more of the following: tenant improvement allowances, rent holidays, rent escalation clauses and/or contingent rent provisions. The Company includes scheduled rent escalation clauses for the purpose of recognizing straight-line rent. Certain of these leases require the payment of contingent rentals based on a percentage of gross revenue, as defined in such leases, and certain other rent escalation clauses are based on the change in the Consumer Price Index. The Company received cash incentives from certain landlords for specified leasehold improvements which are deferred and accreted on a straight-line basis over the related lease term as a reduction of rent expense.

Business Combinations

The determination of the fair value of net assets acquired in a business combination requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. For current assets and current liabilities, book value is generally assumed to equal fair value. Goodwill is the amount by which consideration paid exceeds the fair value of acquired net assets. A bargain purchase gain results when the fair value of an acquired business' net assets exceeds its purchase price. Acquisition costs are expensed as incurred and are included within general and administrative expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a *"measurement period"* of up to one year in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition, or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as *"measurement period adjustments."* Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates for acquisitions are reflected as income or expense, as appropriate.

Consideration paid generally consists of cash and, from time to time, shares, and potential future payments that are contingent upon the acquired business achieving certain levels of earnings in the future, also referred to as *"acquisition-related contingent consideration"* or *"earn-outs."* Earn-out liabilities are measured at their estimated fair values as of the date of acquisition. Subsequent to the date of acquisition, if future Earn-out payments are expected to differ from Earn-out payments estimated as of the date of acquisition, any related fair value adjustments, including those related to finalization of completed earn-out arrangements, are recognized in the period that such expectation is considered probable. Changes in the fair value of Earn-out liabilities for the Company's traditional earn-outs, other than those related to measurement period adjustments, as described above, are recorded within other income or expense in the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under the asset and liability method. A deferred tax asset or liability is recognized whenever there are (1) future tax effects from temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and (2) operating loss, capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the years in which those differences are expected to be recovered or settled.

Deferred tax assets are recognized to the extent the Company believes these assets will more likely than not be realized. In evaluating the realizability of deferred tax assets, the Company considers all available positive and negative evidence, including the interaction and the timing of future reversals of existing temporary differences, projected future taxable income, recent operating results and tax-planning strategies. When considered necessary, a valuation allowance is recorded to reduce the carrying amount of the deferred tax assets to their anticipated realizable value.

Prior to the BurgerFi acquisition, the Company, with the consent of its members, had elected to be taxed as a partnership under the provisions of the Internal Revenue Code and similar state provisions. Partnerships are generally not subject to federal and state income taxes; the partners reflect their respective share of the Company's taxable income or loss on their individual tax returns. Therefore, there was no federal income tax recorded by the Company for the period from January 1, 2020 through December 15, 2020. In this period, there were neither liabilities nor deferred tax assets relating to uncertain income tax provisions taken or expected to be taken on the tax returns.

Income tax uncertainties

We measure income tax uncertainties in accordance with a two-step process of evaluating a tax position. We first determine if it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is then measured, for purposes of financial statement recognition, as the largest amount that has a greater than 50% likelihood of being realized upon effective settlement. We currently have no unrecognized tax benefits at December 31, 2021 or 2020.

We accrue interest related to uncertain tax positions in "Interest expense" and penalties in "General and administrative expenses." At December 31, 2021 and 2020, we had no amounts accrued for interest and for penalties.

The statute of limitations for the Company's state tax returns varies, but generally the Company's federal and state income tax returns from its 2017 fiscal year forward remain subject to examination.

New Accounting Pronouncements

In February 2016, the FASB issued guidance which requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months and disclose certain information about the leasing arrangements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company will elect the package of practical expedients, as well as the hindsight practical expedient, permitted under the new guidance, which includes allowing the Company to continue utilizing historical classification of leases. In preparation for the adoption, the Company has implemented new accounting systems, business processes and internal controls to assist in the application of the new guidance. As an emerging growth company, this guidance is effective for our fiscal years beginning after December 15, 2021. The adoption of the standard will result in the recognition of right-of-use assets and lease liabilities for operating leases which will result in additional assets and corresponding liabilities of approximately $60 million to $65 million on the consolidated balance sheet, with no material impact to its consolidated statement of operations, stockholders' equity, or cash flows. Our assessment is ongoing and subject to finalization such that the actual impact may differ from the estimated range.

In June 2016, the FASB issued guidance which was subsequently amended by various standard updates. This guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information when determining credit loss estimates and requires financial assets to be measured net of expected credit losses at the time of initial recognition. As an emerging growth company, this guidance will be effective for our fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In July 2021, the FASB issued guidance that requires lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if (a) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with lease classification criteria and (b) the lessor would have otherwise recognized a day-one loss. As a public company, this amendment is effective for our fiscal years beginning after December 15, 2022, with early adoption permitted. This guidance may be applied either retrospectively to leases that commenced or were modified on or after the adoption of lease guidance we adopted in 2019 or prospectively to leases that commence or are modified on or after the date that this new guidance is applied. The Company is currently evaluating the impact of adoption of the new standard on the consolidated financial statements.

In October 2021, the FASB issued guidance which requires entities to recognize contract assets and contract liabilities in a business combination. As a public company, this standard will be effective for our fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and will be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the standard is permitted. The Company is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

2. Restricted Cash

Restricted cash consisted of the following:

(in thousands)	December 31, 2021	December 31, 2020
Paycheck Protection Program (*"PPP"*) amount held in escrow	$ —	$ 2,237
Cash proceeds from the BurgerFi acquisition, withheld for working capital purposes	—	996
Total Restricted Cash	$ —	$ 3,233

3. Property & Equipment

Property and equipment consisted of the following:

(in thousands)	December 31, 2021	December 31, 2020
Leasehold improvements	$ 19,900	$ 5,477
Kitchen equipment and other equipment	7,810	1,548
Computers and office equipment	1,425	208
Furniture and fixtures	2,340	792
Vehicles	88	27
	31,563	8,052
Less: Accumulated depreciation and amortization	(2,528)	(48)
Property and equipment – net	$ 29,035	$ 8,004

Depreciation expense for the year ended December 31, 2021 was $2.5 million. Depreciation expense for the Successor period from December 16, 2020 to December 31, 2020 was $48,000. Depreciation expense for the Predecessor period from January 1, 2020 to December 15, 2020 was $1.0 million. In conjunction with the BurgerFi acquisition and Anthony's acquisition, the basis of all property and equipment was recognized at fair value in purchase accounting.

The Company's long-lived assets are reviewed for impairment at the end of each reporting period and whenever there are triggering events that require us to perform this review. The Company recorded $0.6 million of property and equipment impairment during the year ended December 31, 2021. Refer to Note 6 Impairment.

4. Intangible Assets

The following is a summary of the components of intangible assets and the related amortization expense:

	December 31, 2021			December 31, 2020		
(in thousands)	Amount	Accumulated Amortization	Net Carrying Value	Amount	Accumulated Amortization	Net Carrying Value
Franchise agreements	**$ 24,839**	**$ 3,696**	**$ 21,143**	$ 24,839	$ 147	$ 24,692
Trade names / trademarks	**143,750**	**3,220**	**140,530**	83,033	115	82,918
Liquor license	**6,678**	**—**	**6,678**	235	—	235
License agreement	**1,176**	**925**	**251**	8,882	37	8,845
VegeFi product	**135**	**14**	**121**	135	1	134
	$ 176,578	**$ 7,855**	**$ 168,723**	$ 117,124	$ 300	$ 116,824

Liquor license is considered to have an indefinite life, and in addition to the Company's definite-lived intangible assets, is reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company recorded $7.7 million of intangible asset impairment for the year ended December 31, 2021, in relation to the Company's license agreement. See Note 6 Impairment.

Amortization expense for the year ended December 31, 2021 was $7.6 million. Amortization expense for the Successor period from December 16, 2020 to December 31, 2020 was $0.3 million. The intangible assets for the Predecessor period were determined to be indefinite life intangibles. As such, no amortization expense was recognized for the period from January 1, 2020 to December 15, 2020. The estimated aggregate amortization expense for intangible assets over the next five years ending December 31 and thereafter is as follows:

(in thousands)	
2022	$ 8,490
2023	8,467
2024	8,353
2025	8,353
2026	8,353
Thereafter	120,029
Total	**$ 162,045**

5. Acquisitions

Acquisition of BurgerFi International, LLC

On December 16, 2020, the Company consummated its merger with OPES. This acquisition qualified as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill.

The aggregate value of the consideration paid by OPES in the BurgerFi acquisition was approximately $236.9 million.

Consideration Paid

(in thousands)		
Cash	$	30,000
Common Stock		103,680
Contingent consideration		103,207
Total Consideration	**$**	**236,887**

The total consideration includes a) a cash payment of $30.0 million, b) the issuance of 6,603,773 common stock shares valued at approximately $103.7 million, and c) contingent earnout consideration (Contingent Consideration) valued at approximately $103.2 million.

The former members of BurgerFi International, LLC may be entitled to an additional 9,356,459 shares of Successor common stock (*"Earnout Share Consideration"*) if prior to December 16, 2022, 2023, and 2023, the last reported closing prices of the Company's common stock in any 20 trading days within any consecutive 30 trading day period is greater than or equal to $19.00, $22.00, and $25.00 per share, respectively, in which case the Company shall issue 3,947,368, 3,409,091, and 2,000,000 shares of common stock, respectively.

The fair values of the contingent consideration were determined using the trading price of the Company's common stock at the Closing Date and using a Monte Carlo simulation model. The contingent consideration is assessed to be non-compensatory and recorded in additional paid-in capital as reflected in the consolidated statement of changes in stockholders' / members' equity.

The input variables are noted in the table below:

	2020
Risk-free interest rate	0.37 %
Expected life in years	3
Expected volatility	60 %
Expected dividend yield *	0 %
** The Monte Carlo method assumes a reinvestment of dividends.*	

The Monte Carlo simulation model utilized multiple input variables to estimate the probability that the stock price targets will be achieved. Based on the features of the earnout, a Monte-Carlo Simulation was used to value the Contingent Consideration. The traded price of the common stock was simulated in each trial using Geometric Brownian Motion, and the simulated path was then analyzed to determine which, if any, earnout tranches would be payable within the given trial. The estimated payments were calculated by multiplying the shares earned for a given tranche by the simulated price as of the date that the earnout tranche was earned. The result was present valued using the risk-free rate. The average of all trials resulted in the valuation conclusion, which was determined to be approximately $103.2 million.

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The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, which have been finalized during the measurement period:

(in thousands)	Fair Value December 16, 2020
Cash	$ 2,179
Cash - restricted	611
Accounts receivable	378
Inventory	260
Other current assets	1,235
Property and equipment	8,520
Intangible assets	117,124
Other assets	199
Accounts payable, accrued expenses, and other current liabilities	(7,740)
Revolving line of credit	(3,012)
Current portion of deferred franchise fees	(521)
Other deposit	(907)
Deferred initial franchise fees, net of current portion	(2,531)
Notes payable	(2,889)
Fair Value of Tangible and Identifiable Intangible assets and liabilities assumed	$ 112,906
Consideration paid	236,887
Goodwill	$ 123,981

Goodwill is recognized as the excess of consideration over the net assets acquired of BurgerFi and represents the value derived by BurgerFi's market share and expected growth in the market.

Acquired personal property assets consist of leasehold improvements, kitchen equipment, and restaurant furniture and fixtures, computer and point of sale systems, and audio and video equipment (*"Personal Property"*), which were valued on in-use basis. The Company enlisted a third-party consultant to assist in the valuation of the Personal Property (the *"Valuation"*).

Identifiable intangible assets acquired consist of customer relationships of franchise agreements, trade names and trademarks, liquor licenses, license agreements, and the VegeFi product. The above were valued using the multi-period excess earnings method.

Identifiable intangible assets acquired consisted of customer relationships of $24.8 million, trade names of $83.0 million and license agreements of $8.9 million. The customer relationships were valued using the multi-period excess earnings method. The Company determined the useful life of the customer relationships to be 7 years. This is based on the average remaining terms of our franchise agreements with our franchisees. The trade names were valued using the relief-from-royalty method. The Company determined the useful life of the trade names to be 30 years. The license agreements and the customer relationships were valued using the multi-period excess earnings method. The Company determined the useful life of the license agreements to be 10 years. The identifiable intangible assets are amortized using the straight-line method over their respective useful lives.

The allocation of the excess purchase price was based upon preliminary estimates and assumptions and was subject to revision when the Company received final information. Accordingly, the measurement period for such purchase price allocations ended on December 15, 2021 or twelve months from the date of acquisition. Adjustments to goodwill during the measurement period were made to reflect the facts and circumstances in existence as of the Closing Date and include updates to estimates of provisional amounts recorded as of the Closing Date. The adjustments primarily related to updating the fair value recorded for a provisional estimate of lease guarantees provided by the Company. The adjustment resulted in an increase to goodwill and other liabilities on the accompanying consolidated balance sheet. The following table represents changes to goodwill from the initial purchase price allocation:

(in thousands)		
Goodwill as of December 31, 2020	$	119,542
Adjustments to other current liabilities (measurement period adjustments)	$	4,439
Goodwill as of December 31, 2021 (prior to impairment charges recorded)	**$**	**123,981**

Acquisition of Hot Air, Inc.

On November 3, 2021, the Company acquired 100% of the outstanding common shares and voting interest of Anthony's. The results of Anthony's operations have been included in the consolidated financial statements since that date. Anthony's, through its subsidiaries, owns and operates casual dining pizza restaurants under the trade name Anthony's Coal Fired Pizza & Wings. As of the acquisition date, Anthony's had 61 restaurants open and operational in Florida, Delaware, Pennsylvania, New Jersey, New York, Massachusetts, Maryland, and Rhode Island.

The acquisition-date fair value of the consideration transferred totaled $75.9 million, which consisted of the following:

Consideration Paid

(in thousands)		
Common Stock	$	25,562
Preferred Stock		46,906
Option Consideration Shares		3,403
Total Consideration	**$**	**75,871**

The fair value of the common shares issued and option consideration shares was determined based on the closing market price of the Company’s common shares on the day preceding the acquisition date. The fair value of the preferred stock was determined using a discounted cash flow methodology. The expected future redemption payment was forecasted based on the contractual PIK (payment in kind) interest and estimated redemption date of December 31, 2024.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company determined the fair value of certain intangible assets. The Company is in the process of finalizing its assessment of the fair value of the assets acquired and liabilities assumed; thus, the provisional measurements of intangible assets, goodwill and deferred income taxes are subject to change. The allocation of the excess purchase price was based upon preliminary estimates and assumptions and is subject to revision. The measurement period for such purchase price allocations end on November 3, 2022 or twelve months from the date of acquisition.

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(in thousands)	Fair Value November 3, 2021
Cash	$ 5,522
Accounts receivable	597
Inventory	986
Other current assets	1,662
Property and equipment	13,534
Intangible assets	67,344
Accounts payable, accrued expenses, and other current liabilities	(15,451)
Long-term borrowings	(77,063)
Deferred tax liability	$ (1,755)
Fair Value of Tangible and Identifiable Intangible assets and liabilities assumed	$ (4,624)
Consideration paid	75,871
Goodwill	$ 80,495

Of the $67.3 million of acquired intangible assets, $60.7 million was assigned to registered trademarks with a 30-year useful life and $6.6 million was assigned to acquired liquor licenses with an indefinite life. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of Anthony's. None of the goodwill is expected to be deductible for income tax purposes.

The Company recognized $3.1 million of acquisition-related costs that were expensed in the current period. These costs are included in the consolidated statement of operations within General and administrative expenses. The Company also recognized $0.8 million in costs associated with issuing and registering the shares issued as consideration in the Anthony's acquisition. Those costs were deducted from the recognized proceeds of issuance within stockholders' equity.

The accounting for the Anthony's acquisition is considered provisional because we have not finalized certain aspects of the purchase price allocation including the utilization of the U.S. federal and state net operating loss carryforwards which may be subject to a substantial annual limitation under Sections 382 and 383 of the IRC and corresponding provisions of state law, due to ownership changes that have occurred previously as well as the valuation of certain assets and contingencies.

The amounts of revenue and net loss for Anthony's included in the Company's consolidated statement of operations for the period from November 3, 2021, the acquisition date, through December 31, 2021 are as follows:

(in thousands)	2021
Revenue	$ 22,419
Net Loss	(142)

Proforma Information (Unaudited)

The following represents the unaudited proforma consolidated statement of operations as if the BurgerFi acquisition and Anthony's acquisition had been included in the consolidated results of the Company for the entire years ending December 31, 2021 and 2020:

(in thousands)	2021	2020
Revenue	$ 168,906	$ 107,160
Net Loss	(138,490)	(19,890)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Anthony's to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied on January 1, 2020, together with the consequential tax effects.

6. Impairment

The Company recognized a non-cash impairment charge of approximately $114.8 million during the year ended December 31, 2021. This consisted of the following:

(in thousands)	2021	
Goodwill	$	106,476
Definite-lived intangible assets		7,706
Long-lived assets		615
Total non-cash impairment charge	**$**	**114,797**

Based on the results of our annual goodwill impairment test, we determined it was more likely than not that goodwill was impaired at the BurgerFi reporting unit. Accordingly, the Company recorded a goodwill impairment charge of approximately $106.5 million for the year ended December 31, 2021. The majority of the goodwill impairment was driven by the impact on the Company's market capitalization due to the decrease in stock price, coupled with significant declines to the equity values of our peers.

Based on our review at the end of each reporting period of definite-lived intangible assets, we performed impairment testing for the related asset group for which there are independently identifiable cash flows. Based on our impairment testing at December 31, 2021, we determined that it was more likely than not that our definite-lived intangible assets related to the Company's licensing agreements were impaired at the BurgerFi reporting unit, and accordingly, the Company recorded impairment charges of approximately $7.7 million for the year ended December 31, 2021. The impairment amount was primarily the result of lower cash flow estimates associated with the licensing agreements as well as a change in estimate of the related useful life.

Based on our review at the end of each reporting period of long-lived assets, we performed impairment testing for the related asset group for which there are independently identifiable cash flows. Based on our impairment testing, we determined it was more likely than not that certain long-lived assets relating to our property and equipment at certain corporate-owned restaurants were impaired at the BurgerFi reporting unit, and accordingly, the Company recorded impairment charges of approximately $0.6 million for the year ended December 31, 2021.

As it relates to determining the fair values of the assets we performed impairment testing for, refer to Note 14 Fair Value Measurements.

7. Related Party Transactions

The Company is affiliated with various entities through common control and ownership. The accompanying consolidated balance sheets reflect amounts related to periodic advances between the Company and these entities for working capital and other needs as due from related companies or due to related companies, as appropriate. The amounts due from related companies are not expected to be repaid within one year and accordingly, are classified as non-current assets in the accompanying consolidated balance sheets. These advances are unsecured and non-interest bearing.

There were no amounts due from or due to related companies as of December 31, 2021. As of December 31, 2020, there were approximately $74,000 included as due from related companies in the consolidated balance sheet.

For the year ended December 31, 2021, the Company received royalty revenue from franchisees related to a significant shareholder totaling approximately $0.3 million. For the Successor period from December 16, 2020 to December 31, 2020 and the Predecessor period from January 1, 2020 to December 15, 2020, the Company received royalty revenue from franchisees related through common control and ownership totaling approximately $17,000 and $0.3 million, respectively.

The Company leases building space for its corporate office from an entity under common ownership with a significant shareholder. This lease had a 36-month term, effective January 1, 2020. For the year ended December 31, 2021, rent expense was approximately $0.2 million. For the Successor period from December 16, 2020 to December 31, 2020 and the Predecessor period from January 1, 2020 to December 15, 2020, rent expense was approximately $1,000 and $0.2 million, respectively. In January 2022, we exercised our right to terminate this North Palm Beach lease effective as of July 2022. Pursuant to an amended lease we entered into in February 2022, we also lease approximately 16,500 square feet (expanding to approximately 18,500 square feet in July 2022) in Fort Lauderdale, Florida, for a term expiring in 2032, with an option to renew. This building space for our new combined BurgerFi and Anthony's corporate office is leased from an entity controlled by the Company's Executive Chairman.

The Company also leases building space for a restaurant located in Virginia from an entity (i) in which the Company's Executive Chairman of the Board has an indirect minority ownership interest, and (ii) which is managed by an entity in which the Company's Executive Chairman of the Board has an indirect ownership interest. This lease, entered into on October 21, 2020, is for a ten-year term effective on the earlier to occur of the date the tenant opened for business and 180 days from the date the landlord delivered possession of the premises to the tenant. Rent expense for the years ended December 31, 2021 and 2020 was $46,000 and $0, respectively.

In April 2021, the Company entered into an independent contractor agreement with a corporation (the *"Consultant"*) for which the Chief Operating Officer (the *"Consultant Principal"*) of Lionheart Capital, LLC, an entity controlled by the Company's Executive Chairman of the Board, serves as President. Pursuant to the terms of the agreement, the Consultant shall provide certain strategic advisory services to the Company in exchange for total annual cash compensation and expense reimbursements of $0.1 million, payable in twelve (12) equal monthly payments beginning in April 2021. The Consultant also received an additional $29,000 of cash compensation for services provided in April 2021. In addition, in July 2021, the Consultant Principal received an award of 50,000 restricted stock units, which shall vest in five equal annual installments, subject to the Company achieving certain annual revenue targets starting in 2021, and in November 2021, the Consultant Principal received a $250,000 bonus in connection with the Company's Anthony's acquisition. For the year ended December 31, 2021, 10,000 of these units vested, resulting in stock compensation expense of $0.2 million, which has been recorded in connection with the vesting of these restricted stock units. Further, effective January 3, 2022, the Consultant Principal was granted 37,959 unrestricted shares of common stock of the Company.

In connection with the acquisition of Anthony's, the Company issued redeemable preferred stock and assumed certain liabilities, including the Delayed Draw Term Loan Facility, which was provided by a related party and a significant shareholder. The Delayed Draw Term Loan is a non-interest bearing loan which matures on June 15, 2024. Refer to Note 9 Redeemable Preferred Stock and Note 10 Debt.

8. Commitments and Contingencies

Leases

The Company has entered into various operating leases. For the year ended December 31, 2021, the Successor period from December 16, 2020 to December 31, 2020, and the Predecessor period from January 1, 2020 to December 15, 2020, rent expense was approximately $4.9 million, $19,000, and $2.7 million, respectively. These lease agreements expire on various dates through 2033 and have renewal options. Approximate future minimum payments on these operating leases for the years ended December 31 are as follows:

(in thousands)		
2022	$	11,159
2023		12,911
2024		11,287
2025		9,520
2026		7,733
Thereafter		22,542

Sale Commitment

In February 2020, the Company entered into an asset purchase agreement with an unrelated third party for the sale of substantially all of the assets used in connection with the operation of BF Dania Beach, LLC for an aggregate purchase price of $1.3 million. During January to April 2020, the Company received three cash deposits totaling $0.9 million in connection with this transaction. The closing of this transaction has been delayed due to additional negotiation that has been on-going through the report date of April 14, 2022. In the event the transaction is terminated, the Company will keep operating the restaurant, and return the $0.9 million to the unrelated third-party purchaser. Assets used in the operations of BF Dania Beach, LLC totaling $0.7 million have been classified as held for sale in the consolidated balance sheets as of December 31, 2021 and 2020.

Contingencies

Eric Gilbert v. BurgerFi International, Inc., Ophir Sternberg, et al. (Court of Chancery of the State of Delaware, Case No. 2022-0185- , filed on February 25, 2022). Mr. Gilbert filed a class action lawsuit against BurgerFi International, Inc. and each of the members of the Board of Directors alleging that the Company's Amended and Restated Bylaws improperly contains a provision restricting written consents by the shareholders. Mr. Gilbert is seeking an amendment to the bylaws, as well as attorney' fees and costs. At this preliminary stage, it is difficult to provide an evaluation of the likelihood of an unfavorable outcome or a reasonable estimate of the amount or range of potential loss. Based on the information known to date, the Company's potential liability appears to be reasonably possible, but the amount of potential loss cannot be reasonably estimated; any losses, however, may be material to the Company's financial position and results of operations.

BurgerFi International, LLC v Shree at Philly Downtown, LLC, et. al. (U.S. District Court for the Southern District of Florida, Case No. 15-81544-CIV filed November 10, 2015). BurgerFi filed this suit against Shree at Philly Downtown LLC, a franchisee and its principals (collectively, *"Shree"*). BurgerFi seeks declaratory judgments and damages in an amount to be proven at trial for various breaches of the applicable franchise agreements resulting from the Shree's closure of the New Brunswick, New Jersey restaurant, its failure to open the Secaucus, New Jersey restaurant, and its operational defaults at the Philadelphia, Pennsylvania restaurant. In April 2016, Shree filed a counterclaim, asserting that it had no responsibility for its losses, and instead, alleged that we have engaged in breach of contract, fraud, misrepresentation, conversion in connection with the operation of the restaurant, and various other allegations, seeking damages of over $5 million. We denied any wrongdoing. On December 30, 2016, the court stayed the case pending the resolution of the bankruptcy filings made by some of the defendants. No further action has occurred. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the case described above, therefore, no contingent liability has been recorded as of December 31, 2021; any losses, however, may be material to the Company's financial position and results of operations.

