

FRANCHISE DISCLOSURE DOCUMENT



LEE'S FRANCHISOR LLC

a Delaware limited liability company

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As a Lee's Famous Recipe® franchisee, you will operate a quick service restaurant at a designated location featuring a menu of chicken, biscuits, and other complementary items.

The initial investment necessary to begin operation of a single unit traditional stand-alone Lee's Famous Recipe® franchise ranges from \$922,200 to \$1,283,400 for a new structure, and \$384,400 to \$646,500 for a reimaged structure, both of which include \$40,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a single unit streamlined Lee's Famous Recipe® franchise ranges from \$348,500 to \$678,700, which includes \$40,000 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of a single unit non-traditional Lee's Famous Recipe® franchise ranges from \$266,100 to \$466,100, which includes \$40,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Ryan Weaver at 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579, (850) 344-1130, leesfranchising@famousforchicken.com.

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

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

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

Issuance Date: November 1, 2021

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 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?	Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Lee's Famous Recipe® restaurant business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Lee's Famous Recipe® restaurant franchisee?	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 F-1.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state where the franchisor's principal executive office is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in the state where the franchisor's principal executive office is located than in your own state.

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

NOTICE REQUIRED BY THE STATE OF MICHIGAN

The Michigan Attorney General requires the following specific disclosures to be made to prospective Michigan franchisees:

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on 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 provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits 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 franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 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, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 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.
- (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 transferee 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 Michigan attorney general does not constitute approval, recommendation, or endorsement by the Michigan attorney general.

Any questions regarding the notice should be directed to the State of Michigan, Department of the Attorney General, Attn: Franchise, P. O. Box 30213, Lansing, Michigan 48909, telephone (517) 373-7117.

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Exhibits

- A: FRANCHISE AGREEMENT
 - Exhibit A: Trademarks
 - Exhibit B: Franchised Premises and Identification as Traditional Stand-alone, Streamlined or Non-traditional Location
 - Exhibit C: Assigned Protected Area
 - Exhibit D: Authorization Agreement for Pre-authorized Payments
 - Exhibit E: List of Owners
 - Exhibit F: Guaranty of Franchisee's Undertakings
- B: MARKET DEVELOPMENT AGREEMENT
 - Exhibit A: Territory
 - Exhibit B: Development Schedule
 - Exhibit C: Description of Traditional Stand-Alone, Streamlined and/or Non-Traditional Location(s)
 - Exhibit D: Addendum to Market Development Agreement for Development Incentive Program
- C: FINANCIAL STATEMENTS
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- F-1: STATE AGENCIES
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ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Lee’s”, “we”, “us” and/or “our” means or refers to Lee’s Franchisor LLC, the “Franchisor.” “Franchisee”, “you” or “your” means the individual, corporation, partnership or limited liability company who buys a Lee’s Famous Recipe® franchise, the franchisee. If the franchisee will operate through a corporation, partnership or limited liability company, “you” also means the franchisee’s owners, partners or members.

The Franchisor and any Parents, Predecessors and Affiliates

Our name is Lee’s Franchisor LLC (“Lee’s”) and our principal business address is 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579. We are a Delaware limited liability company that was formed on May 6, 2021. Lee’s parent is LFR Chicken LLC with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579. LFR Chicken LLC’s parent is Artemis Restaurant Corp. with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579. Lee’s does not have any affiliates that offer franchises in any line of business.

Our affiliate, Lee’s Famous Recipe Advertising Cooperative, Inc., a Florida non-profit corporation, with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579, provides advertising services to franchisees. Our affiliate Lee’s Distribution LLC, a Delaware limited liability company with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579, holds the Lee’s proprietary recipes and distributes products to Lee’s franchisees. Our affiliate Lee’s 4-Wall LLC, a Delaware limited liability company with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579, was formed to own and operate company-owned Lee’s restaurants in the future, but does not currently own or operate any restaurants.

We purchased the franchise assets related to the Lee’s Famous Recipe system on June 21, 2021 from our predecessor, Famous Recipe Group, LLC, with a principal business address of 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579 pursuant to an Asset Purchase Agreement dated June 21, 2021.