Corey Winograd v BurgerFi International, LLC (Fifteenth Judicial Circuit Court of Palm Beach County, Florida, Case No. 502019-CA015256, filed December 1, 2019). Corey Winograd, the former chief executive officer of the Company, filed this suit against BurgerFi for certain alleged breaches of an employment agreement, claiming damages in excess of $15 million. BurgerFi filed a motion to dismiss the complaint on February 13, 2020. On May 20, 2020, the motion to dismiss was heard, which was granted in part and denied in part. The portion of the complaint not dismissed was answered by BurgerFi with affirmative defenses raised on July 7, 2020. The plaintiff served various discovery requests (including notices of non-party subpoenas) on July 9, 2020 as well as a motion to strike BurgerFi's affirmative defenses on July 16, 2020. BurgerFi filed objections to the non-party subpoenas on July 20, 2020. On September 11, 2020, BurgerFi filed a motion to dismiss and certain claims were dismissed by the court. The complaint now involves claims for alleged breach of contract (count I) and alleged action for equitable relief including an accounting and constructive lien (count II). On September 4, 2020, the parties met for mediation but were unable to resolve this matter. We believe that all claims are meritless, and we plan to vigorously defend these allegations. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the case described above, therefore, no contingent liability has been recorded as of December 31, 2021; any losses, however, may be material to the Company's financial position and results of operations.

*Second 82nd SM, LLC v. BF NY 82, LLC, BurgerFi International, LLC and BurgerFi International, Inc. (*in the Supreme Court of the State of New York County of New York, having index No. 654907/2021 filed August 11, 2021). A lawsuit was filed by Second 82nd SM, LLC ("*Landlord*") against BF NY 82, LLC ("*Tenant*") whereby Landlord brought a seven-count lawsuit for, among other things, breach of the lease agreement and underlying guaranty of the lease. The amount of damages Landlord is seeking is over $0.5 million, which constitutes back rent, late charges, real estate taxes, illuminated sign charges and water/sewer charges. On November 3, 2021, the Company filed a Motion to Dismiss the Complaint. On November 17, 2021, the Tenant filed an Answer to Landlord's Complaint and a cross claim against the Company, which the Company answered on December 7, 2021. On December 22, 2021, the Company filed its Response in Opposition to Landlord's Motion for Summary Judgment and Memo in further Support of its Motion to Dismiss. The parties continue to discuss a settlement, including turning over possession of the premises to the Landlord. The Company is unable to predict the ultimate outcome of this matter, however, losses may be material to the Company's financial position and results of operations.

Lion Point Capital Allegation. Beginning March 9, 2021 through March 11, 2022, the Company received letters from counsel to Lion Point Capital, LLC, a shareholder of the Company, alleging that the Company failed to timely register Lion Point's shares in violation of the Registration Rights Agreement, which allegedly resulted in losses of $11 million. The Company responded to each claim denying that any breach had occurred or that Lion Point incurred any damages caused by the delay in the filing of the Registration Statement. We believe that all claims are meritless, and we plan to vigorously defend these allegations. While no further action has occurred, management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the cases described above, therefore, no contingent liability has been recorded as of December 31, 2021; any losses, however, may be material to the Company's financial position and results of operations.

John Rosatti, as Trustee of the John Rosatti Revocable Trust U/A/D 08/27/2001 (the "JR Trust") v. BurgerFi International, Inc. (*In the Circuit Court for the Eleventh Judicial Circuit, Florida, File No. 146578749*). On March 28, 2022, the JR Trust filed a suit against BurgerFi alleging that the JR Trust suffered losses in excess of $750,000 relating to BurgerFi's alleged failure to timely file a registration rights agreement. The Company believes this case is without merit and intends to defend the case vigorously. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the case, therefore, no contingent liability has been recorded as of December 31, 2021; any losses, however, may be material to the Company's financial position and results of operations.

Burger Guys of Dania Pointe, et. al. v. BFI, LLC (in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida, Case No. 50-2021-CA -006501-XXXX-MB *filed May 21, 2021).* In response to a demand letter issued by the Company to Gino Gargiulo, a former franchisee, demanding that Mr. Gargiulo pay the balance owed under an asset purchase agreement wherein BurgerFi sold the Dania Beach, Florida BurgerFi location to Mr. Gargiulo, Mr. Gargiulo claims that no further monies are owed under the asset purchase agreement and alleges that the Company is responsible for one of Gargiulo's failed franchises in Sunny Isles, Florida, losses he has allegedly sustained at his Dania Beach location, and reimbursement of expenses in connection with his marketing company. Mr. Gargiulo seeks damages in excess of $2 million in the aggregate. We believe that all claims are meritless, and we plan to vigorously defend these allegations. The parties attended mediation on January 20, 2022, but it ended in an impasse. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the cases described above, therefore, no contingent liability has been recorded as of December 31, 2021; any losses, however, may be material to the Company's financial position and results of operations.

Employment Related Claims.

In July 2021, the Company received a demand letter from the attorney of one of our now former hourly restaurant employees. The letter alleges that the former employee was sexually harassed by one of her co-workers. The demand letters claim that we discriminated and retaliated against the former employee based on her gender and age and also alleged intentional infliction of emotional distress, negligent hiring, negligent training, and negligent supervision.

In February 2020, a former employee filed a charge of discrimination with the EEOC alleging age discrimination. In June 2021, the claimant filed a demand for arbitration. The parties agreed to mediate the matter before commencing the arbitration proceedings but were unable to resolve the case.

While we believe that all claims of the two above mentioned Employment Related Claims, which are covered under the Company's insurance policies, are meritless, and we plan to defend these allegations, it is reasonably possible that the Company may ultimately be required to pay substantial damages to the claimants, which could be up to $0.8 million or more in aggregate compensatory damages, attorneys' fees and costs. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

General Liability and Other Claims.

The Company is subject to other legal proceedings and claims that arise during the normal course of business, including landlord disputes and slip and fall cases. While we intend to vigorously defend these matters, it is reasonably possible that the Company may be required to pay substantial damages to the claimants, which could be up to $0.4 million or more in aggregate compensatory damages, attorney's fees and costs related to such identified matters. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

9. Redeemable Preferred Stock

On November 3, 2021, and as part of the Anthony's acquisition, the Company issued 2,120,000 shares of redeemable preferred stock, par value $0.0001 per share, as Series A Preferred Stock (the *"Series A Junior Preferred Stock"*). The Series A Junior Preferred Stock is redeemable on November 3, 2027 and accrues dividends at 7.00% per annum compounded quarterly from June 15, 2024 with such rate increasing by an additional 0.35% per quarter commencing with the three month period ending September 30, 2024 and (b) in the event that the Credit Facility is refinanced or repaid in full prior to June 15, 2024 and the Series A Junior Preferred Stock is not redeemed in full on such date, from and after such date, shall accrue dividends at 5.00% per annum, compounded quarterly, until June 15, 2024.

The Series A Junior Preferred Stock ranks senior to the Common Stock and may be redeemed at the option of the Company at any time and must be redeemed by the Company in limited circumstances. The Series A Junior Preferred Stock shall not have voting rights or conversion rights. The Series A Junior Preferred Stock is measured at fair value with changes in fair value reported as interest expense in the accompanying consolidated statement of operations.

As of December 31, 2021, the fair value of the redeemable preferred stock was $47.5 million and the redemption amount was $53 million. During the year ended December 31, 2021, as it relates to fair value adjustment, the Company recorded interest expense on the redeemable preferred stock in the amount of $0.6 million.

10. Debt

(in thousands)	**December 31, 2021**	December 31, 2020
Term loan	**$ 57,761**	$ —
Related party note	**10,000**	—
Revolving line of credit	**2,500**	3,012
Notes payable	**706**	555
Other notes payable, no recourse to the general credit of the Company	**168**	168
Paycheck Protection Program (*"PPP"*)	**—**	2,237
Total Debt	**$ 71,135**	$ 5,972
Less: Unamortized debt discount to related party note	**(1,276)**	—
Less: Unamortized debt issuance costs	**(1,007)**	—
Total Debt, net	**68,852**	5,972
Less: Short-term borrowings	**(3,331)**	(4,450)
Total Long-term borrowings and related party note	**$ 65,521**	$ 1,522

Credit Agreement

On November 3, 2021, and in connection with the acquisition of Anthony's, the Company joined a credit agreement with a syndicate of commercial banks providing Anthony's with up to $71.8 million in financing (*"Credit Agreement"*), which is reflective of the $8.3 million that the Company paid down at the acquisition date. The Credit Agreement, which terminates on June 15, 2024, provides the Company with lender financing structured as a $57.8 million term loan, a $4 million revolving loan, and a $10 million delayed draw term loan facility (the *"Delayed Draw Term Loan Facility"*) provided by a related party and a significant shareholder. The terms of the Credit Agreement require the Company to repay the principal of the term loan in quarterly installments with the balance due at the maturity date, as follows:

in thousands		
2022	$	3,254
2023		3,254
2024		51,253
Total	**$**	**57,761**

The loan and revolving line of credit are secured by substantially all of the Company's assets and incurs interest on outstanding amounts at 4.75% per annum through 6/15/2023 and 6.75% from 6/16/2023 through maturity. The Delayed Draw Term Loan Facility is a non-interest bearing loan and accordingly has been recorded at fair value which resulted in a debt discount of approximately $1.3 million which is being amortized over the period of the Delayed Draw Term Loan Facility. For the year ended December 31, 2021, the Company recorded $0.1 million as amortization of the debt discount which is included within interest expense in the accompanying consolidated statements of operations. Pursuant to the terms of an amendment to the Credit Agreement effective as of March 9, 2022, certain of the covenants of (i) the Company and Plastic Tripod, Inc., as the borrowers (the *"Borrowers"*), and (ii) the subsidiary guarantors (the *"Guarantors"*) party to the Credit Agreement were amended, and the Borrowers and Guarantors agreed to pay incremental deferred interest of 2% per annum, in the event that the Credit Agreement is not repaid on or prior to June 15, 2023; provided, however, that if no event of default has occurred and is continuing then (1) no incremental deferred interest will be due if all of the obligations under the Credit Agreement have been paid on or prior to December 31, 2022, and (2) only 50% of the incremental deferred interest will be owed if all of the obligations under the Credit Agreement have been paid from and after January 1, 2023 and on or prior to March 31, 2023.

For the year ended December 31, 2021, the Company deferred $1.0 million of financing costs in connection with its Credit Agreement. Amortization expense associated with deferred financing costs, in the amount of $0.1 million for the year ended December 31, 2021 is included in interest expense in the accompanying consolidated statements of operations.

Notes Payable

Note payable relates to a note payable to an individual, issued in connection with the Company's acquisition of a franchised restaurant, which requires monthly payments of $9,000 over a seven-year amortization including 7% interest, with a maturity date of May 1, 2027. The other notes payable relates to an Economic Injury Disaster Loan from the Small Business Administration (*"SBA"*) and is primarily for one corporate-owned restaurant.

Line of Credit

The Company had a revolving line of credit agreement (*"LOC"*) of $5 million. In January 2021, the Company terminated the LOC and paid the total amount due of $3 million. As of December 31, 2020, the outstanding balance on the LOC was $3 million. The annual interest on advances under the LOC was equal to the LIBOR Daily Floating rate plus 0.75%.

PPP Loans

On May 11, 2020, the Company received loan proceeds in the amount of $2.2 million under the Paycheck Protection Program (*"PPP"*). During the year ended December 31, 2021, all PPP loans amounting to $2.2 million were forgiven by the SBA. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness of the loan; however, loans in excess of $2 million are subject to a mandatory audit. The audit will include the loan forgiveness application, as well as whether the Company met the eligibility requirements of the program and received the proper loan amount. The timing and outcome of any SBA review is not known.

The following table represents the future annual principal obligations under our various debt instruments as of December 31, 2021:

in thousands		
2022	$	3,332
2023		3,339
2024		63,845
2025		98
2026		105
Thereafter		416
Total	**$**	**71,135**

11. Supplemental Disclosure of Noncash Investing and Financing Activities

On April 1, 2020, the Company acquired a restaurant from a franchisee, with financing on a note payable of $0.6 million. As described in Note 5 Acquisitions, consideration issued in the BurgerFi acquisition included shares of stock valued at $103.7 million, and contingent consideration valued at $103.2 million.

As described in Note 5 Acquisitions, consideration issued in the Anthony's acquisition included redeemable preferred stock of approximately $53 million (carrying value of approximately $46.9 million at November 3, 2021 and fair value of approximately $47.5 million at December 31, 2021) and shares of common stock of approximately $29.0 million. The fair value of the preferred stock was determined using a discounted cash flow methodology. The expected future redemption payment was forecasted based on the contractual PIK (payment in kind) interest and estimated redemption date of December 31, 2024.

12. Income Taxes

The provision for (benefit) from income taxes is set forth below:

(in thousands)	Year Ended December 31, 2021	Successor December 16, 2020 through December 31, 2020
Current:		
U.S. Federal	**$ —**	$ 4
State	**—**	—
Total current income tax expense	**—**	4
Deferred:		
U.S. Federal	**(7,833)**	(314)
State	**(2,192)**	(56)
Total deferred income tax benefit	**(10,025)**	(370)
Valuation allowance	**10,337**	—
	312	(370)
Income tax expense (benefit)	**$ 312**	$ (366)

The reconciliation of income tax computed at the U.S. federal statutory rate of 21% to our effective tax rate is set forth below:

(in thousands)	Year Ended December 31, 2021	Successor December 16, 2020 through December 31, 2020
Income tax provision at the U.S. federal statutory rate	**$ (25,407)**	$ 1,046
Permanent differences	**402**	(181)
Share-based compensation	**496**	—
State income taxes, net of federal benefit	**(1,888)**	(56)
Change in derivative liability	**(2,900)**	(1,175)
Goodwill impairment	**19,820**	—
True-up	**42**	—
Change in valuation allowance	**10,337**	—
Change in rate	**(406)**	—
Tax credits	**(184)**	—
Total income tax (benefit) expense	**$ 312**	$ (366)

The components of the Company's deferred tax assets (liabilities) at December 31, 2021 and December 31, 2020 are set forth below:

(in thousands)	Year Ended December 31, 2021	Successor December 16, 2020 through December 31, 2020
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	$ 57	$ 33
Goodwill	2,794	—
Deferred franchise fees	684	752
Deferred rent	239	7
Stock compensation	1,250	203
Net operating losses, Federal	11,215	1,550
Net operating losses, State	2,066	—
Deferred payroll taxes	217	—
Interest expense	3,540	—
Tax credits	713	—
Other	1,075	151
Gross deferred tax assets	23,850	2,696
Valuation allowance	(11,383)	—
Net deferred tax assets	12,467	2,696
Fixed assets	(520)	(1,876)
Intangible assets	(13,300)	(87)
Goodwill	—	(20)
Deferred tax liabilities	(13,820)	(1,983)
Total net deferred tax (liabilities) assets	**$ (1,353)**	**$ 713**

As of December 31, 2021, the Company’s federal net operating loss carryforwards for income tax purposes was $53.4 million. On a tax-effected basis, the Company also had net operating losses of $2.1 million related to various state jurisdictions. $44.9 million of the federal net operating loss carryforwards will be carried forward indefinitely and will be available to offset 80% of taxable income. The remaining amount of the federal net operating loss carryforwards will expire at varying dates through 2037.

Pursuant to Sections 382 and 383 of the IRC and corresponding provisions of state law, the utilization of net operating loss carryforwards and tax credits may be limited as a result of a cumulative change in stock ownership of more than 50% over a three year period. The Company underwent such a change and consequently, the utilization of a portion of the net operating loss carryforwards and tax credits is subject to certain limitations.

In assessing the realizability of deferred income tax assets, ASC 740 requires that a more likely than not standard be met. If the Company determines that it is more likely than not that deferred income tax assets will not be realized, a valuation allowance must be established. The realization of deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies when making this determination. The Company has experienced cumulative losses in recent years which is significant negative evidence that is difficult to overcome in order to reach a determination that a valuation allowance is not required. Based on the Company's evaluation of its deferred tax assets, a valuation allowance of approximately $11.4 million has been recorded against the deferred tax asset.

The following table summarizes the Company's unrecognized tax benefits at December 31, 2021 and December 30, 2020:

		Successor
(in thousands)	Year Ended December 31, 2021	December 16, 2020 through December 31, 2020
Beginning balance	$ —	$ —
Additions based on tax positions related to the current year	$ —	$ —
Additions for tax positions of prior years	$ 660	$ —
Ending balance	$ 660	$ —

The Company had outstanding federal refund claims of approximately $0.7 million as of December 31, 2021. In March 2022, the Company received approximately $0.7 million of those refund claims.

13. Stockholders' Equity

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At December 31, 2021 and December 31, 2020, there were 21,303,500 shares and 17,541,838 shares of common stock outstanding, respectively.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors.

On November 3, 2021, and as part of the Anthony's acquisition, the Company issued 2,120,000 shares of redeemable preferred stock. As of December 31, 2020, there were no shares of preferred stock issued or outstanding. See Note 9 Redeemable Preferred Stock.

Warrants

As of December 31, 2021, the Company had the following warrants and options outstanding: 15,063,800 warrants outstanding, each exercisable for one share of common stock at an exercise price of $11.50 including 11,468,800 in Public Warrants, 3,000,000 in Private Placement Warrants, 445,000 in Private Warrants and 150,000 in Working Capital Warrants, 75,000 Unit Purchase Option *"UPO"* units that are exercisable for one share of common stock at an exercise price of $10.00 and warrants exercisable for one share of common stock at an exercise price of $11.50. The Public Warrants expire in December 2025.

During the year ended December 31, 2021, the Company exchanged 675,000 UPO units for 283,669 common shares in a cashless exercise, issued 100 shares for warrants exercised in cash and issued 7,969 shares in cashless warrant exercises.

The Public Warrants became exercisable 30 days after the completion of the BurgerFi acquisition, provided that the Company has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to them is available. Warrant holders may, during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- at any time during the exercise period;
- upon a minimum of 30 days' prior written notice of redemption; and
- if, and only if, the last sale price of the Company's common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the date on which the Company sends the notice of redemption to the warrant holders.
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the common stock issuable upon the exercise of the Private Placement Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Private Placement Warrants are accounted for as liabilities.

The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the common stock issuable upon the exercise of the Private Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Private Warrants may be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Private Warrants are accounted for as liabilities.

The Working Capital Warrants are identical to the Public Warrants, except that the Working Capital Warrants and the common stock issuable upon the exercise of the Working Capital Warrants became transferable, assignable or salable after the completion of the BurgerFi acquisition, subject to certain limited exceptions. Additionally, the Working Capital Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Working Capital Warrants are held by someone other than the initial purchasers or their permitted transferees, the Working Capital Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Due to this provision, the Working Capital Warrants are accounted for as liabilities.

Unit Purchase Options

The Company has an outstanding Unit Purchase Option Agreement with an investor, to purchase up to 750,000 Units (Units include 1 common share and 1 warrant per Unit) exercisable at $10.00 per Unit. The unit purchase option may be exercised for cash or on a cashless basis, at the holder's option, and expires on March 17, 2023. The option grants to holders demand and "piggyback" rights for periods of five and seven years, respectively, from March 13, 2018 with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. The Company will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or the Company's recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of common stock at a price below its exercise price. During the year ended December 31, 2021, the Company exchanged 675,000 UPO units for 283,669 common shares in a cashless exercise and issued 7,969 shares in cashless warrant exercises.

Share-Based Compensation

The Company has the ability to grant stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance compensation awards to current or prospective employees, directors, officers, consultants or advisors under the Plan. The Plan was established to benefit the Company and its stockholders, by assisting the Company to attract, retain and provide incentives to key management employees, directors, and consultants of the Company, and to align the interests of such service providers with those of the Company's stockholders. Accordingly, the Plan provides for the granting of Non-qualified Stock Options, Incentive Stock Options, Restricted Stock Unit Awards, Restricted Stock Awards, Stock Appreciation Rights, Performance Stock Awards, Performance Unit Awards, Unrestricted Stock Awards, Distribution Equivalent Rights or any combination of the foregoing.

The initial aggregate number of Shares that may be issued under the Plan shall not exceed Two Million (2,000,000) Shares. The aggregate number of Shares reserved for Awards under the Plan (other than Incentive Stock Options) shall automatically increase on January 1 of each year, for a period of not more than ten (10) years, commencing on January 1 of the year following the year after the date the Plan became effective in an amount equal to five percent (5%) of the total number of shares of common stock outstanding on December 31 of the preceding calendar year, provided that the Committee may determine prior to the first day of the applicable fiscal year to lower the amount of such annual increase. On January 3, 2022, the Company filed a Registration Statement with the SEC to register 1,065,175 additional shares of common stock, $0.0001 par value per share, of the Company under the Plan, pursuant to the "evergreen" provision of the Plan providing for an automatic increase in the number of shares reserved for issuance under the Plan.

As of December 31, 2021 and 2020, there were approximately 126,302 and 700,000 shares of common stock available for future grants under the 2020 Plan, respectively.

Restricted Stock Unit Awards

The Company grants RSU Awards with service, performance and market conditions. The RSU Awards granted with service conditions generally vest over 4 years. The market conditions include an index to the market value of the stock price of BurgerFi, and the performance conditions are based on key performance indicators, as identified in the employment agreements. The fair value of restricted stock units granted is determined using the fair market value of the Company's common stock on the date of grant, as set forth in the applicable plan document.

The following table summarizes activity of restricted stock units during 2021:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2020	1,250,000	$ 15.28
Granted	1,445,600	13.02
Vested	(118,750)	12.85
Forfeited	(793,152)	13.68
Non-vested at December 31, 2021	**1,783,698**	**$ 14.18**

Share-based compensation recognized during year ended December 31, 2021 was approximately $7.6 million, inclusive of restricted stock unit grants of $7.4 million and stock grants of $0.2 million. Share-based compensation recognized for financial reporting purposes during the Successor period December 16, 2020 through December 31, 2020 was $0.8 million, comprised of restricted stock unit grants. As of December 31, 2021, there was approximately $19.6 million of total unrecognized compensation cost related to unvested restricted stock units or performance-based restricted stock unit awards to be recognized over a weighted average period of 1-4 years.

The unrecognized portion of share-based compensation for unvested market condition restricted stock units (included in above) is approximately $1.2 million over 1.47 years. As detailed below, the fair value of the market condition restricted stock units was determined using a Monte Carlo simulation model.

Performance-Based Restricted Stock Unit Awards

The Company grants performance-based awards (restricted stock units) to certain officers and key employees. The vesting of these awards is contingent upon meeting one or more defined operational or financial goals (a performance condition) or common stock share prices (a market condition) or employment conditions.

The fair values of the performance condition awards granted were determined using the fair market value of the Company's common stock on the date of grant. Share-based compensation expense recorded for performance condition awards is reevaluated at each reporting period based on the probability of the achievement of the goal. Certain goals were achieved as of December 31, 2021. Accordingly, the Company recognized share-based compensation expense of approximately $4.6 million in relation to these awards during the year ended December 31, 2021.

The fair value of market condition awards granted were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that the market conditions will be achieved and is applied to the trading price of our common stock on the date of grant. In July 2021, the Company modified the terms related to certain market condition awards that the Compensation Committee previously approved. As a result of this modification, the Company recorded additional share-based compensation of $54,000 during the year ended December 31, 2021 for these modifications.

The input variables are noted in the table below:

	2021	2020
Risk-free interest rate	**1.03 %**	0.18 %
Expected life in years	**2.99**	3
Expected volatility	**65.9 %**	65.9 %
Expected dividend yield *	**0 %**	0 %
** The Monte Carlo method assumes a reinvestment of dividends.*		

Share-based compensation expense is recorded ratably for market condition awards during the requisite service period and is not reversed, except for forfeitures, at the vesting date regardless of whether the market condition is met. During the year ended December 31, 2021 and the Successor period, $1.5 million and $33,000, respectively, was recognized ratably as share-based compensation expense for the market condition awards.

Service-Based Restricted Stock Unit Awards

The Company grants service-based awards (restricted stock units) to certain officers and key employees. The vesting of these awards is contingent upon meeting the requisite service period. The fair value of restricted stock unit awards is determined using the publicly-traded price of our common stock on the grant date. During the year ended December 31, 2021 and the Successor period, $1.3 million and $0.8 million, respectively, was recognized ratably as share-based compensation expense for the market condition awards.

The following table summarizes activity of the restricted stock units during 2021:

	Performance Condition		Service Condition		Market Condition	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2020	950,000	$ 15.70	200,000	$ 15.70	100,000	$ 10.45
Granted	888,600	14.65	97,000	12.74	460,000	9.91
Vested	(58,750)	15.66	(45,000)	8.81	(15,000)	14.01
Forfeited	(528,152)	15.20	—	—	(265,000)	10.63
Non-vested at December 31, 2021	**1,251,698**	**$ 15.15**	**252,000**	**$ 15.79**	**280,000**	**$ 8.42**

14. Fair Value Measurements

Fair values of financial instruments are estimated using public market prices, quotes from financial institutions, and other available information. The fair values of cash equivalents, receivables, net, accounts payable and short-term debt approximate their carrying amounts due to their short duration.

The following tables summarize the fair values of financial instruments measured at fair value on a recurring basis as of December 31, 2021 and 2020.

	Items Measured at Fair Value at December 31, 2021		
(in thousands)	Quoted prices in active market for identical assets (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Redeemable preferred stock	**$ —**	**$ 47,525**	**$ —**
Related party note	**—**	**8,724**	**—**
Warrant liability	**—**	**—**	**2,706**
Total	**$ —**	**$ 56,249**	**$ 2,706**

	Items Measured at Fair Value at December 31, 2020		
(in thousands)	Quoted prices in active market for identical assets (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	$ —	$ —	$ 16,516
Total	$ —	$ —	$ 16,516

The fair value of the preferred stock was determined using a discounted cash flow methodology. The expected future redemption payment was forecasted based on the contractual PIK (payment in kind) interest and estimated redemption date of December 31, 2024.

The fair value of the related party note, which is classified as Level 2 in the fair value hierarchy, is determined based on market prices or, if market prices are not available, the present value of the underlying cash flows discounted at our incremental borrowing rates.

The fair value of non-financial assets measured at fair value on a non-recurring basis, classified as Level 2 in the fair value hierarchy, is determined based on third-party market appraisals. The fair value of our warrant liability is measured at fair value on a non-recurring basis, classified as Level 3 in the fair value hierarchy. The fair value of the private placement warrants, private warrants, and working capital warrants are determined using the publicly-traded price of our common stock on the valuation dates of $5.67 on December 31, 2021 and $13.69 on December 31, 2020. The fair value is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period.

The fair value of private warrants for the Successor period from December 16, 2020 to December 31, 2020 were estimated using a Dynamic Black-Scholes model. This process relies upon inputs such as shares outstanding, estimated stock prices, strike price, risk free interest rate and volatility assumptions. The calculated warrant price for private warrants was $0.75 and $4.60 on December 31, 2021 and December 31, 2020, respectively.

The input variables for the Black-Scholes are noted in the table below:

	2021	2020
Risk-free interest rate	**1.11 %**	0.36 %
Expected life in years	**3.96**	5
Expected volatility	**41.8 %**	30.0 %
Expected dividend yield	**0 %**	0 %

Assets and liabilities that are measured at fair value on a non-recurring basis include our long-lived assets and definite-lived intangible assets that we performed impairment testing for. In determining fair value, we used an income-based approach. As a number of assumptions and estimates were involved that are largely unobservable, they are classified as Level 3 inputs within the fair value hierarchy. Assumptions used in these forecasts are consistent with internal planning, and include revenue growth rates, royalties, gross margins, and operating expense in relation to the current economic environment and the Company’s future expectations.

15. Segment Information

Prior to the Anthony's acquisition in November 2021, the Company had one operating and reportable segment. As such, segment information is presented for the year ended December 31, 2021, but not prior periods as all information in prior periods relates to the BurgerFi brand. Following the Anthony's acquisition, the Company has two operating and reportable segments:

- BurgerFi, which includes our operations of corporate-owned and franchised BurgerFi restaurants, which offer a fast-casual “better burger” concept; and
- Anthony's, which includes our operations of casual dining pizza restaurants under the name Anthony’s Coal Fired Pizza & Wings.

The CODMs are the CEO, CFO, and Executive Chairman as they assess the performance of the reportable segments and make all the significant strategic decisions, including the allocation of resources.

External sales are derived principally from food and beverage sales, royalty and franchise revenue. We do not rely on any major customers as a source of sales, and the customers and long-lived assets of our reportable segments are predominantly in the U.S. There were no material transactions among reportable segments.

The following tables present revenue, capital expenditures, depreciation and amortization, pre-opening costs, interest expense, and net (loss) income by segment:

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

(in thousands)	Year Ended December 31, 2021 *
Revenue:	
BurgerFi	**$ 46,448**
Anthony's	**22,419**
Total	**$ 68,867**
Capital expenditures:	
BurgerFi	**$ 10,348**
Anthony's	**317**
Total	**$ 10,665**
Depreciation and amortization:	
BurgerFi	**$ 8,694**
Anthony's	**1,366**
Total	**$ 10,060**
Pre-opening costs:	
BurgerFi	**$ 1,905**
Anthony's	—
Total	**$ 1,905**
Interest expense:	
BurgerFi	**$ 673**
Anthony's	**733**
Total	**$ 1,406**
Net (loss) income:	
BurgerFi	**$ (121,352)**
Anthony's	**(142)**
Total	**$ (121,494)**

** Amounts for Anthony's are only presented from November 3, 2021, the date of acquisition.*

Total assets by segment are as follows:

(in thousands)	Year Ended December 31, 2021 *	Year Ended December 31, 2020
Total assets:		
BurgerFi	**$ 161,675**	$ 289,116
Anthony's	**156,044**	N/A
Total	**$ 317,719**	$ 289,116

** Amounts for Anthony's are only presented from November 3, 2021, the date of acquisition.*

Exhibit A-3 Third Quarter 2023 Unaudited Financial Statements

UNAUDITED FINANCIAL STATEMENTS

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

Part I. Financial Information.

Item 1. Financial Statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Balance Sheets

(in thousands, except for per share data)	Unaudited October 2, 2023	January 2, 2023
Assets		
Current Assets		
Cash	$ 9,746	$ 11,917
Accounts receivable, net	1,229	1,926
Inventory	1,376	1,320
Assets held for sale	732	732
Prepaid expenses and other current assets	972	2,564
Total Current Assets	**$ 14,055**	**$ 18,459**
Property & equipment, net	17,987	19,371
Operating right-of-use assets, net	46,070	45,741
Goodwill	31,621	31,621
Intangible assets, net	153,091	160,208
Other assets	1,114	1,380
Total Assets	**$ 263,938**	**$ 276,780**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable - trade and other	$ 8,216	$ 8,464
Accrued expenses	8,179	10,589
Short-term operating lease liability	12,252	9,924
Short-term borrowings, including finance leases	3,539	4,985
Other current liabilities	2,700	6,241
Total Current Liabilities	**$ 34,886**	**$ 40,203**
Non-Current Liabilities		
Long-term borrowings, including finance leases	49,396	53,794
Redeemable preferred stock, $0.0001 par value, 10,000,000 shares authorized, 2,120,000 shares issued and outstanding as of October 2, 2023 and January 2, 2023, $53 million principal redemption value, respectively	54,545	51,418
Long-term operating lease liability	40,672	40,748
Related party note payable	14,450	9,235
Deferred income taxes	1,223	1,223
Other non-current liabilities	1,120	1,212
Total Liabilities	**$ 196,292**	**$ 197,833**
Commitments and Contingencies - Note 8		
Stockholders' Equity		
Common stock, $ 0.0001 par value, 100,000,000 shares authorized, 26,805,474, and 22,257,772 shares issued and outstanding as of October 2, 2023 and January 2, 2023, respectively	2	2
Additional paid-in capital	314,905	306,096
Accumulated deficit	(247,261)	(227,151)
Total Stockholders' Equity	**$ 67,646**	**$ 78,947**
Total Liabilities and Stockholders' Equity	**$ 263,938**	**$ 276,780**

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

(in thousands, except for per share data)	Quarter Ended		Nine Months Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Revenue				
Restaurant sales	$ 37,324	$ 40,361	$ 121,448	124,954
Royalty and other fees	1,698	2,465	5,858	7,179
Royalty - brand development and co-op	458	429	1,328	1,351
Total Revenue	**$ 39,480**	**$ 43,255**	**$ 128,634**	**$ 133,484**
Restaurant level operating expenses:				
Food, beverage and paper costs	9,947	11,665	32,329	37,017
Labor and related expenses	11,853	12,217	37,769	37,126
Other operating expenses	7,199	7,464	22,415	22,077
Occupancy and related expenses	3,933	3,848	11,697	11,575
General and administrative expenses	4,638	5,511	17,027	18,943
Depreciation and amortization expense	3,272	4,253	9,794	13,427
Share-based compensation expense	172	1,010	5,401	9,295
Brand development, co-op and advertising expenses	999	1,159	3,028	2,998
Restructuring costs and other charges, net	515	568	2,688	1,608
Goodwill and intangible asset impairment	—	—	—	55,168
Total Operating Expenses	**$ 42,528**	**$ 47,695**	**$ 142,148**	**$ 209,234**
Operating Loss	**(3,048)**	**(4,440)**	**(13,514)**	**(75,750)**
Interest expense, net	(2,219)	(2,245)	(6,508)	(6,562)
Gain (Loss) on change in value of warrant liability	224	726	(167)	2,050
Other income, net	85	2,627	81	2,546
Loss before income taxes	**$ (4,958)**	**$ (3,332)**	**$ (20,108)**	**$ (77,716)**
Income tax (expense) benefit	—	—	(2)	447
Net loss	**$ (4,958)**	**$ (3,332)**	**$ (20,110)**	**$ (77,269)**
Weighted average common shares outstanding:				
Basic and Diluted	**26,793,358**	**22,253,232**	**25,078,410**	**22,146,258**
Net loss per common share:				
Basic and Diluted	**$ (0.19)**	**$ (0.15)**	**$ (0.80)**	**$ (3.49)**

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(in thousands, except for share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance as of June 30, 2022	**22,253,232**	**$ 2**	**$ 304,191**	**$ (197,656)**	**$ 106,537**
Share-based compensation	—	—	1,010	—	1,010
Vested shares issued	—	—	—	—	—
Shares issued in acquisition of Anthony's*	—	—	—	—	—
Shares withheld for taxes	—	—	—	—	—
Net income	—	—	—	(3,332)	(3,332)
Balance as of October 3, 2022	**22,253,232**	**$ 2**	**$ 305,201**	**$ (200,988)**	**$ 104,215**

(in thousands, except for share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance as of July 3, 2023	**26,724,218**	**$ 2**	**$ 314,749**	**(242,303)**	**$ 72,448**
Shares issued in private placement	—	—	—	—	—
Share-based compensation	—	—	172	—	172
Vested shares issued	81,256	—	—	—	—
Shares issued in legal settlement	—	—	—	—	—
Shares withheld for taxes	—	—	(16)	—	(16)
Net loss	—	—	—	(4,958)	(4,958)
Balance as of October 2, 2023	**26,805,474**	**$ 2**	**$ 314,905**	**$ (247,261)**	**$ 67,646**

(in thousands, except for share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance as of December 31, 2021	**21,303,500**	**$ 2**	**$ 296,992**	**$ (123,719)**	**$ 173,275**
Share-based compensation	—	—	5,485	—	5,485
Shares issued for share-based compensation	965,676	—	3,810	—	3,810
Shares issued in acquisition of Anthony's*	123,131	—	—	—	—
Shares withheld for taxes	(139,075)	—	(1,086)	—	(1,086)
Net income	—	—	—	(77,269)	(77,269)
Balance as of October 3, 2022	**22,253,232**	**$ 2**	**$ 305,201**	**$ (200,988)**	**$ 104,215**

(in thousands, except for share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance as of January 2, 2023	22,257,772	**$ 2**	**$ 306,096**	**$ (227,151)**	**$ 78,947**
Shares issued in private placement	2,868,853	—	3,436	—	3,436
Share-based compensation	—	—	5,401	—	5,401
Vested share issued	1,762,313	—	—	—	—
Shares issued in legal settlement	200,000	—	352	—	352
Shares withheld for taxes	(283,464)	—	(380)	—	(380)
Net loss	—	—	—	(20,110)	(20,110)
Balance as of October 2, 2023	**26,805,474**	**$ 2**	**$ 314,905**	**$ (247,261)**	**$ 67,646**

**Timing of share issuance differs from recognition of related financial statement dollar amounts.*

See accompanying notes to consolidated financial statements.

BurgerFi International Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended October 2, 2023	Nine Months Ended October 3, 2022
Cash Flows (Used in) Provided by Operating Activities		
Net loss	**$ (20,110)**	**$ (77,269)**
Adjustments to reconcile net loss income to net cash (used in) provided by operating activities		
Goodwill impairment	—	55,168
Recovery of doubtful accounts, net	—	(150)
Depreciation and amortization	9,794	13,427
Share-based compensation	5,401	9,295
Gain on legal settlement, net	(619)	—
Forfeited franchise deposits	(374)	(884)
Non-cash lease cost	(44)	173
Loss (gain) on change in value of warrant liability	167	(2,050)
(Gain) loss on disposal of property and equipment	(96)	720
Deferred income taxes	—	(447)
Other non-cash interest	3,606	3,512
Other, net	2	—
Changes in operating assets and liabilities		
Accounts receivable	709	295
Inventory	(34)	70
Prepaid expenses and other assets	1,817	(2,350)
Accounts payable - trade and other	(300)	1,156
Accrued expenses and other current liabilities	(3,206)	2,160
Other long-term liabilities	123	(263)
Cash Flows (Used in) Provided by Operating Activities	**$ (3,164)**	**$ 2,563**
Net Cash Flows Used In Investing Activities		
Purchases of property and equipment	(1,425)	(1,330)
Proceeds from the sale of property and equipment	936	1,025
Other investing activities	—	(117)
Net Cash Flows Used In Investing Activities	**$ (489)**	**$ (422)**
Net Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of common stock	3,436	—
Payments on borrowings	(6,497)	(2,507)
Proceeds from related party note payable	5,100	—
Proceeds from line of credit	—	1,000
Tax payments for restricted stock upon vesting	(380)	(1,086)
Debt issuance costs	(57)	(164)
Repayments of finance leases	(120)	(132)
Net Cash Flows Provided by (Used in) Financing Activities	**$ 1,482**	**$ (2,889)**
Net Decrease in Cash and Cash Equivalents	(2,171)	(748)
Cash and Cash Equivalents, beginning of period	11,917	14,889
Cash and Cash Equivalents, end of period	**$ 9,746**	**$ 14,141**

Supplemental cash flow disclosures:				
Cash paid for interest	$	2,562	$	2,180
Fair value of net liabilities assumed in legal settlement	$	(79)	$	—
Fair value of common stock issued in legal settlement	$	352	$	—
ROU assets obtained in the exchange for lease liabilities:				
Finance leases	$	466	$	—
Operating leases	$	8,463	$	—

See accompanying notes to consolidated financial statements.

1. Organization

BurgerFi International, Inc. and its wholly owned subsidiaries (*"BurgerFi," or the "Company," also "we," "us," and "our"*), is a multi-brand restaurant company that develops, markets and acquires fast-casual and premium-casual dining restaurant concepts around the world, including corporate-owned stores and franchises located in the United States, Puerto Rico and Saudi Arabia.

As of October 2, 2023, the Company had 169 franchised and corporate-owned restaurants of the two following brands:

BurgerFi. BurgerFi is a fast-casual "better burger" concept with 110 franchised and corporate-owned restaurants as of October 2, 2023, offering burgers, hot dogs, crispy chicken, hand-cut fries, frozen custard and shakes, beer, wine and more.

Anthony's. Anthony's is a pizza and wing brand that operated 59 corporate-owned casual restaurant locations, as of October 2, 2023. The concept is centered around a coal-fired oven, and its menu offers "well-done" pizza, coal-fired chicken wings, homemade meatballs, and a variety of handcrafted sandwiches and salads.

Corporate-owned stores and Franchised stores

Store activity for the nine months ended October 2, 2023 and the year ended January 2, 2023 is as follows:

	October 2, 2023			January 2, 2023		
	Corporate-owned	Franchised	Total	Corporate-owned	Franchised	Total
Total BurgerFi and Anthony's	**85**	**84**	**169**	**85**	**89**	**174**
BurgerFi stores, beginning of the period	25	89	**114**	25	93	**118**
BurgerFi stores opened	—	5	**5**	3	8	**11**
BurgerFi stores acquired / (transferred)	2	(2)	**—**	(3)	3	**—**
BurgerFi stores closed	(1)	(8)	**(9)**	—	(15)	**(15)**
BurgerFi total stores, end of the period	**26**	**84**	**110**	**25**	**89**	**114**
Anthony's stores, beginning of period	60	—	**60**	61	—	**61**
Anthony's stores opened	**—**	**—**	**—**	**—**	**—**	**—**
Anthony's stores closed	**(1)**	**—**	**(1)**	**(1)**	**—**	**(1)**
Anthony's total stores, end of the period	**59**	**—**	**59**	**60**	**—**	**60**

Store totals included two international stores at October 2, 2023 and one international store at January 2, 2023.

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("*U.S. GAAP*") assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, as discussed below and elsewhere through this Quarterly Report on Form 10-Q, substantial doubt about the Company's ability to continue as a going concern exists. Please see Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as Risk Factors in the Company's Annual Report on Form 10-K for the year ended January 2, 2023 (the "*2022 Form 10-K*") and this Quarterly Report on Form 10-Q, for further information.

The Company's credit agreement ("*Credit Agreement*") with a syndicate of banks has approximately $52.1 million in financing outstanding as of October 2, 2023, and expires on September 30, 2025. The Credit Agreement contains numerous covenants, including those whereby the Company is required to meet certain trailing twelve-month quarterly financial ratios and a minimum liquidity requirement. The Company was in compliance with all of the covenants under the Credit Agreement as of October 2, 2023.

Some of the financial covenants contained within the Credit Agreement require financial performance to improve at a rate faster than we have experienced and at a faster rate than we expect to experience over the next twelve months. As a result, management believes it is probable that the Company will not be in compliance with each of the financial covenants in the Credit Agreement over the next 12 months, which would constitute a breach of the Credit Agreement and an event of default if not cured in accordance with its terms. Any such default would allow the lenders to call the debt sooner than its maturity date of September 30, 2025. In the event that the lenders do call the debt during the next 12 months as the result of a covenant breach, the Company is not forecasted to have the readily available funds to repay the debt, which raises substantial doubt about the Company's ability to continue as a going concern within one year after the date the consolidated financial statements are issued.

The Company has been and continues to be in communication with its lenders about potential options to address concerns related to meeting the covenant requirements over the next 12 months. Management cannot, however, predict the results of any such negotiations.

The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that results from the uncertainty described above.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions for Form 10-Q and Rule 8-03 of Regulation S-X. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in the annual audited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying condensed consolidated balance sheet as of January 3, 2023 is derived from the Company's audited financial statements as of that date. Because certain information and footnote disclosures have been condensed or omitted, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended January 2, 2023 contained in the 2022 Form 10-K.

We are required to evaluate events occurring after October 2, 2023 for recognition and disclosure in the unaudited consolidated financial statements for the quarter and nine month periods ended October 2, 2023. Events are evaluated based on whether they represent information existing as of October 2, 2023, which require recognition, or new events occurring after October 2, 2023 which do not require recognition but require disclosure if the event is significant. We evaluated events occurring subsequent to October 2, 2023 through the date of issuance of these unaudited consolidated financial statements.

On July 28, 2022, our Board of Directors approved the change to a 52-53-week fiscal year ending on the Monday nearest to December 31 of each year in order to improve the alignment of financial and business processes following the acquisition of Anthony's. Our third fiscal quarter of 2023 ended on October 2, 2023. Our current fiscal year will end on January 1, 2024. As of October 3, 2022, the BurgerFi brand operated on a calendar year-end and the Anthony's brand operated on a 52-53-week fiscal year. Differences arising from the different fiscal period-ends were not deemed material for the quarter ended October 3, 2022.

Principles of Consolidation

The consolidated financial statements present the consolidated financial position, results from operations and cash flows of BurgerFi International, Inc., and its wholly owned subsidiaries. All material balances and transactions between the entities have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the prior year presentation to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the unaudited consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Company reviewed all recently issued accounting pronouncements and concluded that they were not applicable or not expected to have a significant impact on the accompanying consolidated financial statements.

Employer Retention Tax Credits

As of October 2, 2023 and January 2, 2023, the Company had $0.1 million and $1.5 million, respectively, of receivables related to the Taxpayer Certainty and Disaster Relief Act of 2020 included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Prepaid expenses

The Company routinely issues prepayments to landlords, insurers and vendors in the ordinary course of business. As of October 2, 2023 and January 2, 2023, the Company had $0.8 million and $0.9 million, respectively of prepayments included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Assets Held for Sale

In February 2020, the Company entered into an asset purchase agreement with an unrelated third party for the sale of substantially all of the assets used in connection with the operation of BF Dania Beach, LLC. The closing of this transaction has been delayed due to additional on-going negotiations. In the event the transaction is terminated, the Company will begin operating this BurgerFi restaurant, and return the deposit of $0.9 million included in other current assets to the unrelated third-party purchaser. Assets used in the operations of BF Dania Beach, LLC totaling $0.7 million have been classified as held for sale in the accompanying consolidated balance sheets as of October 2, 2023 and January 2, 2023.

During the quarter ended October 2, 2023, the Company recognized $0.1 million in gain on sale of assets in other income, net on our consolidated statements of operations from the sale of a liquor license intangible asset for one of our closed Anthony's locations with a book value of $0.8 million and classified as assets held for sale in a prior period.

Other Current Liabilities

The Company incurs liabilities associated with the sale of gift cards and gift certificates. As of October 2, 2023 and January 2, 2023, the Company had $0.8 million and $1.8 million, respectively of gift card and gift certificate liabilities included in other current liabilities on the accompanying consolidated balance sheets.

The Company incurs liabilities resulting from its customer loyalty program. As of October 2, 2023 and January 2, 2023, the Company had $0.9 million and $0.8 million, respectively of liabilities for its loyalty program in the accompanying consolidated balance sheets.

Restructuring Costs

Restructuring costs for the periods shown consist of the following:

	Quarter Ended		Nine Months Ended	
(in thousands)	**October 2, 2023**	**October 3, 2022**	**October 2, 2023**	**October 3, 2022**
Expenses related to financing	$ 70	$ —	$ 1,152	$ —
Severance and onboarding costs associated with change in CEO and CFO	282	—	1,244	—
Pre-Opening Costs			—	474
Store Closure Costs	163	568	334	1,134
Lease impairment recovery	—	—	(42)	—
Total	$ 515	$ 568	$ 2,688	$ 1,608

3. Property & Equipment

Property and equipment consisted of the following:

(in thousands)	**October 2, 2023**	**January 2, 2023**
Leasehold improvements	$ 18,242	$ 17,029
Kitchen equipment and other equipment	8,622	8,196
Computers and office equipment	1,625	1,468
Furniture and fixtures	2,867	2,677
Vehicles	6	37
	31,362	**29,407**
Less: Accumulated depreciation and amortization	(13,375)	(10,036)
Property and equipment – net	**$ 17,987**	**$ 19,371**

Depreciation and amortization expense on property and equipment totaled $1.1 million and $3.4 million for the quarter and nine months ended October 2, 2023, respectively. Depreciation and amortization expense on property and equipment totaled $2.2 million and $7.1 million for the quarter and nine months ended October 3, 2022, respectively. Depreciation and amortization expense decreased due to assets fully depreciating and impairments taken during 2022.

4. Goodwill and Intangible Assets, Net

The following is a summary of the components of goodwill and intangible assets, net:

	October 2, 2023			January 2, 2023		
(in thousands)	Amount	Accumulated Amortization	Net Carrying Value	Amount	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization:						
Franchise agreements	$ 24,840	$ (9,906)	$ 14,934	$ 24,839	$ (7,245)	$ 17,594
BurgerFi trade names / trademarks	83,033	(7,727)	75,306	83,035	(5,650)	77,385
Anthony's trade names / trademarks	60,690	(3,877)	56,813	60,691	(2,360)	58,331
License agreement	1,177	(1,166)	11	1,176	(1,063)	113
VegeFi product	135	(38)	97	135	(28)	107
Subtotal	**$ 169,875**	**$ (22,714)**	**$ 147,161**	**$ 169,876**	**$ (16,346)**	**$ 153,530**
Liquor licenses	**$ 5,930**	$ —	**$ 5,930**	**$ 6,678**	$ —	**$ 6,678**
Total intangible assets, net			**$ 153,091**			**$ 160,208**
Goodwill:						
BurgerFi	$ —			$ —		
Anthony's	31,621			31,621		
Total	**$ 31,621**			**$ 31,621**		

Intangible asset amortization expense totaled $2.1 million for both the quarters ended October 2, 2023 and October 3, 2022, and $6.4 million for both the nine months ended October 2, 2023 and October 3, 2022.