We conduct business under the name “Lee’s Famous Recipe® Chicken.”

Our agents for service of process are set forth in Exhibit F-2.

We began operations in June 2021 and began offering franchises of the type of business you will operate in the United States in November 2021. As of the date of this Franchise Disclosure Document, Lee’s does not operate any business of the type being franchised by us and has no business activities other than offering the franchises described in this Franchise Disclosure Document.

Our predecessor Famous Recipe Group, LLC began offering franchises for Lee’s Famous Recipe® Chicken restaurants in January 2014 and did not offer franchises in other lines of business. Famous Recipe Group, LLC’s predecessor, Lee’s Famous Recipes, Inc., began operations in October 2003

and began offering franchises until 2005 and offered licenses for Lee's Famous Recipe® restaurants in 2008.

Our affiliate, Lee's Famous Recipe Advertising Cooperative, Inc., a Florida non-profit corporation, was formed on May 7, 2014 to offer advertising services to franchisees. Our affiliate does not offer franchises in any line of business.

The Franchise Offered

We offer franchises to operate Lee's Famous Recipe® restaurants at authorized locations. A Lee's Famous Recipe® restaurant is a quick service restaurant featuring a menu of approved chicken, biscuits and other complementary items using a system that includes site evaluation, equipment selection and layouts, accounting methods, merchandising, advertising sales and promotional techniques, training and other matters related to the operation and promotion of Lee's Famous Recipe® restaurants (the "**Lee's Famous Recipe System**"), under the Lee's Famous Recipe® trademarks and using our proprietary recipes and know-how for food preparation and service.

A traditional stand-alone location is a large stand-alone new or renovated existing building with interior seating, drive-through capability and on-site parking and employs approximately 18-30 employees ("**Traditional Stand-alone**"). A streamlined location is either an in-line or end cap location with drive-through capability within a strip center or similar facility and employs approximately 18-20 employees ("**Streamlined**"). A non-traditional location is constructed within another establishment such as a convenience store, airport, school, mall or cafeteria, and employs approximately 10-12 employees ("**Non-Traditional**").

We offer two types of agreements for franchising Lee's Famous Recipe® restaurants: a Franchise Agreement (Exhibit A to this Franchise Disclosure Document) and a Market Development Agreement (Exhibit B to this Franchise Disclosure Document). If you qualify to open more than one restaurant, we may offer you a Market Development Agreement under which you have the right and obligation to develop a specified number of restaurants by certain deadlines at approved locations within the geographic area specified in the Market Development Agreement. You must sign the then current form of Franchise Agreement for each restaurant developed under the Market Development Agreement.

Market and Competition

The market for quick service restaurants is very well developed and highly competitive. Lee's Famous Recipe® restaurants draw upon the general public for their customer base. Your primary competitors will be numerous national, regional and local quick and full service restaurants, some of which offer similar menus. The business is affected by economic conditions, real estate conditions, political conditions, consumer tastes, population changes, traffic patterns, the costs and availability of products and qualified labor, and other factors.

Industry Specific Regulations

In addition to all federal, state and local laws and regulations and applicable permitting requirements that apply to businesses in general, such as the Americans with Disabilities Act, federal, state and local Wage and Hour laws, the Occupation Health and Safety Act and the Patient

Protection and Affordable Health Care Act, data security laws, construction codes and zoning, the restaurant industry is heavily regulated. There are many federal, state and local laws, rules and regulations that have particular applicability to the operation and licensing of restaurant businesses, including health permit and inspection regulations dealing with preparation, ingredients, handling, storage, labeling and sale of food products; menu, caloric, nutritional and other disclosure requirements; restrictions on certain products; health, sanitation, occupational safety and disposal related to food service.

It is your sole responsibility to obtain all permits, licenses and certifications required for the development, construction and operation of the restaurant. These requirements vary based on the location of the restaurant and it is your responsibility to learn about and comply with them.

ITEM 2: BUSINESS EXPERIENCE

President and Chief Executive Officer: Ryan Weaver

Mr. Weaver has served as Chief Executive Officer of Lee's since June 21, 2021. Prior to joining Lee's, Mr. Weaver was a private equity investor at Apollo Global Management located in New York, New York which he joined in February 2016.