5. Contract Liabilities

A roll forward of contract liabilities is as follows:

	Nine Months Ended	
(in thousands)	October 2, 2023	October 3, 2022
Balance, beginning of period	$ 1,092	$ 2,577
Initial/Transfer franchise fees received	193	321
Revenue recognized for stores open and transfers during period	(100)	(242)
Revenue recognized related to franchise agreement terminations	(374)	(882)
Other unearned revenue (recognized) received	(46)	(70)
Balance, end of period	**$ 765**	**$ 1,704**

Franchise Revenue

Revenue recognized during the periods included in royalty and other fees on our consolidated statement of operations shown was as follows:

	Quarter Ended		Nine Months Ended	
	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Franchise Fees	$ 7	$ 508	$ 520	$ 1,194

6 Net Loss Per Share

Net Loss per common share is computed by dividing Net Loss by the weighted average number of common shares outstanding for the period. The Company has considered the effect of (1) warrants outstanding to purchase 15,063,800 shares of common stock and (2) 75,000 shares of common stock and warrants to purchase 75,000 shares of common stock in the unit purchase option, (3) 2,983,500 shares of restricted stock units outstanding in the calculation of income per share, and (4) the impact of any dividends associated with our redeemable preferred stock. As the effect of these on the computation of net loss per common share would have been anti-dilutive, they were excluded from the weighted average number of common shares outstanding.

Basic and diluted net loss per common share is calculated as follows:

(in thousands, except for per share data)	Quarter Ended		Nine Months Ended	
Numerator:	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Net loss available to common stockholders - diluted	$ (4,958)	$ (3,332)	$ (20,110)	$ (77,269)
Denominator:				
Basic and diluted weighted-average shares outstanding	26,793,358	22,253,232	25,078,410	22,146,258
Basic and diluted net loss per common share	$ (0.19)	$ (0.15)	$ (0.80)	$ (3.49)

For the quarter and nine months ended October 2, 2023 and October 3, 2022, there were no dilutive warrants.

7. Related Party Transactions

The Company is affiliated with various entities through common control and ownership.

On January 23, 2023, the Company settled a claim filed by a significant stockholder. The settlement resulted in the transfer of five BurgerFi entities from the stockholder to the Company of which two were operating stores and three were entities that historically had operated stores but have since closed. The fair value of consideration paid in the settlement was $0.9 million and included $0.5 million in cash and the issuance of 200,000 shares in common stock valued at $0.4 million. The fair value of net liabilities assumed in the transaction was $0.1 million which included lease liabilities and operating assets and liabilities including property and equipment of two operating stores, net of pre-existing liabilities accrued.

The accompanying consolidated balance sheets as of January 2, 2023 reflect amounts related to periodic advances between the Company and these entities for working capital and other needs as due from related companies or due to related companies, as appropriate. There were no amounts due from related companies as of October 2, 2023 as a result of the settlement with the significant stockholder. There was approximately $0.3 million due from related parties included in other assets in the accompanying consolidated balance sheets as of January 2, 2023.

During 2022, the Company received royalty revenue from the two operating stores that were transferred on January 23, 2023 as a result of the settlement with the significant stockholder of $0.1 million for the quarter and nine months ended October 3, 2022.

The Company leased building space for its former corporate office from an entity under common ownership with a significant stockholder. This lease had a 36-month term, effective January 1, 2020. In January 2022, the Company exercised its right to terminate this lease effective as of July 2022. For the quarter and nine months ended October 3, 2022, rent expense related to this lease was approximately $0.1 million.

Pursuant to a lease amendment entered into in February 2022, the Company leases building space for its corporate office from an entity controlled by the Company's Executive Chairman of the Board. This lease has a 10-year term with an option to renew. For the quarter and nine months ended October 2, 2023 rent expense was approximately $0.2 million and $0.5 million, respectively. For the quarter and nine months ended October 3, 2022, rent expense was approximately $0.2 million and $0.4 million, respectively.

The Company had an independent contractor agreement with a corporation (the *"Consultant"*) for which the Chief Operating Officer (the *"Consultant Principal"*) of Lionheart Capital, LLC, an entity controlled by the Company's Executive Chairman of the Board, serves as President. Pursuant to the terms of the agreements, the Consultant provided certain strategic advisory services to the Company in exchange for total annual cash compensation and expense reimbursements of $0.1 million, payable monthly. The engagement ended in September of 2023.

On January 3, 2023, the Company awarded the Consultant Principal a $0.1 million bonus in connection with the Company's amendment and extension of its Credit Facility and granted the Consultant Principal 38,000 unrestricted shares of common stock of the Company. The Company recorded share-based compensation associated with this grant of approximately $0.1 million for the nine months ended October 2, 2023. There was no expense included for the quarter ended October 2, 2023.

On January 3, 2022, the Company granted the Consultant Principal 37,959 unrestricted shares of common stock of the Company. The Company recorded share-based compensation associated with this grant of approximately $0.1 million and $0.2 million, respectively, during the quarter and nine months ended October 3, 2022, and $0.2 million for the nine months ended October 2, 2023. There was no expense included for the quarter ended October 2, 2023.

On June 3, 2023, the Company entered into a stock purchase agreement with an investing entity for the sale of 2,868,853 shares of Company common stock at an issuance price of $1.22 per share for total proceeds of $3.4 million. Upon the execution of this agreement, the investing entity became a holder of approximately 11% of the Company's outstanding common stock. During the third quarter, the Company entered into four franchise agreements with an affiliate of this entity.

8. Commitments and Contingencies

Litigation

John Walker, Individually and On Behalf of all Other Similarly Situated v. BurgerFi International, Inc. et al (in the United States District Court, Southern District of Florida, Case No. 023-cv-60657). On April 6, 2023, John Walker, on behalf of himself and other similarly situated plaintiffs, filed a class action lawsuit against the Company and certain current and former executives alleging that the Company violated certain securities laws by making false and misleading statements or failed to disclose that (1) the Company had overstated the effectiveness of its acquisition and growth strategies, and (2) the Company had misrepresented the purported benefits of the Anthony's acquisition and the post-acquisition business and financial prospects of the Company. On July 20, 2023, the court appointed John Walker and Joseph Poalino as co-lead plaintiffs in the matter. On September 5, 2023, an Order of Dismissal without prejudice was signed. Therefore, no contingent liability has been recorded as of October 2, 2023.

*Second 82nd SM, LLC v. BF NY 82, LLC, BurgerFi International, LLC and BurgerFi International, Inc. (*in the Supreme Court of the State of New York County of New York, having index No. 654907/2021 filed August 11, 2021). A lawsuit was filed by Second 82nd SM, LLC ("*Landlord*") against BF NY 82, LLC ("*Tenant*") whereby Landlord brought a 7-count lawsuit for, among other things, breach of the lease agreement and underlying guaranty of the lease. The amount of damages Landlord is seeking approximately $1.5 million, which constitutes back rent, late charges, real estate taxes, illuminated sign charges and water/sewer charges. On November 3, 2021, the Company filed a Motion to Dismiss the Complaint. On November 17, 2021, the Tenant filed an Answer to Landlord's Complaint and a cross claim against the Company, which the Company answered on December 7, 2021. On December 22, 2021, the Company filed its Response in Opposition to Landlord's Motion for Summary Judgment and Memo in further Support of its Motion to Dismiss. The Company turned over possession of the property in early 2023. On July 5, 2023, the Landlord filed a Motion of Summary Judgment seeking approximately $1.2 million in past due rent payments. On August 14, 2023, the Court entered an order granting the Landlord's Motion for Summary Judgment and ordered a damages hearing on the motion, which has not yet been scheduled. On October 2, 2023 a settlement agreement was executed by all parties and the parties filed a stipulation of dismissal with prejudice on October 6, 2023.

Lion Point Capital, L.P.("Lion Point") v. BurgerFi International, Inc. (Supreme Court of the State of New York County of New York, Index No. 653099/2022, filed August 26, 2022. A lawsuit filed by Lion Point against the Company, alleging that the Company failed to timely register Lion Point's shares in violation of the registration rights agreement to which Lion Point is a party, which allegedly resulted in losses in excess of $26.0 million. In November 2022, as amended in February 2023, the Company filed its answer to the complaint. On April 13, 2023, Lion Point filed a Motion for Summary Judgment, and the Company responded with its reply on June 22, 2023. On October 12, 2023, the Court granted Lion Point's Motion for Summary Judgment and set a status conference for November 15, 2023 to begin the damages phase of the case. The Company continues to believe that all claims for damages are meritless and plans to vigorously defend such claims. The Company is unable to determine the likelihood of a loss or range of loss, if any, which may result from the case described above, and any losses, however, may be material to the Company's financial position and results of operations.

Burger Guys of Dania Pointe, et. al. v. BFI, LLC (Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida, Case No. 50-2021-CA -006501-XXXX-MB *filed May 21, 2021)*. In response to a demand letter issued by BurgerFi to Gino Gargiulo, a former franchisee, demanding that Mr. Gargiulo pay the balance owed under an asset purchase agreement wherein BurgerFi sold the Dania Beach, Florida BurgerFi location to Mr. Gargiulo, Mr. Gargiulo filed suit against BurgerFi claiming, in addition to other matters, that no further monies are owed under the asset purchase agreement and alleges that the Company is responsible for one of Mr. Gargiulo's failed franchises in Sunny Isles, Florida, losses he has allegedly sustained at his Dania Beach location, and reimbursement of expenses in connection with his marketing company. Mr. Gargiulo seeks damages in excess of $2.0 million in the aggregate. The parties attended mediation on January 20, 2022, which ended in an impasse. Mr. Gargiulo amended his complaint in April 2022, which, among other matters, amended the defendant parties. In October 2022, the Company filed an additional motion to dismiss the amended complaint and a motion to stay discovery. In January 2023, Mr. Gargiulo filed a third amended complaint. In March 2023, the Company filed an answer to Mr. Gargiulo's complaint and a counterclaim against Mr. Gargiulo relating to the breach of the asset purchase agreement discussed above. On November 5, 2023, the parties attended mediation, which ended in an impasse. Depositions are ongoing and a trial has been set for April 2024. We believe that all Mr. Gargiulo claims are meritless, and the Company plans to vigorously defend these allegations. Management is unable to determine the likelihood of a loss or range of loss, if any, which may result from the case described above, and, therefore, no contingent liability has

been recorded as of October 2, 2023; any losses, however, may be material to the Company's financial position and results of operations.

All Round Food Bakery Products, Inc. v. BurgerFi International, LLC and Neri's Bakery Products, Inc. et al (Supreme Court Westchester County, New York (Index Number 52170-2020)). In a suit filed in February 2020, the plaintiff, All Round Food Bakery Products, Inc. (*"All Round Food"*) alleges breach of contract and lost profits in excess of $1.0 million over the course of the supply agreement with the Company and Neri's Bakery Products, Inc. ("*Neri's*" and together with the Company, the *"Defendants"*). The Defendants assert, among other matters, that the supply agreement amongst the parties, whereby All Round Food was warehousing BurgerFi products produced by Neri's, was terminated when All Round Food failed to cure its material breach of the supply agreement after due notice. The parties attended several additional court ordered mediations during over the last several months to attempt to resolve the dispute, however, no resolution has been reached. We believe that all claims are meritless, and the Company plans to vigorously defend these allegations. The court entered an order to dismiss the case on August 15, 2023; therefore, no contingent liability has been recorded as of October 2, 2023.

Employment Related Claims.

In July 2021, the Company received a demand letter from the attorney of one of its now former hourly restaurant employees. The letter alleges that the former employee was sexually harassed by one of her co-workers. The demand letter claims that the Company discriminated and retaliated against the former employee based on her gender and age and also alleged intentional infliction of emotional distress, negligent hiring, negligent training, and negligent supervision. While the Company entered into a partial settlement with the former employee in December 2022 for a *de minimus* cash amount relating solely to the discrimination claim, the other claims remain.

In March 2020, the Company received notification of a U.S. Equal Employment Opportunity Commission (the *"EEOC"*) complaint claiming sexual harassment and assault. On July 5, 2023, the EEOC issued a determination letter declining to investigate the matter further and issued a right to sue letter. On September 29, 2023, the claimant filed a lawsuit. The suit is in the early stages and the Company is currently working through initial responses.

While the Company believes that all claims of the above mentioned Employment Related Claims, which are covered under the Company's insurance policies, are meritless, and it plans to defend these allegations, it is reasonably possible that the Company may ultimately be required to pay damages to the claimants, which could be up to $0.5 million or more in aggregate compensatory damages, attorneys' fees and costs. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

General Liability and Other Claims.

The Company is subject to other legal proceedings and claims that arise during the normal course of business, including landlord disputes, slip and fall cases, and various food related matters. While it intends to vigorously defend these matters, it is reasonably possible that the Company may be required to pay substantial damages to the claimants. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

Purchase Commitments

From time to time, we enter into purchase commitments for certain food commodities in the normal course of business. As of October 2, 2023, we entered into approximately $4.3 million in unconditional purchase obligations over the next twelve months.

9. Leases

The Company has entered into various lease agreements and these agreements expire on various dates through 2032 and have renewal options.

The components of lease expense for the periods shown is as follows:

		Quarter Ended		Nine Months Ended	
(in thousands)	**Classification**	**October 2, 2023**	**October 3, 2022**	**October 2, 2023**	**October 3, 2022**
Operating lease cost	Occupancy and related expenses Pre-opening costs Store closure costs	$ 3,202	$ 3,202	$ 9,665	$ 9,796
Finance lease cost:					
Amortization of right-of-use assets	Depreciation and amortization expense	55	62	168	196
Interest on lease liabilities	Interest expense	12	15	39	48
Less: Sublease income	Occupancy and related expenses	(62)	(47)	(156)	(141)
Total lease cost		**$ 3,207**	**$ 3,232**	**$ 9,716**	**$ 9,899**

The maturity of the Company's operating and finance lease liabilities as of October 2, 2023 is as follows:

(in thousands)	**Operating Leases**	**Finance Leases**
One Year	$ 12,252	$ 114
Two Years	12,242	248
Three Years	10,382	234
Four Years	8,873	224
Five Years	7,120	219
Thereafter	9,109	385
Total undiscounted lease payments	**59,978**	**1,424**
Less: present value adjustment	(7,054)	(144)
Total net lease liabilities	**$ 52,924**	**$ 1,280**

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates.

A summary of lease terms and discount rates for finance and operating leases is as follows:

	October 2, 2023	**October 3, 2022**
Weighted-average remaining lease term (in years)		
Operating leases	5.5	6.3
Finance leases	5.7	6.5
Weighted-average discount rate		
Operating leases	7.3 %	6.0 %
Finance leases	6.0 %	6.0 %

10. Debt

(in thousands)	October 2, 2023	January 2, 2023
Term loan	$ 52,067	$ 54,507
Related party note payable	15,100	10,000
Revolving line of credit	—	4,000
Other notes payable	722	780
Finance lease liability	1,280	933
Total Debt	**$ 69,169**	**$ 70,220**
Less: Unamortized debt discount to related party note	(650)	(765)
Less: Unamortized debt issuance costs	(1,134)	(1,441)
Total Debt, net	**67,385**	**68,014**
Less: Short-term borrowings, including finance leases	(3,539)	(4,985)
Total Long-term borrowings, including finance leases and related party note payable	**$ 63,846**	**$ 63,029**

The Company Credit Agreement, which provides the Company with lender financing structured as a $52.1 million term loan and $4.0 million available under the line of credit as of October 2, 2023, has a maturity date of September 30, 2025.

On February 1, 2023, the Credit Agreement was amended through the Fourteenth Amendment and subsequently on February 24, 2023 further amended through the Fifteenth Amendment resulting in the Company and its subsidiaries entering into a Secured Promissory Note (the "*Note*") with CP7 Warming Bag L.P., an affiliate of L. Catterton Fund L.P., as lender (the "*Junior Lender*"), pursuant to which the Junior Lender continued that certain delayed draw term loan (the "Delayed Draw Term Loan") of $10.0 million, under the Credit Agreement, which is junior subordinated secured indebtedness, and also provided $5.1 million of new junior subordinated secured indebtedness, to the Company (collectively the "*Junior Indebtedness*"), for a total of $15.1 million in junior subordinated secured debt on terms reasonably acceptable to the Required Lenders (as defined in the Credit Agreement), including, without limitation, that (1) such indebtedness shall not mature until at least two (2) years after the maturity date of the credit facility of September 30, 2025; (2) no payments of cash interest shall be made on such indebtedness until after the repayment in full of the obligations under the Credit Agreement; and (3) no scheduled or voluntary payments of principal shall be made until after the repayment in full of the obligations under the Credit Agreement.

On July 7, 2023 the Credit Agreement was amended through the Sixteenth Amendment, which amended the definition of EBITDA for the purposes of expanding the scope of non-recurring items that may be included in the determination of Adjusted EBTIDA, as well as modifications to certain covenants for leverage and fixed charge ratios.

The terms of the Credit Agreement require the Company to repay the principal of the term loan in quarterly installments with the balance due at the maturity date, as follows:

in thousands	
2023	$ 814
2024	3,254
2025	47,999
Total	**$ 52,067**

The Credit Agreement, including the term loan and revolving line of credit, is secured by substantially all of the Company's assets and incurs interest on outstanding amounts at the following rates per annum through maturity:

Time Period	Interest Rate
Through December 31, 2022	6.75%
From January 1, 2023 through June 15, 2023	6.75%
From June 16, 2023 through December 31, 2023	6.75%
From January 1, 2024 through June 15, 2024	7.25%
From June 16, 2024 through maturity	7.75%

The Delayed Draw Term Loan is a non-interest bearing loan and accordingly was recorded at fair value as part of the Anthony's acquisition which resulted in a debt discount of approximately $1.3 million and is being amortized over the period of the Delayed Draw Term Loan. The Company recorded debt discount amortization of an immaterial amount for the quarter ended October 2, 2023 and $0.1 million for the nine months ended October 2, 2023, which is included within interest expense in the accompanying consolidated statements of operations.

The Junior Indebtedness, which accrues interest at 4% per annum (i) is secured by a second lien on substantially all of the assets of the Company and the subsidiary guarantors (the "*Guarantors*") pursuant to the terms and that certain Guaranty and Security Agreement, dated February 24, 2023, by and among the Guarantors and the Junior Lender, (ii) is subject to the terms of that certain Intercreditor and Subordination Agreement dated February 24, 2023, by and between the Administrative Agent and the Junior Lender and acknowledged by the borrowers and the guarantors, and (iii) matures on the date that is the second anniversary of the maturity date under the Credit Agreement (the "*Junior Maturity Date*") (September 30, 2027, based on the maturity date under the Credit Agreement of September 30, 2025).

Under the terms of the Junior Indebtedness, no payments of cash interest or payments of principal shall be due until the Junior Maturity Date, and no voluntary prepayments may be made on the Junior Indebtedness prior to the Junior Maturity Date until after the repayment in full of the obligations under the Credit Agreement.

The Company had $14.4 million and $9.2 million recorded, net of unamortized discount under the Junior Indebtedness as of October 2, 2023 and January 2, 2023, included in related party note payable in the accompanying consolidated balance sheets.

The amendments to the Credit Agreement and the Delayed Draw Term Loan were accounted for as modifications of debt in the Company's accompanying consolidated financial statements.

For the quarter and nine months ended October 2, 2023 and October 3, 2022, interest expense consisted of:

	Quarter Ended		Nine Months Ended	
(in thousands)	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Interest on credit agreement	$ 1,069	$ 1,024	$ 3,199	$ 2,855
Amortization of debt issuance costs	38	110	115	402
Amortization of related party note discount	128	128	364	383
Non-cash interest on redeemable preferred stock	1,063	963	3,127	2,871
Other interest (income) expense, net	(79)	20	(297)	51
	$ 2,219	**$ 2,245**	**$ 6,508**	**$ 6,562**

11. Income Taxes

For the quarter and nine months ended October 2, 2023, the Company's effective income tax rate was 0%. The difference from the U.S. corporate statutory federal income tax rate of 21%, is primarily the result of the valuation allowance applied to reduce the Company's deferred tax assets to the amount that is more likely than not to be realized. For the quarter and nine months ended October 3, 2022, the Company's effective income tax rate was 0% and 0.6%, respectively, differing from the U.S. corporate statutory federal income tax rate of 21%, and the difference is primarily the result of the valuation allowance applied to reduce the Company's deferred tax assets to the amount that is more likely than not to be realized.

12. Stockholders' Equity

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock with a par value of $0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At October 2, 2023 and January 2, 2023, there were 26,805,474 shares and 22,257,772 shares of common stock outstanding, respectively.

In addition to the CEO Awards, as defined below, as contemplated by the Bachmann Employment Agreement (as defined below) and as an inducement to employment, effective as of July 10, 2023, the Company issued the CEO 63,500 shares of the Company's common stock, which such shares are subject to Rule 144 of the Securities Act of 1933, as amended.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of $0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors. As of October 2, 2023 and January 2, 2023, there were 2,120,000 shares of preferred stock outstanding.

On February 24, 2023, the Company filed an amended and restated certificate of designation, (the "*A&R CoD*"), which among other matters, added a provision providing that in the event the Company fails to timely redeem any shares of Series A Preferred Stock on November 3, 2027, the applicable dividend rate shall automatically increase to the lesser of (A) the sum of 10% plus the 2% applicable default rate (with such aggregate rate increasing by an additional 0.35% per quarter from and after November 3, 2027), or (B) the maximum rate that may be applied under applicable law, unless waived in writing by a majority of the outstanding shares of Series A Junior Preferred Stock.

The A&R CoD also added a provision providing that in the event the Company fails to timely redeem any shares of Series A Junior Preferred Stock in connection with a Qualified Financing (as defined in the A&R CoD) on November 3, 2027 (a "Default"), the Company agrees to promptly commence a debt or equity financing transaction or sale process to solicit proposals for the sale of the Company and its subsidiaries (or, alternatively, the sale of material assets) designed to yield the maximum cash proceeds to the Company available for redemption of the Series A Junior Preferred Stock as promptly as practicable, but in any event, within 12 months from the date of the Default. If on or after November 3, 2026, the Company is aware that it is reasonably unlikely to have sufficient cash to timely effect the redemption in full of the Series A Junior Preferred Stock when first due, the Company shall, prior to such anticipated due date, take reasonable steps to engage an investment banking firm of national standing (and other appropriate professionals) to conduct preparatory work for such a financing transaction and sale process of the Company and its subsidiaries to provide for such transaction to occur as promptly as possible after any failure for a timely redemption of the Series A Junior Preferred Stock.

The Series A Junior Preferred Stock ranks senior to the common stock and may be redeemed at the option of the Company at any time and must be redeemed by the Company in limited circumstances. The Series A Junior Preferred Stock shall not have voting rights or conversion rights.

Warrants and Options

As of October 2, 2023, the Company had the following warrants and options outstanding: 15,063,800 warrants outstanding, each exercisable for one share of common stock at an exercise price of $11.50 including 11,468,800 in public warrants, 3,000,000 in private placement warrants ("private warrants"), 445,000 in Private Warrants and 150,000 in Working Capital Warrants, and 75,000 Unit Purchase Option units that are each exercisable for (i) one share of common stock at an exercise price of $10.00 and (i) one warrant exercisable for one share of common stock at an exercise price of $11.50. The public warrants expire in December 2025.

Warrant Liability

The Company has private warrants, which include provisions that affect the settlement amount. Such variables are outside of those used to determine the fair value of a fixed-for-fixed instrument, and as such, the warrants are accounted for as liabilities in accordance with ASC 815-40, *Derivatives and Hedging*, with changes in fair value included in the accompanying consolidated statements of operations.

The warrant liability was $0.4 million and $0.2 million at October 2, 2023 and January 2, 2023, respectively, and is included in other non-current liabilities on the accompanying consolidated balance sheets. The change in fair value of warrant liabilities for the quarter and nine months ended October 2, 2023 resulted in a gain of $0.2 million and a loss of $0.2 million, respectively, and is recognized in the accompanying consolidated statements of operations. The gain on change in the fair value of warrant liabilities for the quarter and nine months ended October 3, 2022 was $0.7 million and $2.1 million, respectively, and is recognized in the accompanying consolidated statements of operations.

The following is an analysis of changes in the warrant liability:

(in thousands)		
Warrant liability at January 2, 2023	$	**195**
Loss during the period		167
Warrant liability at October 2, 2023	$	**362**

The fair value of the warrants are determined using the publicly-traded price of our common stock on the valuation dates of $1.14 on October 2, 2023 and $1.26 on January 2, 2023. See Note 13, *"Fair Value Measurements."*

Share-Based Compensation

The Company has the ability to grant stock options, stock appreciation rights, restricted stock, restricted stock units (*"RSUs"*), restricted stock units with performance conditions (*"PSUs"*), other share-based awards and performance compensation awards to current or prospective employees, directors, officers, consultants or advisors under the Company's 2020 Omnibus Equity Incentive Plan (the *"Plan"*).

On January 5, 2023, the Company filed a Registration Statement with the SEC to register 1,112,889, additional shares of common stock, $0.0001 par value per share, of the Company under the Plan, pursuant to the "evergreen" provision of the Plan providing for an automatic increase in the number of shares reserved for issuance under the Plan.

As of October 2, 2023 and January 2, 2023, there were approximately 400,000 and 600,000 shares of common stock available for future grants under the Plan, respectively.

RSU and PSU Awards under the Plan

The following table summarizes activity RSUs and PSUs during the nine months ended October 2, 2023:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at January 2, 2023	1,445,600	$ 11.68
Granted	793,460	1.24
Vested	(356,644)	13.55
Forfeited	(298,916)	5.72
Non-vested at October 2, 2023	**1,583,500**	**$ 7.11**

Share-based compensation expense recognized for awards under the Plan during the quarter and nine months ended October 2, 2023 was $0.1 million and $5.3 million, respectively. Share-based compensation expense recognized during the quarter and nine months ended October 3, 2022 was approximately $1.0 million and $9.3 million, respectively. As of October 2, 2023, there was approximately $6.6 million of total unrecognized compensation cost related to unvested RSUs or PSUs under the Plan to be recognized over a weighted average period of 1.2 years.

Restricted Stock Unit Awards - Inducement Awards

On July 10, 2023, the Company issued awards of RSUs and PSUs to the Chief Executive Officer ("*CEO Awards*") and the Chief Financial Officer ("*CFO Awards*") as part of an inducement to enter into employment agreements with the Company ("*Inducement Awards*"). The Inducement Awards are not part of the Plan, and no common shares are currently reserved for issuance as of October 2, 2023. Terms of the Inducement Awards are as follows:

- The CEO Awards are comprised of 500,000 time based RSUs which, subject to continuous employment, vest in equal tranches of 100,000 units per year, and 500,000 PSUs, which, subject to continuous employment and the achievement of certain performance criteria, vest in equal tranches of 100,000 units per year.

- The CFO Awards are comprised of 200,000 time based RSUs which, subject to continuous employment, vest in equal tranches of 40,000 units per year, and 200,000 PSUs, which, subject to continuous employment and the achievement of certain performance criteria, vest in equal tranches of 40,000 units per year.

Vesting for the Inducement Awards is over a five year period. Share based compensation expense related to the Inducement Awards recognized during the quarter and nine months ended October 2, 2023 was $0.1 million. There was no share-based compensation expense recognized during the quarter and nine months ended October 3, 2022. As of October 2, 2023, there was approximately $2.0 million of total unrecognized compensation cost related to unvested Inducement Awards to be recognized over a weighted average period of 3.5 years.

Share-based compensation expense recognized for awards under the Plan and the Inducement Awards during the quarter and nine months ended October 2, 2023 was $0.2 million and $5.4 million, respectively. As of October 2, 2023, there was approximately $8.6 million of total unrecognized compensation cost related to unvested RSUs or PSUs under the Plan and Inducement Awards to be recognized over a weighted average period of 2.3 years.

13. Fair Value Measurements

Fair values of financial instruments are estimated using public market prices, quotes from financial institutions, and other available information. The fair values of cash equivalents, receivables, net, accounts payable and short-term debt approximate their carrying amounts due to their short duration.

The following tables summarize the fair values of financial instruments measured at fair value on a recurring basis as of October 2, 2023 and January 2, 2023.

	Items Measured at Fair Value at October 2, 2023		
(in thousands)	Quoted prices in active market for identical assets (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	—	$ 362	—
Total	$ —	$ 362	$ —

	Items Measured at Fair Value at January 2, 2023		
(in thousands)	Quoted prices in active market for identical assets (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liability	—	$ 195	—
Total	$ —	$ 195	$ —

In estimating our fair value disclosures for financial instruments, we use the following methods and assumptions:
The fair value of the Company's warrant liability is measured at fair value on a recurring basis, classified as Level 2 in the fair value hierarchy. The fair value of the private placement warrants, private warrants, and working capital warrants are determined using the publicly-traded price of its common stock on the valuation dates of $1.14 on October 2, 2023 and $1.26 on January 2, 2023. The fair value is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period. The calculated warrant price for private warrants was $0.10 and $0.05 on October 2, 2023 and January 2, 2023.

The input variables for the Black-Scholes are noted in the table below:

	October 2, 2023	January 2, 2023
Risk-free interest rate	4.95 %	4.14 %
Expected life in years	2.2	3.0
Expected volatility	94.5 %	68.0 %
Expected dividend yield	— %	— %

Assets and liabilities that are measured at fair value on a non-recurring basis include our long-lived assets and definite-lived intangible assets which are adjusted to fair value upon impairment. In determining fair value, we used an income-based approach. As a number of assumptions and estimates were involved that are largely unobservable, they are classified as Level 3 inputs within the fair value hierarchy. Assumptions used in these forecasts are consistent with internal planning, and include revenue growth rates, royalties, gross margins, and operating expense in relation to the current economic environment and the Company's future expectations.

14. Segment Information

The Company has two operating and reportable segments: BurgerFi and Anthony's.

The Company's measure of segment income is Adjusted EBITDA. We define Adjusted EBITDA as net loss before goodwill impairment, lease termination recovery, employee retention credits, share-based compensation expense, depreciation and amortization expense, interest expense (which includes accretion on the value of preferred stock and interest accretion on the related party note), restructuring costs, merger, acquisition and integration costs, legal settlements,

net of gains, store closure costs, loss (gain) on change in value of warrant liability, pre-opening costs, (gain) loss on sale of assets and income tax expense (benefit). Although the Company had historically considered net income to be an appropriate measure of segment profit and loss, management believes Adjusted EBITDA is a more meaningful measure of the Company's performance.

Adjusted EBITDA is used by the Company to evaluate its performance, both internally and as compared with its peers, because this measure excludes certain items that may not be indicative of the Company's operating performance, as well as items that can vary widely across different industries or among companies within the same industry. The Company believes that this adjusted measure provides a baseline for analyzing trends in its underlying business.

The following table presents segment revenue and a reconciliation of adjusted EBITDA to net loss by segment:

	Quarter Ended					
	Consolidated		BurgerFi		Anthony's	
(in thousands)	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Revenue by Segment	**$ 39,480**	**$ 43,255**	**$ 9,940**	**$ 11,775**	**$ 29,540**	**$ 31,480**
Adjusted EBITDA Reconciliation by Segment:						
Net loss	**$ (4,958)**	**$ (3,332)**	**$ (4,167)**	**$ (1,752)**	**$ (791)**	**$ (1,580)**
Employee retention credits	—	(2,626)	—	(2,626)	—	—
Share-based compensation expense	172	1,010	177	1,010	(5)	—
Depreciation and amortization expense	3,272	4,253	2,123	2,212	1,149	2,041
Interest expense	2,219	2,245	1,033	1,003	1,186	1,242
Restructuring costs	353	—	311	—	42	—
Merger, acquisition and integration costs	96	168	62	168	34	—
Legal settlements, net of gains	(193)	81	(289)	81	96	—
Store closure costs	162	568	64	548	98	20
Gain on change in value of warrant liability	(224)	(726)	(224)	(726)	—	—
(Gain) loss on sale of assets	(85)	1	7	(5)	(92)	6
Adjusted EBITDA	**$ 814**	**$ 1,642**	**$ (903)**	**$ (87)**	**$ 1,717**	**$ 1,729**

BurgerFi International Inc., and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

	Nine Months Ended					
	Consolidated		BurgerFi		Anthony's	
(in thousands)	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022	October 2, 2023	October 3, 2022
Revenue by Segment	**$ 128,634**	**$ 133,484**	**$ 34,089**	**$ 37,628**	**$ 94,545**	**$ 95,856**
Adjusted EBITDA Reconciliation by Segment:						
Net loss	**$ (20,110)**	**$ (77,269)**	**$ (18,924)**	**$ (36,439)**	**$ (1,186)**	**$ (40,830)**
Goodwill impairment	—	55,168	—	17,505	—	37,663
Lease termination recovery	(42)	—	(42)	—	—	—
Employee retention credits	—	(2,626)	—	(2,626)	—	—
Share-based compensation expense	5,401	9,295	5,380	9,295	21	—
Depreciation and amortization expense	9,794	13,427	6,360	7,335	3,434	6,092
Interest expense	6,508	6,562	2,955	2,960	3,553	3,602
Restructuring costs	2,397	—	1,389	—	1,008	—
Merger, acquisition and integration costs	723	2,472	624	2,359	99	113
Legal settlements, net of gains	317	393	218	393	99	—
Store closure costs	333	1,134	138	1,134	195	—
Loss (gain) on change in value of warrant liability	167	(2,050)	167	(2,050)	—	—
Pre-opening costs	—	474	—	474	—	—
(Gain) loss on sale of assets	(96)	1	1	(5)	(97)	6
Income tax expense (benefit)	2	(447)	—	(451)	2	4
Adjusted EBITDA	**$ 5,394**	**$ 6,534**	**$ (1,734)**	**$ (116)**	**$ 7,128**	**$ 6,650**

[Form E – Guarantee of Performance]

GUARANTEE OF PERFORMANCE

For value received, BURGERFI INTERNATIONAL, INC., a Delaware corporation (the "**Guarantor**"), located at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309, absolutely and unconditionally guarantees to assume the duties and obligations of ACFP MANAGEMENT, INC., a Delaware corporation, located at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement that is identified in the Franchise Disclosure Document that Franchisor issued on or about May 26, 2023, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Fort Lauderdale, Florida, on May 23, 2023.

Guarantor:

BurgerFi International, Inc.

By: _____

Name: Stefan K. Schnopp

Title: Chief Legal Officer & Corporate Secretary

Exhibit B: Franchise Agreement

Anthony's Coal Fired Pizza & Wings

Franchise Agreement

Anthony's Coal Fired Pizza & Wings
Franchise Agreement

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Exhibits:

Anthony's Coal Fired Pizza & Wings
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- ACFP Management, Inc. a Delaware corporation with its principal place of business at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 ("**we**", "**us**", "**our**", or the "**Franchisor**"); and

- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of_____ and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

*We operate and grant franchises for restaurants operated under our Proprietary Marks (including "Anthony's Coal Fired Pizza & Wings"), operating in buildings that feature our interior and/or exterior designs, and which also feature our Products (each a "**Restaurant**"). Restaurants specialize in the sale or feature "well-done" pizza, coal fired chicken wings, homemade meatballs, sandwiches, salads, wine, craft beers, and other products that we may periodically specify and/or approve for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the "**Products**"). All of the services associated with preparing, marketing, and providing Products to customers are referred to as "**Services**" in this Agreement.*

*Among the distinguishing characteristics of a Restaurant are that it operates under our "Anthony's Coal Fired Pizza & Wings" System. Our System includes (among other things): Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the marks "ANTHONY'S COAL FIRED PIZZA"; U.S. Reg. No. 5146811, and "ANTHONY'S COAL FIRED PIZZA & WINGS"; U.S. Serial No. 97055701), service marks, trademarks, logos, emblems, and indicia of origin, as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Products and Services marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.*

We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a Restaurant, using the same brand and Proprietary Marks as other independent businesses that operate other Restaurants under the System (including some operated by our affiliates). We will not operate your Restaurant for you, although we have (and will continue) to set standards for Restaurants that you will have chosen to

adopt as yours by signing this Agreement and by your day-to-day management of your Restaurant according to our brand standards.

You have asked to enter into the business of operating a Restaurant under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations*. We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one Restaurant under the System (the "**Franchised Business**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location*. The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the "**Accepted Location**."

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the "**Site Selection Addendum**," attached as Exhibit H to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business except as otherwise provided in Section 5.9 below.

1.3 *Protected Area*. During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a Restaurant within the area that is specified as your "**Protected Area**," in the Data Addendum (Exhibit A), provided that you are in compliance with the terms of this Agreement (and also subject to Sections 1.4 through 1.7 below).

1.4 *Our Reserved Rights*. We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):

1.4.1 We have the right to establish, and franchise others to establish, Restaurants anywhere outside the Protected Area;

1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;

1.4.3 We have the right to establish, and license others to establish, Restaurants at any Non-Traditional Facility or Captive Market Location (as defined below), whether outside or inside the Protected Area;

1.4.4 We have the right to operate (and license other parties to operate) remote, dark, ghost, and all other kinds of off-premises kitchens anywhere, except as provided in Section 1.6 below;

1.4.5 We have the right to conduct and/or authorize catering and delivery service anywhere, except as provided in Section 1.6 below;

1.4.6 We have the right to acquire (or be acquired), combine, or otherwise merge with and then operate any business of any kind, anywhere (but not to be operated under as an "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" Restaurant inside the Protected Area); and

1.4.7 We have the right to market and sell our Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative distribution channels such as e-commerce), anywhere (but not from an "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" Restaurant operating inside the Protected Area).

1.4.8 Definitions.

1.4.8.1 The term "**Captive Market Location**" is agreed to include, among other things, non-foodservice businesses of any sort within which a Restaurant or a branded facility is established and operated (including hotels and resorts).

1.4.8.2 The term "**Non-Traditional Facility**" includes, among other things, college campuses, schools, hotels, casinos, airports and other travel facilities;

federal, state, or local government facilities (including military bases); hospitals and medical facilities; theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate*.

1.5.1 You may offer and sell the Products only: **(a)** to customers of the Franchised Business; and **(b)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below).

1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).

1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the Restaurant premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 As provided in Section 1.6 below.

1.5.4 You further understand that we will not prohibit other Restaurants or food service business (whether owned or franchised by us or by our affiliates) from delivering Products to customers at any location, whether inside or outside of the Protected Area.

1.6 *Delivery and Catering.* We have the right to approve or disapprove any activity(ies) proposed to take place outside the Restaurant, including Delivery and Catering activities. We will consider a range of factors in determining whether to approve proposed Delivery and/or Catering from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to the proposed Delivery vendors and/or Catering orders.

1.6.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. By granting approval to any one or more proposals to Cater or to Deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional Catering or Delivery activities.

1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own, and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering

Program, you agree to participate and to pay the related fees and costs. (You understand that our third-party online ordering vendor currently charges a monthly fee of $129 per store, and that the fee may change. You also understand that we have the right to assume the role of being the online ordering vendor.)

1.6.4 We have the right to require that you conduct Delivery only through Restaurant staff and/or approved third-party Delivery service provider ("**DSP Providers**"). We have the right at all times to approve or disapprove of any such Delivery services, DSP Providers, and other related vendors (including aggregators), including the arrangements that you propose to make with any DSP Provider. You may be required to make marketing and per-transaction payments to the DSP Providers (and, in some instances, we may collect those payments and remit them to the DSP Providers).

1.6.5 All Delivery and Catering sales that you make in any manner will be covered by the requirements of this Agreement, including the requirement to include those sales as part of your Franchised Business' Gross Sales (see Section 4.2.2 below) for all purposes under this Agreement.

1.6.6 You may not operate (nor authorize any other party to operate) a remote food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise) away from the premises of your Restaurant.

1.7 *Other Brands*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the "Anthony's Coal Fired Pizza" and "Anthony's Coal Fired Pizza & Wings" brands, and also that we may acquire and operate businesses and other brands (or be acquired by a company that operates other brands) including the "BurgerFi" concept (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

2 TERM AND RENEWAL

2.1 *Term*. The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire at the earlier of: (a) ten (10) years after the date when your Franchised Business opens to paying customers; and (b) eleven (11) years after the Effective Date.

2.2 *Renewal*. You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:

2.2.1 You agree to give us written notice of your choice to renew at least twelve (12) months before the end of the term of this Agreement (but not more than eighteen (18) months before the term expires).

2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new Restaurants (as well as the provisions of Section 8.8 below).

2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this

Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)

2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee equal to the greater of: (a) Twelve Thousand Five Hundred Dollars ($12,500); and (b) twenty-five percent (25%) of our then-current initial franchise fee.

2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3 OUR DUTIES

3.1 *Training*. We will provide you with the training specified in Section 6 below.

3.2 *Site Selection.* We will provide the site selection assistance that we think is needed (however, you will retain the sole responsibility for choosing a viable site, even though we will have provided assistance and our opinions on the options).

3.3 *Standard Layout and Equipping of a Restaurant*. We will make available to, at no additional charge, our standard layout, design and image specifications for a Restaurant, including the

exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your Restaurant). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

3.4 *Opening and Additional Assistance*. We may (but are not obligated to) provide a representative to be present at the grand opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).

3.5 *Brand Manual*. We will provide you with access to one (1) copy of our confidential brand manuals and other written instructions relating to the operation of a Restaurant (the "**Brand Manual**"), in the manner and as described in Section 10 below, for you to use only in connection with operating the Restaurant during the term of this Agreement.

3.6 *Marketing Materials*. We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.7 *Marketing Funds*. We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.

3.8 *Inspection Before Opening*. We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days before the planned opening date.

3.9 *Assistance*. We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations, as we deem necessary to meet our own standards.

3.10 *Services Performed*. You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

3.11 *Our Decision-Making*. In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this

Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

3.12 *Confirmation of Performance*. After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within one (1) week after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same one (1) week period, provide us with written notice specifically describing the obligations that we have not performed. Not later than one (1) week after we complete all the obligations specified in that notice that we agree were unperformed, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before your open your Restaurant.

4 FEES; SALES REPORTING

4.1 *Initial Fees*. When you sign this Agreement, you agree to pay us an initial franchise fee of Fifty Thousand Dollars ($50,000) (the "**Initial Franchise Fee**"). The Initial Franchise Fee is not refundable, and is payable in consideration of the services that we provide to you in connection with helping you to establish your new Restaurant.

4.2 *Weekly Fees and Sales Reports*.

4.2.1 For each Week during the term of this Agreement, you agree to: **(a)** pay us a continuing royalty fee equal to five and one-half percent (5.5%) of the Gross Sales of the Franchised Business ("**Royalty Fees**" or "**Royalties**"); and **(b)** report to us your Gross Sales, in the form and manner that we specify (a "**Sales Report**"), by the Due Date (defined in Section 4.3 below). If, due to applicable law, you may not pay a Royalty Fee on the sale of alcoholic beverage, then you agree to instead pay us Royalty Fees on all Gross Sales (except alcoholic beverage sales) in the same dollar amount as would have been paid if alcoholic beverage sales were included.

4.2.2 As used in this Agreement:

4.2.2.1 The term "**Gross Sales**" means all revenue from the sale of all Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter, delivery and service fees paid to you, and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit, but excluding: (**a**) sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities; (**b**) refunds, discounts, and accommodations reasonably provided to your customers; (**c**) meals provided to your staff; and (**d**) reasonable delivery fees paid by or through TPD Providers.

4.2.2.2 The term "**Week**" means a calendar week, starting on Tuesday at one second before 12:00:01 am and ending the following Monday at one second after 11:59:59 pm (all local time at your Restaurant).

4.3 *Due Date*. You must pay us your Royalty Fee payment (and all payments required under Section 13 below), by ACH (as specified below), by 5:00 pm (local time at our offices) on Wednesday of each Week (the "**Due Date**"), based on your Gross Sales during the previous Week. (If the Due Date falls on a federal holiday, then the Due Date shall be the following business day.) In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Week. We may provide these forms, and you agree to submit the completed information, in a digital format.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.

4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.

4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.

4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.

4.4 *No Subordination*. You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement

or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.

4.5 *Late Payment*. If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you, then not more than that maximum rate). Any report that we do not receive on or before the due date will also be deemed overdue. Our entitlement to such interest will be in addition to any other remedies we may have.

4.6 *Other Funds Due*. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.

4.7 *Index*. We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.8 *Funds*. You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation by the Scheduled Opening Date. **Time is of the essence.**

5.1.1 The "**Scheduled Opening Date**" is agreed to be the earlier of: one (1) year after the Effective Date of this Agreement; or six (6) months after we approve your franchised location.

5.1.2 If your Restaurant is not open and in operation by the Scheduled Opening Date, except for circumstances beyond your control, you agree to pay us a nonrefundable delayed opening fee, as follows: (a) for a delay from one to thirty days, One Thousand Dollars ($1,000); (b) if the delay continues from thirty-one to sixty days, an additional Five Thousand Dollars ($5,000); (c) if the delay continues from sixty-one to ninety days, an additional Ten Thousand Dollars ($10,000); and (d) if the delay continues beyond ninety-one days, an additional Ten Thousand Dollars ($10,000) for each additional full or partial thirty-day period. Notwithstanding the above, if your Restaurant is not opened and operating within three months of the Scheduled Opening Date, we also have the right to terminate your Franchise Agreement under Section 17.2.1 below.

5.2 *Site for the Restaurant*. As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the Restaurant as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that

we find acceptable to serve as your Restaurant, all in accordance with the Site Selection Addendum.

5.3 *Our Review and Your Responsibilities*. Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:

5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the Restaurant is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.

5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). You will have complete and total decision-making authority over the terms of any lease, sublease, and/or purchase agreement for the site. Although we are not obligated to do so, if we provide any comments, advice, guidance, edits, or any other assistance in any lease, sublease, and/or purchase negotiations, discussions with the landlords, or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you agree that: (**a**) you must decide whether or not the proposed contract is sensible for your business, (**b**) the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and (**c**) we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.

5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your Restaurant, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific Restaurant; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of Restaurants).

5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.

5.3.5 We will not review, nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.

5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.

5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval (subject to Section 5.3.2 above). We have the right to condition our approval of the lease, sublease, or purchase agreement (subject to Section 5.3.2 above) upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:

5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in substantially the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;

5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;

5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your Restaurant operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and

5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following:

5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);

5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;

5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and

5.5.5 purchase an opening inventory of ingredients for Products and other materials and supplies.

5.6 *Construction or Renovation*. In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:

5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.

5.6.2 You agree to comply with all Operating Codes, including the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.

5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.

5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.

5.7 *Pre-Opening*. Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.

5.8 *Reporting Development Costs*. Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

5.9 Relocation. Any proposed relocation of your Franchised Business will be subject to our review and our consent to your proposed new site under our then-current standards for site selection. We will have the right to consider a range of factors in determining whether to accept your proposed relocation, including commitments that we have made to other franchisees, licensees, property owners, real estate developers, and other parties relating to the proximity of a new Restaurant to their establishment. If you wish to relocate, then you must pay us a relocation fee equal to twenty five percent (25%) of our then-current initial franchise fee, of which one-half (1/2) will be due to us when you submit your relocation plan, and the remaining half (1/2) will be due if and when we accept the new site. You also agree to reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the "**Relocation Expenses**"). The parties agree to reconcile the Relocation Expenses within thirty (30) days after you have reopened your Restaurant at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 *Operating Principal and Management*.

6.1.1 One of the parties that owns an interest in you must serve as your "**Operating Principal**." The Operating Principal must supervise the operation of the Franchised Business and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Principal to hold a smaller interest. The Operating Principal (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.2 You must inform us in writing whether the Operating Principal will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time general manager (a "**General Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business. We have the right to require you to also engage and send for training two (2) additional assistant managers.

6.1.3 The Franchised Business must at all times be under the active full-time management of either Operating Principal or General Manager (who must have successfully completed our initial training program to our satisfaction).

6.1.4 The term "**Additional Trained Personnel**" means Restaurant personnel, in addition to the Operating Principal and General Manager, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Management Training*.

6.2.1 Owners Training. If the General Manager will be the hands-on operator of the store, then the General Manager must attend and successfully complete, to our satisfaction, our training program. The Operating Principal must also attend and successfully complete, to our satisfaction, the owner's training program, regardless of whether she/he will be a hands-on operator.

6.2.2 Brand Management Training.

6.2.2.1 The Operating Principal and General Manager must also attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Once your General Manager has successfully completed our brand management training program, the she or he will train your subsequently hired assistant managers, at your Restaurant, unless we have notified that your General Manager is no longer permitted do so.)

6.2.2.2 You may send up to three (3) individuals to the initial training program to our designated training facilities (which may be in the Fort Lauderdale metropolitan area or elsewhere). If you wish to send additional individuals to be trained to the initial training program, then for each Additional Trained Personnel to be trained, you must pay us a discounted training fee of Two Thousand Dollars ($2,000). We must approve all Additional Trained Personnel attending the initial training program. All individuals in attendance must have active roles in running the Restaurant.

6.3 *Additional Obligations and Terms Regarding Training*.

6.3.1 If for any reason your Operating Principal and/or General Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Principal or your General Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a discounted training fee of Two Thousand Dollars ($2,000) for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Principal, General Manager and Additional Trained Personnel attend such refresher courses, new product launches, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Products and Services that will be offered to customers of the Restaurant.

6.3.4 All of your trainees must sign, and you must deliver to us a copy of their personal covenant of confidentiality in substantially the form of Exhibit F-2 to this Agreement (to the extent permitted by law).

6.3.5 Training Costs and Expenses.

6.3.5.1 You agree to bear the cost of instruction at our then-current rate (presently, Five Hundred Dollars ($500) per day per trainer), plus expenses, for any onsite training required.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including the Fort Lauderdale metropolitan area or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.

6.3.5.5 You also agree to pay the then-current fee for our online learning management system that we or our approved vendor charge. (At present, our vendor charges $420 per store for access to the "YOOBIC" online learning management system - LMS).

6.4 *Additional On-Site Training*. You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your Restaurant in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings*. You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well).

You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

7.1 *Input Items*. You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and all other products and services used (or offered for sale) at the Restaurant (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Products that you buy from approved suppliers.) In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).

7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).

7.1.3 You agree to offer and sell only Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product on the Menu or a Service.

7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit to us a written request asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the

supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known suppliers that are willing to supply all or some Restaurants with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of Restaurants, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of Restaurants. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.

7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.

7.1.8 You may obtain from suppliers only those items that we have specified.

7.2 *Proprietary Items*. You agree that: **(a)** we have the right to require that certain Products that you use and/or offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**Proprietary Items**"); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item."

7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).

7.4 *Use of the Marks*. You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you

use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.9 below).

7.5 *Suppliers*. You acknowledge and agree that in connection with purchasing, leasing, licensing, or otherwise obtaining any service or item from a third-party supplier (including those that we have approved, required, or otherwise): (**a**) we have no responsibility (and you expressly disclaim any recovery against us) for those suppliers' services, items, contract terms, or otherwise in connection with those suppliers' performance; (**b**) if there are any shortcomings in the services, items, or terms of purchase, lease, or license from those suppliers, that you will seek recovery and/or compensation only from the supplier that sold, leased, licensed, or otherwise provided that service and/or item to you (and not from us or our affiliates).

7.6 *Manufacturing*. You agree not to produce or otherwise manufacture any items in your Restaurant (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards*. You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other franchisees that operate under our Proprietary Marks in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening*. In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Operating Principal, General Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient

number of employees to service the anticipated level of the Franchised Business's customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing*.

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time, and which will be set forth in our Brand Manual.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

8.3.3 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.3.4 You agree to develop and maintain an employee handbook and risk management policies for your staff, which you will be solely responsible for developing with HR advisors of your own choosing.

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.

8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Products, equipment and to remove samples of items or Products, without payment, in amounts

reasonably necessary for testing by us or an independent third party to determine whether the Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.

8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.

8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.

8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.

8.4.8 You agree to offer a full line of beer and wine according to our standards. You may propose to offer and sell a full-line of alcoholic products and, if we agree, you be able to do so in accordance with our standards. All beer, wine, and alcohol that you serve must be marketed, offered, and sold in compliance with all applicable laws.

8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other and for no other purpose. This includes your agreement not to: (**a**) co-brand or permit any other business to operate at the Accepted Location; (**b**) permit any other party to use your Accepted Location as a food preparation facility and/or kitchen (including cloud kitchens, dark kitchens, ghost kitchens, and otherwise); and/or (**c**) permit any of the staff (including management) that work in your Franchised Business to also work in another foodservice business operated in the same food hall and/or in a continuous setting.

8.6 *Operations.* You agree to keep the Franchised Business open and in normal operation for the hours and days that we may periodically specify in the Brand Manual or as we may otherwise approve in writing. You also agree to maintain sufficient inventories, adequately staff each shift with qualified employees and managerial staff, and to at all times continuously operate the Franchised Business at its maximum capacity and efficiency.

8.7 *Health Standards and Operating Codes*. You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, "**Operating Codes**" means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services,

Products, construction and design of the Restaurant, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).

8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the Restaurant as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8,1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Sections 8.8.2 and 8.8.3 below.

8.8.2 You also agree to complete a minor refurbishment as we may reasonably require, which will not be more than once every three (3) years.

8.8.3 *Major Remodeling*. In addition to the requirements of Sections 8.8.1 and 8.8.2 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Restaurants, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.3.1 You will not have to conduct a Major Remodeling more than once every five (5) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.3.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks*. You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *Requirements Applicable to Entities:*

8.10.1 *Corporation*. If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP*. If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC*. If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Trust*. If you are a trust, then you agree to: (a) confine your commercial activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your trust agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all of your trustees and beneficiaries; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any trustee's rights and/or obligations, and against any beneficiary's interest, without our prior written approval.

8.10.5 *Guarantees*. If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this

Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.

8.11 *Quality-Control and Customer Survey Programs.* We may periodically designate an independent evaluation service to conduct a "mystery shopper," "customer survey," "food safety," and/or similar quality-control and evaluation programs with respect to Restaurants. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).

8.12 *Prices*.

8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.

8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Products and Services offered and sold at the Restaurant under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

8.13 *Menus*. You must order and pay for menus for your Restaurant in accordance with our standards and specifications for such menus.

8.14 *Environmental Matters*. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.

8.15 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the Restaurant. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

8.16 *Suspending Operation*. You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to materially comply with applicable laws or regulations; and/or **(c)** you are in material default of your obligations under this Agreement. In the event of such a suspension of operations, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.16 is in addition to the other provisions of this Agreement (including Section 8.17 below) and does not limit or restrict our other rights under this Agreement.

8.17 *Crisis Situation*. In addition to the other requirements of this Agreement:

8.17.1 If an event occurs at the Franchised Business that has or reasonably may cause harm or injury to customers, guests, and/or employees (for example, food spoilage/poisoning, food tampering/sabotage, slip and fall injuries, natural disasters, robberies, shootings, Data Breach, etc.) or may damage the Proprietary Marks, the System, and/or our reputation (collectively a "**Crisis Situation**"), then you agree to: (a) immediately contact appropriate emergency care providers to assist in curing the harm or injury; and (b) immediately inform us by telephone and in writing of the Crisis Situation. You must refrain from making any internal or external announcements (that is, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by us or public health officials).

8.17.2 We will have the right (but not the obligation) to control the manner in which the Crisis Situation is handled by the parties, including conducting all communication with the news media, providing care for injured persons, and/or temporarily closing the Franchised Business. You agree that, in directing the management of any Crisis Situation, we or our designee will have the right to engage the services of attorneys, experts, doctors, testing laboratories, public relations firms, and other professionals that we deem appropriate, and you agree to reimburse us for our costs if we exercise any of these rights. You and your employees must cooperate fully with us or our designee in our efforts and activities in this regard and will be bound by all further Crisis Situation procedures developed by us from to time hereafter. The indemnification under Section 21.4 will include all losses and expenses that may result from our exercise of the rights granted in this Section 8.17.

9 PROPRIETARY MARKS

9.1 *Our Representations*. We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks.

9.2 *Your Agreement*. With respect to your use of the Proprietary Marks, you agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name "Anthony's Coal Fired Pizza" or "Anthony's Coal Fired Pizza & Wings" (as we designate in writing) without prefix or suffix (except with our prior written approval).

9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 Defense and Costs:

(a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements*. You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency.

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Products and Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks*. We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUAL

10.1 *You Agree to Abide by the Brand Manual*. In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Brand Manual*. We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website, portal, or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.

10.3 *We Own the Brand Manual*. The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.

10.4 *Confidentiality and Use of the Brand Manual*.

10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will ensure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.

10.5 *You Agree to Treat Brand Manual as Confidential*. You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Brand Manual Controls*. You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

10.7 *Revisions to the Brand Manual*. We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.

10.8 *Modifications to the System*. You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 *Confidentiality*.

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach*. You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports*.

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least three (3) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier's invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us.

12.1.3.1 We have the right (among other things) to require that you use only an approved (a) bookkeeping service; (b) payroll processing vendor; and/or (c) an approved independent certified public accountant.

12.1.3.2 All of the records required under this Section 12.1 and in Sections 12.2 and 12.3 below must be maintained in digital form, accessible to us and/or or designee (for example, our accountants) remotely and in that digital form, and using a software program or online site (such as "QuickBooks") that we approve, so that the data can be reviewed and/or downloaded to our computer system in a compatible and comparable manner.

12.1.3.3 You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.

12.1.3.4 Nothing in this Agreement requires your CPA to share with us its advice or guidance to you.

12.1.4 Each Week, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Week. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise, and in a manner that we designate so that it is compatible with our computer systems) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements*.

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each Week during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for

the Franchised Business and a periodic trial balance through the end of each Week; **(b)** reports of those income and expense items of the Franchised Business for the Week that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above within fifteen (15) days after the end of each fiscal quarter, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

12.2.3 Upon our request, you agree to take a physical inventory of the stock at your Restaurant and to provide us with a written report on the results of that inventory.

12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days after you file those but not more than one hundred and eighty (180) days after each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

12.3 *Additional Information*. You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards*. With respect to processing customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase

requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.

12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

12.4.3 You agree not to use any Payment Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.

12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.5 *Gift Cards and Incentive Programs*. You agree to offer for sale, participate in, and honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile apps, mobile payment, and/or other customer affinity applications; together, "**Customer Apps**"); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by our written standards with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to participate in, sell, and process Customer Apps, and to contact with Customer App vendors (including suppliers of gift cards and gift card processing services), as we may specify in writing in the Brand Manual or otherwise. You must also pay the annual and per-transaction fees as may be required by the vendors of the gift card system (the annual fee is currently $1,620, subject to change). You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.

12.6 *Our Right to Inspect Your Books and Records*. We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at

our option). We will also have the right, at any time, to have an independent audit made of your books and records. You agree to cooperate with us and our auditors and provide the access and assistance that they may reasonably need in order to implement this Section 12.6. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you, then not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

12.7 *Operational Inspections*. In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current fee (currently $500 per visit) for our representative(s) and to reimburse us for our reasonable related travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 *Marketing Contribution*.

13.1.1 For each Week during the term of this Agreement, you agree to contribute or spend an amount equal to two and one-half percent (2.5%) of your Franchised Business' Gross Sales during the preceding Week (the "**Marketing Contribution**") (and we have the right to increase your total Marketing Contribution to 3.5% of Gross Sales). You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.6 below).

13.1.2 We have the right (but not the obligation) to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** the marketing and promotional fund for the U.S. (the "**Marketing Fund**"), if established as noted below; and (**b**) local marketing, consisting of expenditure on local marketing and promotion (as provided in Section 13.5 below) and/or contributions to a Regional Fund (if one is established for

your area, as provided in Section 13.4 below). If we make such a change, we will give you written notice of that change, which will take effect at the end of that Week

13.1.3 Once the Marketing Fund is established, we will allocate your entire Marketing Contribution to the Marketing Fund. You may spend what you wish on local marketing.

13.1.4 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund*. We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. All of the following provisions will apply to the Marketing Fund:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, geo-targeting, SEO and other search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist with such endeavors; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for Restaurants and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the Restaurants operated under the System).

13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses,

except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.

13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

13.2.6 We will not use the Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises. We are not obligated to make contributions to the Marketing Fund on behalf of company-owned or affiliated Restaurants.

13.3 *Local Marketing.* You will be required to make a Local Restaurant Marketing Expenditure and/or contribute funds to a regional fund, as specified in Sections 13.4 and 13.5 below.

13.4 *Regional Fund*. We have the right (but not the obligation) to designate any geographical area for purposes of establishing a cooperative Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. If we establish a Regional Fund, then all of the following provisions will apply to that Regional Fund:

13.4.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

13.4.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.

13.4.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.9 below.

13.4.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require.

13.4.5 Your financial contributions to the Regional Fund will be credited against your requirement under Sections 13.1.3 and 13.3 above to make local marketing

expenditures. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.4.6 Voting will be on the basis of one vote per full-service Restaurant, and any full-service Restaurants that we (or our affiliates) operate in the region (if they contribute to the Regional Fund) will have the same voting rights as those owned by franchisees. Each franchised Restaurant in the Regional Fund shall also have one vote (no matter how many people own the franchisee).

13.4.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.5 *Local Marketing Expenditure*. As used in this Agreement, the term "**Local Restaurant Marketing Expenditure**" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:

13.5.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);

13.5.2 Charitable, political, or other contributions or donations; and/or

13.5.3 The value of discounts provided to consumers.

13.6 *Grand Opening Marketing Program*. In addition to the Marketing Contribution, you agree to spend at least Fifteen Thousand Dollars ($15,000) for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.9 below. At our request, you must provide us with proof of your payment to an approved vendor or vendors for the Grand Opening Marketing Program. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).

13.7 *Materials Available for Purchase*. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

13.8 *Standards*. All of your local marketing and promotion must: **(a)** be in the media, and of the type and format that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.9 below.

13.9 *Our Review and Right to Approve All Proposed Marketing*. For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval, which we agree to provide within seven (7) business days. If you (or the Regional Fund) have not received our written approval within seven (7) business days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to promptly sign such documents) that we deem reasonably necessary to give effect to this provision.

13.10 *Rebates*. You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.11 *Considerations as to Charitable Efforts*. You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

13.12 *Promotions*. You agree to participate in promotional programs that we periodically develop, in the manner that we direct, which may include providing services and products to frequent customers, including discounted and/or complimentary products or services.

13.13 *Additional Marketing Expenditure Encouraged*. You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, and in accordance with our standards, including:

a. back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Business, and you, and us;

b. point-of-sale (POS) (defined in Section 14.6 below);

c. physical, electronic, and other security systems and measures;

d. printers and other peripheral devices;

e. archival back-up systems;

f. internet access mode (such as form of telecommunications connection) and speed;

g. technology used to enhance and evaluate the customer experience (including digital ordering devices, kiosk, touchpads, and the like);

h. digital and virtual display boards and related technology, hardware, software, and firmware;

i. front-of-the-house WiFi and other connectivity service for customers;

j. cloud-based back-end management systems and storage sites;

k. in-shop music systems under Section 8.4.7 above; and

l. consumer-marketing oriented technology (including Customer Apps, affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites)

(collectively, all of the above in this Section 14.1.1 are referred to as the "**Computer System**").

14.1.2 We have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** programs, computer software, and other software (e.g., accounting system software) that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your

Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that is required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) all elements of the Computer System and Required Software at your expense. You agree to pay us or third-party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**") (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).

14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.1.7 Each Week, you agree to pay us a technology fee in our then-current amount (presently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee (and to change the fee periodically) by giving you written notice one or more Weeks before that change takes effect). You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.

14.1.8 If you ask us to provide and we agree to render additional technology services, then you agree to pay us our standard fees for that work (including non-standard technology integration).

14.2 *Data*.

14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.

14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.

14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that

except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.

14.2.5 For the limited purpose of this Section 14.2, references to "data" exclude consumers' credit card and/or other payment information.

14.3 *Data Requirements and Usage*. We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

14.3.1 You agree to abide by all applicable laws pertaining to the data (including those pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information) ("**Privacy Laws**").

14.3.2 You agree to also comply with any standards and policies that we may issue (without any obligation to do so) pertaining to the collection, use, maintenance, disposition, and/or privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of the Privacy Laws; **(b)** immediately give us written notice of that conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.

14.4 *Extranet*. You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

14.5 *No Separate Digital Sites*. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, YouTube, TikTok, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.

14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.9 above.

14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including proposed screen shots, links, and other content), and non-visible content (including meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.

14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).

14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.

14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.

14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

14.6 *POS Systems*. You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully

compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third-party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.

14.7 *E-Mail*. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

14.8 *Outsourcing*. You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources without our prior written consent. The term "AI Source" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

14.9 *Telephone Service*. You agree to use the telephone service for the Restaurant that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.

14.10 *Changes*. You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services. You agree that the terms of this Section 14 apply to all technologies, whether currently available, in some stage of development, or to be invented after the date of this Agreement.

14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging*. You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@AnthonysCoalFiredPizza.com or "jane.jones@ACFPfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

15.1 *Required Insurance Coverage*. Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A+" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide), and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in

the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the Restaurant and protecting against assumed or contractual liability under this Agreement with respect to the Restaurant and your operations, with such policy to be placed with minimum limits of One Million Dollars ($1,000,000) limit per occurrence and Two Million Dollars ($2,000,000) general aggregate per location. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

15.1.2 Liquor liability coverage of not less than $1,000,000 per occurrence, $2,000,000 aggregate (if any alcohol is served, sold or distributed).

15.1.3 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars ($1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.

15.1.4 Business Interruption coverage, either on an actual loss sustained basis for up to twelve (12) months or in an amount sufficient to cover twelve (12) months of net profit plus continuing business expenses (expenses are to include, but not be limited to, royalty fees consistent with the royalty fees due to us for the trailing 12 months prior to the loss). Coverage must be written utilizing ISO Forms CP0030 (10 12) and CP1030 (10 12) or their substantial equivalent.

15.1.5 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of Five Hundred Thousand Dollars ($500,000) or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Restaurant is located.

15.1.6 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than One Million Dollars ($1,000,000) combined single limit.

15.1.7 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than One Million Dollars ($1,000,000) combined single limit.

15.1.8 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least One Million Dollars ($1,000,000) combined single limit for both bodily injury and property damage.

15.1.9 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers' liability) to not less than One Million Dollars ($1,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.

15.1.10 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in minimum coverage of Seven Hundred Fifty Dollars ($750,000) for the building and our replacement value whichever is greater and Five hundred thousand Dollars ($500,000) for contents coverage (with no more than a $10,000 deductible) for all risk perils, including the perils of flood and earthquake. This coverage must include equipment breakdown insurance coverage with a minimum coverage of Two Hundred and Fifty Thousand Dollars ($250,000). Appropriate coverage must also be provided for boiler and machinery exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Two Hundred and Fifty Thousand Dollars ($250,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the Restaurant, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% (but 5% in the South Florida area or any other area that requires a higher deductible) with Ten Thousand Dollars ($10,000) minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.

15.1.11 Products liability insurance in an amount not less than One Million Dollars ($1,000,000), which policy will be considered primary.

15.1.12 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than Ten Thousand Dollars ($10,000) and naming us as loss payee.

15.1.13 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).

15.1.14 All coverages must be written with no coinsurance penalty.

15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:

15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.

15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the

negligence of you or your servants, agents, or employees, including as additional insureds.

15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

15.3 *Construction Coverages*. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractors and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.

15.4 *Other Insurance Does Not Impact your Obligation*. Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other Restaurants that you (and/or your affiliates) operate under the System.

15.5 *Certificates of Insurance*. At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that those parties' interests will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.6 *Required Coverages are Minimums*. You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

15.7 *Obtaining Coverage*. If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you in the manner that we request (which may be as specified in Section 4.3.2 above).

16 TRANSFER OF INTEREST

16.1 *By Us*. We will have the right to transfer or assign this Agreement and/or all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, and that assignee will become solely responsible for all of our transferred obligations under this Agreement as of the date of assignment.

16.2 *Your Principals*. Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals*. We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be amended automatically upon written notice to you.

16.4 *By You*. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.

16.4.3 If you are a trust, then the trustee(s) of that trust shall not, without our prior written consent, admit additional trustees, remove a trustee, or otherwise materially alter the powers of any trustee, nor admit new beneficiaries or change beneficiaries. Each trustee in such a trustee will automatically be deemed to be a Principal.

16.4.4 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.

16.4.5 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that

party with information relating to your Restaurant (such as sales reports) (although we will have the right not to provide any or all such information).

16.5 *Transfer Conditions*. We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.

16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher Royalties and marketing fees. You also agree to sign (and cause your principals to sign) a transfer agreement in the form that we reasonably provide, which will include general releases.

16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new Restaurants then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.3 within the time period that we specify.

16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).

16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any

covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.

16.5.8 A Principal of the transferee whom we designate to be a new Operating Principal, and those of the transferee's Operating Principal, General Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).

16.5.9 If you and/or your affiliates are subject to a development agreement with us, then we will have the right to require that you make the transfer (if it is approved under this Section 16) only in conjunction with a simultaneous transfer of the same rights and interests with respect to your Development Agreement and any other franchised Restaurants developed pursuant to that Development Agreement to the same buyer.

16.5.10 You agree to pay us a transfer fee of fee equal to the greater of: (a) Twelve Thousand Five Hundred Dollars ($12,500); and (b) twenty-five percent (25%) of our then-current initial franchise fee.

16.5.11 If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)

16.5.12 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal*. If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide us with the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity*. If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer that party's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.

16.7.1 In addition, if the deceased or incapacitated person is the Operating Principal, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.

16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.

16.8 *Consent to Transfer*. Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar Restaurant*. You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.

16.10 *Bankruptcy Issues*. If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the Franchisee, your obligations, and/or your rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.

16.11 *Securities Offers*. All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.

16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Fifteen Thousand Dollars ($15,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing, documenting, and discussing the proposed offering with you and your representatives.

16.11.4 You agree to give us written notice at least thirty (30) days before starting any offering or other transaction described in this Section 16.11. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You agree to deliver to us (at your expense) an opinion of your legal counsel (addressed to us and in a form acceptable to us) that the offering documents properly use the Proprietary Marks and accurately describe your relationship with us and/or our affiliates.

16.11.6 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as

quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

17.1 *Automatic with no notice and no opportunity to cure*. If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);

17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);

17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.16 above;

17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

17.2.6 If you fail to comply with the requirements of Section 19 below;

17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;

17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;

17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;

17.2.10 If you commit three (3) or more material defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the Restaurant that is not a Retail Product or a Service;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure*.

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy*. If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept to our company (that is, to Franchisor) an assignment of the Agreement on the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 *Our Rights Instead of Termination*. If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement (subject to Section 17.6 below).

17.6 *Reservation of Rights under Section 17.5*. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our other rights under law and also our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages*. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and under any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

18.1 *Cease Operation*. You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours.

18.2 *Stop Using Marks and Intellectual Property*. You agree to immediately and permanently stop making use, in any manner whatsoever, of any aspect of the System (including any confidential methods, procedures and techniques associated with the System), our Proprietary Marks (including any former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System), and any and all other intellectual property associated with the System. Without limiting the above, you agree to stop making any further use of any

and all signs, printed and/or digital marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

18.3 *Cancel Assumed Names*. You agree to take such action as may be necessary to cancel any assumed name or equivalent registration that contains the marks "Anthony's Coal Fired Pizza," Anthony's Coal Fired Pizza & Wings," any other Proprietary Marks, and/or any other service mark or trademark of ours. You also agree to provide us evidence that we deem satisfactory to provide that you have complied with the obligations of this Section 18.3 within five (5) days after termination or expiration of this Agreement.

18.4 *Premises*. We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the Restaurant is operated and/or for the building in which the Restaurant is operated.

18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, then you agree to: **(a)** make such modifications or alterations to the premises operated under this Agreement (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Restaurants; **(b)** must make such specific additional changes thereto as we may reasonably request for that purpose; and **(c)** provide to us within fifteen (15) days after termination or expiration of this Agreement with photographic proof and other evidence, in such form as we may reasonably request, that you have done all of the above acts and things.

18.4.2 In addition, you agree to immediately stop use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers (together, "**Identifiers**"), whether or not authorized by us, that you have while operating the Franchised Business, and you must promptly sign such documents or take such steps as necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

18.4.3 You agree that whether or not we exercise our rights under Section 18.4.4 below, you will be responsible for any other party's use of the premises and/or any of the Identifiers if you do not comply with all of the requirements of this Section 18.4.

18.4.4 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.

18.5 *Our Option to Buy Your Assets*. We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business (the "**Operating Assets**"), at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. We also have the right to require that

you return to us, at our cost, any signage that we specify. If we elect to exercise any option to purchase the Operating Assets as provided above, then we will have the right to set off all amounts due from you. You agree to pay off and liquidate all liens against the Operating Assets before we exercise our rights to take the assignment as specified above.

18.6 *No Use of the Marks in Other Businesses*. You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.

18.7 *Pay All Sums Due*. You agree to promptly pay all sums owing to us and our affiliates (regardless of whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.

18.8 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

18.9 *Return Confidential Information*. You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

18.10 *Right to Enter and Continue Operations*. In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.

18.11 *Lost Future Royalties*. If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, then, in addition to all other amounts due to us under this Agreement and all other remedies that we have available under the law, you agree to pay to us, as liquidated damages, an amount calculated as follows: **(a)** the average of your monthly Royalty Fees that are due under this Agreement for the twenty-four (24) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than twenty-four (24) months, the average of your monthly Royalty Fees for the number of months you have operated the Shop); **(b)** multiplied by the lesser of twenty-four (24) or the number of months remaining in the then-current term of this Agreement under Section 2 above. The parties agree that the above requirements are a reasonable estimate of the potential damages that will result from the breach and not meant as a penalty. You agree to pay this sum to us upon our request for payment. You also agree that our right to collect liquidated damages under this Section 18.11 is not instead of, nor does it limit us from exercising, any our other rights (whether arising under this Agreement, at law, and/or in equity).

18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

18.13 *Offsets*. We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

19.1 *Full Time Efforts*. You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Principal and/or General Manager) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 *Understandings*.

19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean any foodservice business: **(a)** that is the same as or similar to the overall presentation of an "Anthony's Coal Fired Pizza & Wings" Restaurant; and/or **(b)** whose sale of pizza and/or chicken wings accounts for more than ten percent (10%) of its total offerings and/or total revenue in any one or month calendar months.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not in any manner whatsoever (including directly, indirectly, for yourself, and/or through, on behalf of, or in conjunction with any party) do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any Restaurant to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period

following the expiration or earlier termination of this Agreement and/or a transfer as contemplated under Section 16 above, these restrictions will apply only (**a**) at the Accepted Location; (**b**) within five (5) miles of the Accepted Location; and (**c**) within five (5) miles of any other Restaurant business that is then-currently operated or planned elsewhere in the United States. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

19.5 *Post-Term*. You further covenant and agree that, for a continuous period of two (2) years after **(a)** the expiration of this Agreement, **(b)** the termination of this Agreement, and/or **(c)** a transfer as contemplated in Section 16 above:

19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and

19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

19.6 *Non-Compliance*. You agree that any period of time during which you do not comply with the requirements of this Section 19 (whether that non-compliance takes place after termination, expiration, and/or a transfer) will not be credited toward satisfying the total two-year requirement specified above (and that it will be your responsibility to complete the total two-year obligation).

19.7 *Publicly-Held Entities*. Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held entity. As used in this Agreement, the term "**publicly-held entity**" means an entity that has securities that are registered under the Securities Exchange Act of 1934.

19.8 *Personal Covenants*. You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Principal, General Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in substantially the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above. This clause only applies if permitted by applicable laws.

19.9 *Construction*. The parties agree that each of the covenants in this Section 19 will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any covenant set out in this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

19.10 *Claims Not a Defense*. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of

the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

19.11 *Covenant as to Anti-Terrorism Laws*. You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or relating to terrorist acts and/or acts of war.

19.12 *Defaults*. You agree that if you violate this Section 19, that will result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Payment of Taxes*. You agree to promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

20.2 *Payment of Trade Creditors*. You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business (including for example the landlord for the premises of your Restaurant). If you do not pay your vendors on time and in full, then we will have the right (but not the obligation) to make payments to those vendors on your behalf, and, if we do so, you agree to reimburse us on demand for those payments plus our reasonable expenses. We will have the right to collect these funds using the methods specified in Section 4.3.2 above.

20.3 *Your Right to Contest Liabilities*. If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

20.4 *Compliance with Law*. You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

20.5 *Notice of Violations and Actions*. You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, 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, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship.* The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status*. At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name*. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification*.

21.4.1 You agree to indemnify, defend, and hold harmless each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure*. We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions*. As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 "**Claim**" means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the Restaurant, sale of Products or Services, events occurring at the Restaurant, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of any Operating Code, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 "**Expenses**" includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 "**Franchisor Parties**" means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

22 FORCE MAJEURE

22.1 *Impact*. Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** public health emergencies, epidemics, pandemics, hurricanes, tornadoes, environmental emergencies, strikes, lockouts, labor actions, boycotts, floods, fires, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the

operation of the Franchised Business. You agree to abide by any brand standards that we may establish in connection with continuing to operate, reopening, and other matters relating to operations that are impacted by a force majeure event.

22.2 *Transmittal of Funds*. The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval*. Whenever this Agreement requires our prior approval, acceptance, and/or consent, you agree to make a timely written request to us therefor, and in each instance, our approval, acceptance, or consent will be valid only if it is provided in writing.

23.2 *No Warranties or Guarantees*. You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers*. The parties agree that: (a) no delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement; (b) no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you; (c) if we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement; and (d) no course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.

24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, statements, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. If this Agreement is to renew a previous term for your franchise, then the renewal provisions in Section 2.2 of this Agreement and the other provisions relating to the establishment of a new Franchised Business will not apply in the renewal term.

25.2 *No Disclaimers or Waivers*. Nothing in this Agreement, any other contract, and/or our FDD is meant to (nor shall those documents have the effect of): (**a**) disclaiming any representation contained within our FDD; and/or (**b**) requiring you to waive any provision of state franchise laws that apply to you. The term "**FDD**" means our Franchise Disclosure Document (including its exhibits).

25.3 *Amendment*. Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

26.1 *Introductory Paragraphs*. The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and incorporated into the text of this Agreement as if they were printed here in full.

26.2 *Severability*. Except as expressly provided to the contrary in this Agreement, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties to this Agreement; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

26.3 *No Third-Party Rights*. Except as expressly provided to the contrary, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.

26.4 *Captions Don't Amend Terms*. All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.

26.5 *Including*. The parties agree that when the terms "include", "includes", and "including" are used in this Agreement, those terms shall be understood to mean "*including but not limited to*".

26.6 *Survival*. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

26.7 *Expenses*. Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts*. This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law*. This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Florida, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Florida choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Florida law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Florida (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Fort Lauderdale, Florida. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Fort Lauderdale, Florida.

27.4 *Parties Rights Are Cumulative*. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy

herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

27.5 *Injunctions*. Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.6 ***WAIVER OF JURY TRIALS.*** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

27.7 ***MUST BRING CLAIMS WITHIN ONE YEAR.*** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.

27.8 ***WAIVER OF PUNITIVE DAMAGES.*** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (HOWEVER, THIS CLAUSE SHALL NOT APPLY TO A CLAIM FOR LOST FUTURE ROYALTIES UNDER SECTION 18.11 ABOVE).

27.9 *Payment of Legal Fees*. You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

28.1 *Your Investigation of the Restaurant Possibilities.* We have recommended that: **(a)** you conduct an independent investigation of the business franchised under this Agreement.

28.2 *No Warranties or Guarantees.* We do not make (and do not permit anyone speaking on our behalf) to make any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.

28.3 *Your Advisors.* We recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement.

28.4 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.

28.5 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.

28.6 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised Restaurant, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

28.7 *Different Franchise Offerings to Others.* We may modify the terms under which we offer franchises to other parties (which may differ from the terms, conditions, and obligations in this Agreement).

28.8 *Our Advice*. You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.

28.9 *Your Independence*. You agree that:

28.9.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);

28.9.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.9.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.9.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.9.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.10 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a considerable extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.11 *General Release*. If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**") freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), which any Releasor now owns or holds or may at any time have owned or held, including claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the Restaurants and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

*****

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date (as written below).

ACFP Management, Inc.
Franchisor

By:_____

Name:_____

Title:_____

Effective Date:_____

_____
Franchisee Entity

By:_____

Name:_____

Title:_____

By:_____

Name:_____

Title:_____

Address for Notices:

ACFP Management, Inc.
200 West Cypress Creek Road, Suite 220
Fort Lauderdale, FL 33309
Telephone:_____
Fax:_____
Attn:_____
E-mail:_____

Address for Notices:

_____
_____
Telephone:_____
Fax:_____
Attn:_____
E-mail:_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____ .
2	1.3	The Protected Area under this Agreement will be a circle with a radius of _____ (___) miles and its center at the front door of the Restaurant (subject to 1.3 of this Agreement) (but not to include areas that are away from the Restaurant and on the other side of a natural boundary, such as a river).

Initials

_____ _____
Franchisee Franchisor

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

To induce ACFP Management, Inc. ("**Franchisor**") to sign the Anthony's Coal Fired Pizza & Wings Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202___ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.

- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.

- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.

- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.

- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks, such as

"Anthony's Coal Fired Pizza" and "Anthony's Coal Fired Pizza & Wings") or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Florida, and that in the event of any conflict of law, Florida law will prevail (without applying Florida conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

_____	_____	_____
(signed in his/her personal capacity)	(signed in his/her personal capacity)	(signed in his/her personal capacity)
Printed Name:_____	Printed Name:_____	Printed Name:_____
Date:_____	Date:_____	Date:_____
Home Address:	Home Address:	Home Address:
_____	_____	_____
_____	_____	_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

Franchisee

Franchisor

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes ACFP Management, Inc. ("**Franchisor**") 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 our instructions.

_____ _____
Depository/Bank Name Branch Name

_____ _____ _____
City State Zip Code

_____ _____
Bank Transit/ABA Number Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT

EXHIBIT E
ADA CERTIFICATION

ACFP Management, Inc. ("**Franchisor**" or "**us**") and _____ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated _____, 202_____ (the "**Franchise Agreement**") for the operation of a Franchised Business at (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.

- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.

- You acknowledge that we have relied on the information contained in this certification.

- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

_____
Franchisee:

By:_____

Printed Name:_____

Title:_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee with its executive/management staff)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**"), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. ACFP Management, Inc. ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Anthony's Coal Fired Pizza & Wings" businesses operating in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Anthony's Coal Fired Pizza & Wings" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Anthony's Coal Fired Pizza & Wings") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate an "Anthony's Coal Fired Pizza & Wings" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and

confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business that is the same as or similar to an "Anthony's Coal Fired Pizza & Wings" Restaurant and/or whose sale of pizza and/or chicken wings accounts for more than ten percent (10%) of its total offerings and/or total revenue in any one or month calendar months.

(e) As used in this Agreement, the term "Post-Term Period means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this

Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Member, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Member's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	MEMBER
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
(to be signed by franchisee with its non-management staff)

THIS NON-DISCLOSURE AGREEMENT ("**Agreement**") is made on _____, 202___, by and between _____ (the "**Franchisee**") and _____, who works for the Franchisee (the "**Staff Member**").

Background:

A. ACFP Management, Inc. ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Anthony's Coal Fired Pizza & Wings" businesses in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**Restaurant**").

B. Franchisor identifies "Anthony's Coal Fired Pizza & Wings" Restaurants by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Anthony's Coal Fired Pizza & Wings") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate an "Anthony's Coal Fired Pizza & Wings" Restaurant (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Staff Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. During the time that Member is engaged by Franchisee, and after that engagement ends, Member will not communicate, divulge, or use for the benefit of any other party the methods of operation of the Franchised Business that the Member learns about during the Member's engagement by Franchisee. Any and all information, knowledge, know-how, and techniques that are deemed confidential are will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Staff Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Staff Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Staff Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Staff Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Staff Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Staff Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

6. Employer. Staff Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Staff Member, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Staff Member's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Staff Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	STAFF MEMBER
_____	_____
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

ACFP Management, Inc. ("**Franchisor**" or "**us**" or "**we**") and _____ ("**Franchisee**" or "**you**") have entered into a Anthony's Coal Fired Pizza & Wings Franchise Agreement ("**Franchise Agreement**") on _____, 202____, and wish to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site**: Within ninety (90) days after the Effective Date of the Franchise Agreement, you agree to acquire or enter into a binding lease/sublease (collectively, a "**lease**"), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the "**Franchised Business**") at a site that we will have approved in writing as provided below. You agree to provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. The location must be within the following area: _____

_____

(the "**Site Selection Area**").

b. The only reason that the Site Selection Area is described here is to describe the area within which you will search to find a site for the Franchised Business. The parties agree that: (i) the Site Selection Area is not the "Protected Area" under Section 1.3 of the Franchise Agreement; and (ii) the provisions of Section 1.3 of the Franchise Agreement will not apply to the Site Selection Area.

c. Until the end of the Search Period, and inside the Site Selection Area,) we will not establish, nor franchise another party to establish, an "Anthony's Coal Fired Pizza & Wings" business operating under the System.

d. For purposes of this Addendum, the term "**Search Period**" means the earlier of: (i) ninety (90) days from the Effective Date of the Franchise Agreement; or (ii) until we have approved a location for your Franchised Business. When the Search Period ends, the protections of paragraph 1.c above will automatically expire and you will have no further rights regarding the Site Selection Area.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services**: We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel,

lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval**: You must submit to us, in the form that we specify: ***(a)*** a completed site approval form (in the form that we require); ***(b)*** such other information or materials that we may reasonably require; and ***(c)*** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved of the site.

4. **Lease Responsibilities**: After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit G. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location**: After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the "**Accepted Location"** described in Section 1.2 of the Franchise Agreement. The Accepted Location may also be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction**: This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

ACFP Management, Inc.
Franchisor

Franchisee

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

THIS ADDENDUM (the "**Addendum**") has been executed as of this ___ day of _____, 202___, by and between _____ ("**Franchisee**") and _____ ("**Lessor**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202___ for the premises located at _____, in the State of _____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with ACFP Management, Inc. ("**Franchisor**") for the development and operation of an "Anthony's Coal Fired Pizza" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

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

1. Lessor agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor also agrees to deliver to Lessor a copy of any notice of termination under the Franchise Agreement. Franchisee consents to that exchange of information by Lessor and by Franchisor.

2. Franchisee assigns to Franchisor, with Lessor's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: **(a)** the Franchise Agreement is terminated or expires without renewal; and **(b)** Franchisor has given written notice to Franchisee and Lessor that Franchisor assumes Franchisee's obligations under the Lease.

3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Lessor, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.

4. Franchisee and Lessor agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.

5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Lessor's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate an "Anthony's Coal Fired Pizza" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Lessor agrees to execute such further documentation to confirm

its consent to an assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Lessor and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Lessor hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Lessor and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as an "Anthony's Coal Fired Pizza" business (unless Franchisor takes an assignment of the lease, as provided above). Lessor agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.

7. If Lessor is an affiliate or an owner of Franchisee, Lessor and Franchisee agree that if Lessor proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "Anthony's Coal Fired Pizza" business is located.

8. Lessor agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Lessor's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Lessor, or otherwise obtained by Lessor, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Lessor acknowledges that all such Confidential Information belongs exclusively to Franchisor.

9. Lessor agrees that: **(a)** Franchisor has granted Franchisee the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises, pursuant to the terms of the Franchise Agreement; and **(b)** Franchisor has not granted to Lessor the right to use the Marks.

10. Lessor and Franchisee agree that the Premises will be used solely for the operation of an "Anthony's Coal Fired Pizza" business.

11. Lessor and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.

12. Lessor and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third-party beneficiary of the provisions of this Addendum.

14. Lessor and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Lessor.

WITNESS the execution of this Addendum, under seal.

Lessor:	Franchisor*	Franchisee:
_____	_____	_____
Date:	Date:	Date:
_____	_____	_____
Subscribed and sworn to before me this ___ day of _____, 202_____.	Subscribed and sworn to before me this ___ day of _____, 202_____.	Subscribed and sworn to before me this ___ day of _____, 202_____.
_____ Notary Public	_____ Notary Public	_____ Notary Public
My Commission expires: _____	My Commission expires: _____	My Commission expires: _____
	* The Franchisor has signed this lease rider only to acknowledge its terms and not to accept any obligations under the lease.	

Anthony's Coal Fired Pizza & Wings
FRANCHISE AGREEMENT
EXHIBIT I
INDEX TO DEFINED TERMS

Exhibit C: Development Agreement

ACFP Management, Inc.
200 West Cypress Creek Road, Suite 220
Fort Lauderdale, Florida 33309

_____, 202__

_____
_____
_____
_____

Re: Development Agreement

Dear _____:

We are pleased to be entering into this letter agreement (the "**Development Agreement**") with you, as of the Effective Date noted on the signature page of this Development Agreement. As used in this Development Agreement, the terms "**you**", "**your**", and "**Developer**" mean _____, and the terms "**we**", "**us**", and "**Franchisor**" mean ACFP Management, Inc.

1. *Development*. This Development Agreement relates to the terms under which you will develop "Anthony's Coal Fired Pizza & Wings" business (each a "**Restaurant**") within the "**Development Area**" that is specified on the attached Data Sheet (Exhibit A). Each Restaurant will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") for that Restaurant, which will specify, among other things, the accepted location of that Restaurant.

2. *Development Schedule*. You agree to have each of the Restaurants in the Development Area open and in operation according to the development schedule that is specified on the attached Data Sheet (Exhibit A). That schedule is referred to as the "**Development Schedule**."

3. *Term*. The term of this Development Agreement starts only when both parties have signed below, and ends on the last date specified in the Development Schedule (unless this Development Agreement is sooner terminated) (the "**Term**").

4. *Fees and Credits*.

   4.1 In consideration of the development rights granted in this Development Agreement, you agree to pay us, upon signing this Development Agreement, a development fee in the amount of Fifty Thousand Dollars ($50,000) for the first Restaurant that you commit to develop, plus Twenty-Five Thousand Dollars ($25,000) for each additional Restaurant you commit to develop under the Development Agreement, as specified on the attached Data Sheet (Exhibit A) (the "**Development Fee**"). The Development Fee shall be fully earned when we receive it from you and it shall be non-refundable.

4.2 If you are in compliance with your obligations under this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates), then initial fee under the Franchise Agreement for each Restaurant that is required to be established in the Development Area under this Development Agreement will be as follows:

For this Restaurant	This will be the initial franchise fee	This portion of the Development Fee is due when you sign this Development Agreement (and will be credited to the initial franchise fee due under the Franchise Agreement)	This is the remaining balance of the initial franchise fee that you agree to pay when you sign the Franchise Agreement for this Restaurant
First	$50,000	$50,000	None
Second	$50,000	$25,000	$25,000
Third	$50,000	$25,000	$25,000
Fourth	$50,000	$25,000	$25,000
Fifth	$50,000	$25,000	$25,000
Total Development Fee		$150,000	

4.3 For the sixth and any additional Restaurants the initial franchise fee will be the same as for the fifth Restaurant.

4.4 All payments that you make to us must be without deduction for any taxes.

4.5 All payments must be made in the U.S. and in U.S. Dollars, by ACH payment or wire-transfer to a bank account that we designate in writing for that purpose.

5. *Development Rights*. We agree not to establish, nor license anyone other than you to establish, a Restaurant in the Development Area until the end of the Term, except as otherwise provided under Section 6 below, so long as you (and your affiliates) are in compliance with this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates), subject to Sections 6 and 7 below.

6. *Reservation of Rights*. Except as otherwise specifically provided above in Section 5, we retain all other rights (as specified in Section 11.1 below) including all of those specified in Section 1.4 of the attached Franchise Agreement (with the term “Development Area” substituted for “Protected Area” in that agreement).

7. *Other Brands*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, as a franchisee, or otherwise) in addition to the “Anthony’s Coal Fired Pizza & Wings” (and related names) brand, and also that we may acquire and operate businesses and

other brands (or be acquired by a company that operates other brands) including the "BurgerFi" concept (collectively, "**Other Brands**"). This Agreement does not grant you any rights with respect to any such Other Brands.

8. *No License to use the Marks*. This Development Agreement does not confer upon you any license to use, in any manner whatsoever, our Proprietary Marks and/or our System. That license will instead be set out under (and subject to the terms of) the Franchise Agreements.

9. *Signing the Franchise Agreements*.

   9.1 You must sign a Franchise Agreement for each Restaurant. The Franchise Agreement for each Restaurant developed under this Development Agreement shall be in the form of our then-current Franchise Agreement. You must sign the Franchise Agreement for each Restaurant and submit to us for countersignature not more than thirty (30) days after you sign the lease or purchase property for that Restaurant.

   9.2 Each Restaurant shall be located at a site that we have accepted, within the Development Area, as provided in Section 10 below.

   9.3 You agree to engage the managerial staff that is necessary to supervise the operation of the Restaurants in the Development Area, who must attend and successfully complete the training program that we provide for store General Managers under the Franchise Agreement.

10. *Restaurant Development and Site Acceptance*. For each proposed site for a Restaurant, you must submit to us, in a form we may specify, a completed site acceptance package and such other information or materials as we may reasonably require. You must submit the site acceptance package, information, and materials by no later than one hundred and eighty (180) days before the date on which the Restaurant must open as listed in the Development Schedule. You also must obtain our site acceptance for the first Restaurant to be developed under this Development Agreement within four (4) months after the date of this Development Agreement. If we provide our written acceptance of a proposed site, then we will send you written notice within thirty (30) days after we receive your completed site acceptance package. If we do not send that notice to you within the same thirty-day period, then we shall be deemed to have disapproved the proposed site. Until we have provided our written acceptance of a proposed site, you may not open or operate a Restaurant at that location.

    10.1 If you will occupy the premises from which the Restaurant is to be operated under a lease, then before signing the lease, you must submit to us the draft lease or sublease for our acceptance. Our acceptance of the lease shall be conditioned upon the inclusion in the lease of terms acceptable to us, as specified in the "lease rider" that is attached to the form of Franchise Agreement found at Exhibit B to this Development Agreement. You must obtain our prior written acceptance as to the site for each Restaurant before you enter into a lease or sublease for that site, and before you start construction at these sites. Within thirty (30) days after we give our site acceptance, you must sign a lease, after obtaining our acceptance of the terms of the lease, or a binding agreement to purchase the site, subject only to your obtaining any necessary zoning variances, building, or use permits. Nothing in this Section 10 shall be deemed to amend or modify your obligation to meet the Development Schedule. As used in this Development Agreement, the term "lease" includes subleases and similar subordinate grants of occupancy rights.

10.2 Recognizing that time is of the essence, you agree to satisfy the Development Schedule. If you do not meet the Development Schedule, or if you do not submit a completed site acceptance package and obtain our acceptance within the time periods noted in this Section 10, that will constitute a default under this Development Agreement.

10.3 We may provide guidance to you in obtaining sites for your Restaurants. Neither our acceptance of a proposed site nor any information we communicate to you regarding our standard site selection criteria for Restaurants (nor publicly available data for the site) constitutes a warranty or representation of any kind, expressed or implied, as to the suitability of the site for a Restaurant or for any other purpose. Our acceptance of a site merely signifies that we are willing to grant a franchise for a Restaurant at that location. Your decision to develop and operate a Restaurant at the site is based solely on your own independent investigation of the suitability of the site.

10.4 In consideration of our acceptance of the site, you and each of your owners release us and our affiliates, as well as our officers, directors, employees and agents, from all loss, damages and liability arising from or in connection with the selection or acceptance of the site for development as a Restaurant, and agree to hold each such party harmless for such site acceptance.

10.5 In connection with your proposed site and lease for the operation of each Restaurant, you acknowledge and agree that:

a. Whether you choose to proceed ahead with a particular site depends on your confidence in the site after doing your homework, carefully investigating all of the concerns (in addition to any that we may have raised), and investigating whether proper signage can be used at the site. If you decide to proceed ahead with a proposed site, you will still have to determine whether you can obtain a lease on favorable terms.

b. There is no way to know whether a particular site is likely to be successful or not, or whether you have considered every important factor. Factors you cannot predict may also play a role (for example, a construction project that impedes the flow of traffic).

c. If you decide to go ahead with a proposed site and we “accept” that site, you should know that our “go ahead” or even our “acceptance” does not mean that we have reached any conclusion as to whether or not you will be successful in operating a Restaurant at that site. The review we conduct is for our own benefit just to make sure that a site meets certain internal characteristics.

d. Our review and acceptance of the proposed site and lease is not a recommendation or endorsement, and obviously not a guarantee that the site or lease terms are suitable. You are responsible for making the decision and you must take the steps you think are needed to determine whether the site is beneficial to you and whether the terms of the proposed lease make sense.

10.6 You acknowledge and agree that any of our designees, employees, agents, or independent contractors (such as an “area developer”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

11. *Provisions of the Franchise Agreement Incorporated by Reference*. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Development Agreement as if they were printed in this Development Agreement (here, and in full text), and that the provisions noted above also apply to this Development Agreement (except that reference to the "Franchisee" in those provisions shall refer to you under this Development Agreement and references to the "Protected Territory" in the Franchise Agreement shall apply to the Development Territory under this Development Agreement):

This Section of this Development Agreement	Incorporates this Section of the Franchise Agreement here, by reference	Relating to
11.1	1.4	Reserved Rights
11.2	6	Training, as provided in Section 9.3 above
11.3	15	Insurance
11.4	16	Transfer of Interest (and also see Section 12 below)
11.5	17	Default and Termination (and also see Section 13 below)
11.6	18	Obligations upon Termination or Expiration
11.7	19	Covenants
11.8	20	Taxes, Permits, and Indebtedness
11.9	21	Independent Contractor and Indemnification (and also see Section 15 below)
11.10	22	Force Majeure
11.11	23	Approvals and Waivers
11.12	24	Notices
11.13	26	Severability and Construction
11.14	27	Applicable Law and Dispute Resolution *(You specifically acknowledge and agree that the State of Florida has a deep body of law that will aid in interpreting and understanding the terms of this Development Agreement. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that Florida law shall exclusively govern the terms of this Development Agreement (but not applying Florida conflict of laws rules), and that the parties agree to waive any right trial by jury, that you are waiving the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action you may file against us will be in the courts having jurisdiction over Fort Lauderdale, Florida, that you are waiving participation in a common or class action against us, and that all legal actions that you or we bring (excluding claims for indemnification) must be brought within one (1) year from the occurrence*

This Section of this Development Agreement	Incorporates this Section of the Franchise Agreement here, by reference	Relating to
		of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement.)
11.15	28	Acknowledgments

12. *Transfers*. In addition to the provisions of Sections 9.2(d) and 11.4 above, you understand and agree that we have entered into this Development Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of Restaurants, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Development Agreement (if this Development Agreement has not at the time of a proposed transfer either expired or terminated).

13. *Defaults*. In addition to the provisions of Section 11.5 above, you will be in default under this Development Agreement: (a) if you do not meet your obligations under the Development Schedule; (b) if any other agreement between you (and/or your affiliates) and us is terminated; and/or (c) if you fail to provide us with any information or documents we have the right to request under this Development Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates). If you are in default under this Development Agreement, then we will have the right to: (i) terminate this Development Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); or (ii) take any lesser action instead of terminating this Development Agreement, including but not limited to suspending or eliminating your rights to the Development Area. A default under this Development Agreement shall not (by itself) constitute a default under any Franchise Agreement between the parties.

14. *Entire Agreement and Amendment*. This Development Agreement (including the Data Sheet and the provisions of the Franchise Agreement that are incorporated by reference) constitutes the entire, full, and complete contract between the parties concerning the subject matter of this Development Agreement, and supersede all prior communications, representations, and agreements, with no other representations having induced either party to sign this Development Agreement. The parties acknowledge and agree that they relied only on the words printed in this Development Agreement (and the Data Sheet and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Development Agreement; however, nothing in this Development Agreement or elsewhere is meant to disclaim any statement included in our franchise disclosure document. Except for those changes that we are permitted to make unilaterally under this Development Agreement, no amendment, change, or variance from this Development Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. *Indemnity*. You agree to defend, indemnify and hold us, our owners and affiliates, and our (and our affiliates') officers, directors, members, managers, employees, and agents harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Development Agreement, as well as the costs of defending against them (including, but not limited to,

reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses). This Section 15 is in addition to Section 11.9 above and the indemnification provisions of the Franchise Agreements.

16. *Captions*. The headings and captions in this Development Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement. When used in this Development Agreement, the term "including" means "including but not limited to" in each instance.

17. *Confirmation that You Read and Understand the Franchise Agreement*. You confirm that you read and understand the Franchise Agreement attached to this Development Agreement as Exhibit B (including but not limited to the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Development Agreement (including the waiver of jury trial, the waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action)).

IN WITNESS WHEREOF, intending to be legally bound by this Development Agreement, the parties have duly executed, sealed, and delivered this Development Agreement to one another on the Effective Date.

ACFP Management, Inc. Franchisor	_____ Developer Entity
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Effective Date:_____	
Address for Notices:	Address for Notices:
200 West Cypress Creek Road, Suite 220 Fort Lauderdale, Florida 33309 Attn: Stefan K. Schnopp E-mail: stefan@burgerfi.com	_____ _____ Attn:_____

Exhibits (2):

A – Data Sheet; and
B – Franchise Agreement

Exhibit A - Data Sheet

The Development Fee under this Development Agreement shall be:

For this Restaurant to be Developed in the Development Area:	The Development Fee shall be:
First	$50,000
Second	$25,000
Third	$25,000
Fourth	$25,000
Fifth	$25,000
Total Development Fee	**$150,000**

Initialed

Franchisor _____ Developer Party _____

The Development Area under this Development Agreement shall be:

The present political boundaries of _____
(excluding airports, seaports, and U.S. Government-operated facilities).

Initialed

Franchisor _____ Developer Party _____

The Development Schedule under this Development Agreement shall be:

By this anniversary of the date of this Development Agreement	Total Number of Restaurants That You Agree to Have Open and in Operation in the Development Area
One (1) year	**One**
Two (2) years	**Two**
Three (3) years	**Three**
Four (4) years	**Four**
Five (5) years	**Five**

Initialed

Franchisor _____ Developer Party _____

Exhibit B - The Franchise Agreement

Exhibit D: List of Franchisees, Developers, and Company-Owned Restaurants

FRANCHISEES & AFFILIATES WITH OPENED STORES
as of December 31, 2022

Franchisees and Developers

There are no franchisees or developers in our system.

Company-Owned Restaurants

Company-Owned Restaurant Address	City Location	State	Business Phone
4803-4805-4807 Limestone Road, Pike Creek, DE 19808	Pike Creek	DE	(954) 618-2000
5611 Concord Pike, Wilmington, DE 19803	Wilmington	DE	(954) 618-2000
420 E. Altamonte Drive, Suite 1020, Altamonte Springs, FL 32701	Altamonte Springs	FL	(954) 618-2000
17901 Biscayne Blvd., Aventura, FL 33160	Aventura	FL	(954) 618-2000
21065 Powerline Road Ste C5, Boca Raton, FL 33433	Boca Raton	FL	(954) 618-2000
1912 W Brandon Blvd., Brandon, FL 33511	Brandon	FL	(954) 618-2000
2532 McMullen Booth Road, Clearwater, FL 33761	Clearwater	FL	(954) 618-2000
2626 Ponce De Leon Blvd, Unit #2, Coral Gables, FL 33134	Coral Gables	FL	(954) 618-2000
9521 Westview Drive, Coral Springs, FL 33076	Coral Springs	FL	(954) 618-2000
115 NE 6th Avenue, Delray Beach, FL 33483	Delray Beach	FL	(954) 618-2000
2801 NW 87th Avenue, Unit 1, Doral, FL 33172	Doral	FL	(954) 618-2000
851 S Federal Highway, Bay A-1, Boca Raton, FL 33432	East Boca Raton	FL	(954) 618-2000

Company-Owned Restaurant Address	City Location	State	Business Phone
2203 South Federal Highway, Ft Lauderdale, FL 33316	Fort Lauderdale	FL	(954) 618-2000
1580 N Federal Highway, Fort Lauderdale, FL 33304	Fort Lauderdale	FL	(954) 618-2000
12502 SW 88th Street, Miami, FL 33186	Kendall	FL	(954) 618-2000
15492 NW 77th Court, Miami Lakes, FL 33016	Miami Lakes	FL	(954) 618-2000
3111 SW 160th Avenue, Miramar, FL 33027	Miramar	FL	(954) 618-2000
1835-1837 NE 123rd Street, North Miami, FL 33181	North Miami	FL	(954) 618-2000
13020 N Dale Mabry Hwy, Tampa, FL 33618	North Tampa	FL	(954) 618-2000
2680 PGA Blvd., Palm Beach Gardens, FL 33410	Palm Beach Gardens	FL	(954) 618-2000
11037 Pines Blvd., Pembroke Pines, FL 33026	Pembroke Pines	FL	(954) 618-2000
10205 S. Dixie Hwy, Ste 100, Pinecrest, FL 33156	Pinecrest	FL	(954) 618-2000
512 N Pine Island Road, Plantation, FL 33324	Plantation	FL	(954) 618-2000
1203 S. Federal Highway, Pompano Beach, FL 33062	Pompano Beach	FL	(954) 618-2000
8031 Turkey Lake Road, Ste 300, Orlando, FL 32819	Sand Lake	FL	(954) 618-2000
1901 S. Dale Mabry Hwy, South Tampa, FL 33629	South Tampa	FL	(954) 618-2000
2343 S.E. Federal Highway, Stuart, FL 34994	Stuart	FL	(954) 618-2000
1000-3 SR 7, Wellington, FL 33414	Wellington	FL	(954) 618-2000
1900 Okeechobee Blvd, Ste A-5, West Palm Beach, FL 33409	West Palm Beach	FL	(954) 618-2000

Company-Owned Restaurant Address	City Location	State	Business Phone
4527 Weston Road, Weston, FL 33331	Weston	FL	(954) 618-2000
201 Constitution Avenue, Littleton, MA 01460	Littleton	MA	(954) 618-2000
219 North Main Street, Suite A-104, Natick, MA 01760	Natick	MA	(954) 618-2000
48 Walkers Brook Drive, Reading, MA 01867	Reading	MA	(954) 618-2000
119 University Avenue, Westwood, MA 02090	Westwood	MA	(954) 618-2000
7776 Norfolk Avenue	Bethesda	MD	(954) 618-2000
852 State Route 3, Clifton, NJ 07012	Clifton	NJ	(954) 618-2000
80 Parsonage Road, Edison, NJ 08837	Edison	NJ	(954) 618-2000
2101 Promenade Boulevard, Fair Lawn, NJ 07410	Fair Lawn	NJ	(954) 618-2000
8119 Town Center Way, Livingston, NJ 07039	Livingston	NJ	(954) 618-2000
98 US Highway 9, Englishtown, NJ 07726	Marlboro	NJ	(954) 618-2000
7000 Midlantic Drive, Suite 300, Mount Laurel, NJ 08054	Mount Laurel	NJ	(954) 618-2000
984 Route 17 North, Ramsey, NJ 07446	Ramsey	NJ	(954) 618-2000
1600 Route 23 North, Wayne, NJ 07470	Wayne	NJ	(954) 618-2000
4180 Veterans Memorial Highway, Bohemia, NY 11716	Bohemia	NY	(954) 618-2000
137 Old Country Road, Carle Place, NY 11514	Carle Place	NY	(954) 618-2000
6401 Jericho Turnpike, Commack, NY 11725	Commack	NY	(954) 618-2000
3430 Sunrise Highway, Wantagh, NY 11793	Wantagh	NY	(954) 618-2000

Company-Owned Restaurant Address	City Location	State	Business Phone
8063 Jericho Turnpike, Suite 300, Woodbury, NY 11797	Woodbury	NY	(954) 618-2000
960 DeKalb Pike, Blue Bell, PA 19422	Blue Bell	PA	(954) 618-2000
2045 Mackenzie Way, Suite 100, Cranberry Township, PA 16066	Cranberry	PA	(954) 618-2000
123 E. Swedesford Road, Suite K-L, Exton, PA 19341	Exton	PA	(954) 618-2000
100 Welsh Rd, Unit K, Horsham, PA 19044	Horsham	PA	(954) 618-2000
102 McDowell Lane, McMurray, PA 15317	McMurray	PA	(954) 618-2000
2740 Stroschein Road, Monroeville, PA 15146	Monroeville	PA	(954) 618-2000
1810 Settler's Ridge Center Drive, Pittsburgh, PA 15205	Settler's Ridge	PA	(954) 618-2000
750 Krocks Road, Suite 208, Allentown, PA 18106	Trexlertown	PA	(954) 618-2000
321 E. Lancaster Avenue, Unit F , Wayne, PA 19087	Wayne	PA	(954) 618-2000
50 East Wynnewood Road, Wynnewood, PA 19096	Wynnewood	PA	(954) 618-2000
2733 Papermill Road, Suite x7, Wyomissing, PA 19610	Wyomissing	PA	(954) 618-2000
220 Hillside Road, Cranston, RI 02920	Cranston	RI	(954) 618-2000

Exhibit E: Franchisees and Developers That Left the System

We have no franchisees or developers whose franchise or development agreement was terminated, cancelled, not renewed or otherwise voluntarily or involuntarily stopped doing business during our last fiscal year.

We also have no franchisees or developers with whom we did not communicate in the ten weeks before the issuance date of this disclosure document.

Exhibit F: Table of Contents to Manual

ACFP Management, Inc.

Exhibit G: State-Specific Disclosures and Amendments to Agreements

Exhibit G-1 **Illinois Disclosure Addendum**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for ACFP Management, Inc. for use in the State of Illinois shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

A. Illinois law governs the agreements between the parties to this franchise.

B. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

C. 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.

D. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

Exhibit G-2 **Maryland Disclosure**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for ACFP Management, Inc. for use in the State of Maryland shall be amended as follows:

1. Item 5, "Initial Fees," shall be amended by adding the following paragraphs at the conclusion of the Item:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchised business is opened.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

> The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

Exhibit G-3 **Michigan Disclosure**

THE FRANCHISE DISCLOSURE DOCUMENT FOR ACFP MANAGEMENT, INC. FOR USE IN THE STATE OF MICHIGAN SHALL BE AMENDED AS FOLLOWS:

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:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS 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 A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN five YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, MARKETING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST six MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR 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 THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.*** (*** NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY ANY ARBITRATION PROVISION IN OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND DOES NOT PRECLUDE US FROM ENFORCING ANY SUCH ARBITRATION PROVISIONS UNDER THE FEDERAL ARBITRATION ACT.)

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR 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 FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR 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 THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE 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.

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN $100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, PO BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:
MICHIGAN ATTORNEY GENERAL'S OFFICE
CORPORATE OVERSIGHT DIVISION, FRANCHISE SECTION
525 WEST OTTAWA STREET
G. MENNEN WILLIAMS BUILDING, 1st FLOOR
LANSING, MICHIGAN 48913
(517) 335-7567

Exhibit G-4 **Minnesota Disclosure**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for ACFP Management, Inc. for use in the State of Minnesota shall be amended to include the following:

1. Item 13 is amended by the addition of the following language:

> The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suite or demand regarding the use of the name.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

> With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.
>
> Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.
>
> Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.
>
> Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues.

3. This addendum will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce would apply on its own, without referring to this addendum.

Exhibit G-5 **New York Disclosure Addendum**

In recognition of the requirements of the N.Y. Gen. Bus. Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for ACFP Management, Inc. for use in the State of New York shall be amended as follows:

1. The following is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or has been the subject of civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added at the end of Item 4:

Neither we, our affiliate, predecessor, officers or general partner, during the 10 year period immediately preceding the date of this franchise disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer in a company, or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year of the time that the officer or general partner held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following language is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Exhibit G-6 **Rhode Island Disclosure**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for ACFP Management, Inc. for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum will apply only if the Rhode Island Franchise Investment Act would apply on its own, without referring to this addendum.

Exhibit G-7 **Virginia Disclosure**

In recognition of the requirements contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document of ACFP Management, Inc. for use in Virginia is amended as follows:

1. Item 17, Additional Disclosure. The following statements are added to Item 17.h:

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

   According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. This addendum will apply only if the Virginia Retail Franchising Act would apply on its own, without referring to this addendum.

Exhibit G-8 Illinois Amendment to the Franchise Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached ACFP Management, Inc. Franchise Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Illinois:

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. 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.

4. Your right upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. See the Liquor Control Act of 1934, 235 ILCS 5/ (West 2016), for Illinois Dram Shop laws.

6. For info about obtaining a liquor license in Illinois, see: https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx.

7. For info about obtaining TIPS certification in Illinois, see: https://www.tipscertified.com/tips-state-pages/illinois.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

ACFP Management, Inc.
Franchisor

By:_____

Name:_____

Title:_____

_____
Franchisee Entity

By:_____

Name:_____

Title:_____

Exhibit G-9 Illinois Amendment to the Development Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached ACFP Management, Inc. Development Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Illinois:

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, a development agreement may provide for arbitration outside of Illinois.

3. 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.

4. Your right upon termination and non-renewal of a development agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. See the Liquor Control Act of 1934, 235 ILCS 5/ (West 2016), for Illinois Dram Shop laws.

6. For info about obtaining a liquor license in Illinois, see: https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx.

7. For info about obtaining TIPS certification in Illinois, see: https://www.tipscertified.com/tips-state-pages/illinois.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Development Agreement on the same date as the Development Agreement was executed.

ACFP Management, Inc.
Franchisor:
By:_____

Printed Name:_____

Title:_____

_____
Developer:

By:_____

Printed Name:_____

Title:_____

Exhibit G-10 **Maryland Franchise Agreement Amendment**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached ACFP Management, Inc. Franchise Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Maryland:

1. Section 4.1, “Franchise Fee,” shall be amended by adding the following paragraph at the conclusion of the Item:

> Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. To satisfy the Commissioner’s requirements, we have agreed that all initial fees and payments that you owe under this Section 4.1 shall be deferred, and will not be due, until the day that you are open for business and we have fulfilled all of our pre-opening obligations.

2. The Agreement is amended to include the following:

> The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
>
> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Exhibit I, “Franchisee Disclosure Acknowledgment Statement,” shall be amended by the addition of the following at the end of Exhibit I:

> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

ACFP Management, Inc. Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit G-11 Maryland Development Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached ACFP Management, Inc. Development Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Maryland:

1. The Agreement is amended to include the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

The general release required as a condition of renewal, sale/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. To satisfy the Commissioner's requirements, we have agreed that all fees and payments that you owe to the franchisor under the Agreement shall be deferred, and will not be due, until the day that your first Restaurant is open for business and we have fulfilled all of our pre-opening obligations with respect to that Restaurant.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Development Agreement on the same date as the Development Agreement was executed.

ACFP Management, Inc.
Franchisor

By:_____

Name:_____

Title:_____

_____
Developer

By:_____

Name:_____

Title:_____

Exhibit G-12 **Minnesota Franchise Agreement Amendment**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached ACFP Management, Inc. Franchise Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Minnesota:

1. Section 2 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days' notice of non-renewal of the Franchise Agreement.

2. Section 9 of the Agreement shall be amended by the addition of the following paragraph:

> Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights you may have to our Proprietary Marks.

3. Section 16.5.1 of the Agreement shall be amended by the addition of the following :

> The release provided under this Section shall exclude only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

4. Section 16 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

5. Sections 17 and 18 of the Agreement shall be amended by the addition of the following paragraph:

> Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

6. Section 27 of the Agreement shall be amended by the following new Section 27.10, which shall be considered an integral part of the Agreement:

> 27.10 Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes,

Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

7. This amendment will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

ACFP Management, Inc.
Franchisor

By:_____

Name:_____

Title:_____

_____
Franchisee

By:_____

Name:_____

Title:_____

Exhibit G-13 Minnesota Development Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached ACFP Management, Inc. Development Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of Minnesota:

Section 12 of the Agreement shall be amended by adding the following: "The release provided under this Section shall exclude only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce."

Section 11 of the Agreement shall be amended by adding the following:

Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days' notice of non-renewal of the Franchise Agreement.

Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

Minn. Stat. § 80C.17 prohibits any action from being commenced under the Minnesota Franchises Law more than three years after the cause of action accrues. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

This amendment will apply only if the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Development Agreement on the same date as the Development Agreement was executed.

ACFP Management, Inc. Franchisor	_____ Developer
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit G-14 New York Franchise Agreement Amendment

In recognition of the requirements of the N.Y. Gen. Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached ACFP Management, Inc. Franchise Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of New York:

1. Section 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be supplemented by the following:

> The release granted by the franchisee shall not limit the rights enjoyed by the franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section 16.5.1 of the Agreement, under the heading "Transfer of Interest," shall be supplemented by the following:

> The release granted by the transferor shall not limit the rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Section 18.7 of the Agreement, under the heading "Obligations upon Termination or Expiration," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in its place:

> 18.7 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including without limitation reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in seeking injunctive or other relief for the enforcement of any provisions of this Section 18.

4. Section 27.5 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted and the following shall be substituted in its place:

> 27.5 *Injunctions*. Nothing contained in this Agreement shall bar our right to seek injunctive relief (without having to post a bond) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

5. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if you are domiciled in or the franchise will be opening in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

6. This amendment will apply only if the New York Franchise Law and/or the Rules and Regulations promulgated thereunder would apply on their own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

ACFP Management, Inc.
Franchisor

By:_____

Name:_____

Title:_____

_____
Franchisee

By:_____

Name:_____

Title:_____

Exhibit G-15 **New York Area Development Amendment**

In recognition of the requirements of the N.Y. Gen. Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached ACFP Management, Inc. Development Agreement (the "Agreement") agree as follows with respect to an Agreement for use in the State of New York:

1. Section 12 of the Agreement, under the heading "Transfers," shall be supplemented by the following:

> *12. The release granted by the transferor shall not limit the rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;*

2. Sections 11.13 of the Agreement, under the heading "Applicable Law," shall be supplemented by the following

> *Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.*

3. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if Developer is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee and developer that is protected under the New York General Business Law, Article 33.

4. This amendment will apply only if the New York Franchise Law and/or the Rules and Regulations promulgated thereunder would apply on their own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Development Agreement on the same date as the Development Agreement was executed.

ACFP Management, Inc. Franchisor	_____ Developer
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

Exhibit G-16 **Rhode Island Franchise Agreement Amendment**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached ACFP Management, Inc. Franchise Agreement (the "Agreement") agree as follows with respect to an Agreement for use in Rhode Island:

1. Section 27 of the Agreement, under the heading “Dispute Resolution,” shall be amended by the addition of the following paragraph:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This amendment will apply only if the Rhode Island Franchise Investment Act would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

ACFP Management, Inc. Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit G-17 Rhode Island Development Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached ACFP Management, Inc. Development Agreement (the "Agreement") agree as follows with respect to an Agreement for use in Rhode Island:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

This amendment will apply only if the Rhode Island Franchise Investment Act would apply on its own, without referring to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island Amendment to the Development Agreement on the same date as the Development Agreement was executed.

ACFP Management, Inc. Franchisor	_____ Developer
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____

Exhibit H-1: State Administrators

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner Dep't of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** New York State Dep't of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Business Registration Div. Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 / (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Dep't State Capitol Dep't 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	**VIRGINIA** State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa Street, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Minnesota Dep't of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

Exhibit H-2: State Agents for Service of Process

CALIFORNIA Commissioner Dep't of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** New York Secretary of State New York Dep't of State One Commerce Plz, 99 Washington Av, 6th Fl. Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Dep't of Commerce & Consumer Affairs Business Registration Div. Securities Compliance Branch 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 / (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Dep't of Business Regulation Dep't of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Div. of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Div., Franchise Section 525 West Ottawa Street, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Director of Dep't of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Dep't of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 / (651) 539-1600	**WISCONSIN** Div. of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

Exhibit I: Form of General Release

The following is our current general release language that we expect to include in a release that a franchisee or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "**Franchisee Group**"), hereby forever release and discharge, and forever hold harmless ACFP Management, Inc., its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "**Franchisor Group**"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.") The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

Exhibit J: 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:

States	Effective Date
Illinois	Pending
Indiana	May 30, 2023, *as amended* _____
Maryland	Pending
Michigan	May 31, 2023, *as amended October 13, 2023*
Minnesota	December 12, 2023
New York	August 3, 2023, *as amended* _____
Rhode Island	May 26, 2023, *as amended* _____
Virginia	June 23, 2023, *as amended* _____
Wisconsin	May 30, 2023, *as amended* _____

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

Exhibit K-1: FDD Receipts

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

If ACFP Management, Inc. ("**ACFPM**") offers you a franchise, then ACFPM must provide this disclosure document to you at least 14 calendar days (and 10 business days in Michigan and Rhode Island, and the earlier of the first personal meeting or 10 business days in New York) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed development agreement or franchise agreement.

The franchisor is ACFP Management, Inc., whose offices are at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, FL 33309 (954.618.2000).

The franchise sellers are Steve Lieber and Carl Bachmann, or one of BFI's other employees, all of whom are located at ACFMP's offices, at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 (954.618.2000), and:_____.

Issuance date: May 26, 2023, as amended October 13, 2023.

ACFPM authorizes the state agencies identified on Exhibit H-2 to receive service of process for it in those states.

I received a Franchise Disclosure Document dated May 26, 2023, as amended October 13, 2023 that included the following Exhibits:

A Financial Statements
B Franchise Agreement
C Development Agreement
D List of Franchisees, Developers, and Company-Owned Restaurants
E Former franchisees and developers
F Table of Contents of Manual
G State-Specific Disclosures and Amendments to Agreements
H List of State Administrators and Agents for Service of Process
I Form of General Release
J State Effective Dates
K Receipts

_____
Date Received

_____
Prospective Franchisee

_____
Name (Please print)

_____
Address

Please keep this copy for your records

Exhibit K-2: FDD Receipts

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

If ACFP Management, Inc. ("**ACFPM**") offers you a franchise, then ACFPM must provide this disclosure document to you at least 14 calendar days (and 10 business days in Michigan and Rhode Island, and the earlier of the first personal meeting or 10 business days in New York) before you sign a binding agreement with (or make a payment to) us or an affiliate in connection with the proposed development agreement or franchise agreement.

The franchisor is ACFP Management, Inc., whose offices are at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, FL 33309 (954.618.2000).

The franchise sellers are Steve Lieber and Carl Bachmann, or one of BFI's other employees, all of whom are located at ACFMP's offices, at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309 (954.618.2000), and:_____.

Issuance date: May 26, 2023, as amended October 13, 2023.

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F Table of Contents of Manual
G State-Specific Disclosures and Amendments to Agreements
H List of State Administrators and Agents for Service of Process
I Form of General Release
J State Effective Dates
K Receipts

_____
Date Received

_____
Prospective Franchisee

_____
Name (Please print)

_____
Address

Please sign, date, and either mail this receipt page to ACFP Management, Inc. at 200 West Cypress Creek Road, Suite 220, Fort Lauderdale, Florida 33309, attn. Legal Department or scan and e-mail it to FDDReceipts@acfp.com.