Senior Vice President: Amanda McArdle

Mrs. McArdle has served as Senior Vice President of Lee's since June 21, 2021. Mrs. McArdle was Senior Vice President of our predecessor in Shalimar, Florida from February 2020 to June 2021, Vice President of Brand and Franchise Services of our predecessor from June 2016 to February 2020, and Director of Administration of our predecessor from April 2013 to June 2016.

Vice President of Operations: William M. Sparks

Mr. Sparks has served as Vice President of Operations of Lee's since June 21, 2021. Mr. Sparks was Vice President of Operations of our predecessor from April 2013 until June 2021.

Vice President of Purchasing / Research and Development: Donald R. Kupski

Mr. Kupski has served as Vice President of Purchasing / Research and Development of Lee's since June 21, 2021. Mr. Kupski was Vice President of Purchasing / Research and Development of our predecessor from April 2013 until June 2021.

ITEM 3: LITIGATION

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

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

For Traditional Stand-alone and Streamlined locations, the initial fees for each Traditional Stand-alone or Streamlined Lee's Famous Recipe Restaurant are \$35,000. When you sign your Market Development Agreement, you will pay a \$15,000 development fee for each Traditional Stand-alone or Streamlined Lee's Famous Recipe Restaurant that you will develop under your Market Development Agreement. You must sign a Market Development Agreement regardless of the number of restaurants you commit to develop. In addition to the development fee, the initial franchise fee for each Traditional Stand-alone or Streamlined Lee's Famous Recipe Restaurant is \$20,000. You must pay the initial franchise fee and sign your Franchise Agreement for each location before you open the restaurant.

For Non-Traditional locations, the initial fees for each Traditional Stand-alone or Streamlined Lee's Famous Recipe Restaurant are \$30,000. When you sign your Market Development Agreement, you will pay a \$15,000 development fee for each Non-Traditional Lee's Famous Recipe Restaurant that you will develop under your Market Development Agreement. You must sign a Market Development Agreement regardless of the number of restaurants you commit to develop. In addition to the development fee, the initial franchise fee for each Non-Traditional Lee's Famous Recipe Restaurant is \$15,000. You must pay the initial franchise fee and sign your Franchise Agreement for each location before you open the restaurant.

All development fees are nonrefundable. If you fail to complete the development of restaurants according to the development schedule, you lose any development fees and the rights to develop restaurants. All initial franchise fees are nonrefundable. These fees are uniform.

Market Development Agreement Incentive Program

We currently offer four development incentive programs that reduce franchise fees if you qualify and enter into an eligible Market Development Agreement. To be eligible, you must commit to develop a certain number of Lee's Famous Recipe Restaurants within a specified timeframe that we approve, pay all of the development fees for the Lee's Famous Recipe Restaurant covered by your development agreement at the time you sign the development agreement, and fully comply with the development schedule in your development agreement.

1. Famous Recipe Community Developer for 3 to 5 Lee's Famous Recipe Restaurants.

A Developer who enters into a Market Development Agreement for between 3 to 5 Lee's Famous Recipe Restaurants and who pays all of the designated development fees will receive a reduction in the franchise fee for each Lee's Famous Recipe Restaurant in the amount of \$2,500 per restaurant.

2. Famous Recipe Area Developer for 6 to 15 Lee's Famous Recipe Restaurants.

A Developer who enters into a Market Development Agreement for between 6 to 15 Lee's Famous Recipe Restaurants and who pays all of the designated development fees will receive a reduction in the franchise fee for each Lee's Famous Recipe Restaurant in the amount of \$5,000 per restaurant.

3. Famous Recipe Executive Developer for 16 or more Lee’s Famous Recipe Restaurants.

A Developer who enters into a Market Development Agreement for 16 or more Lee’s Famous Recipe Restaurants and who pays all of the designated development fees will receive a reduction in the franchise fee for each Lee’s Famous Recipe Restaurant in the amount of \$10,000 per restaurant.

You must pay us the sum of \$5,000 which is our charge for tuition and training materials for four attendees to attend the training program. You are responsible for all of your costs associated with you and your employees attending training. If you request that additional owners or employees attend training, there is a \$3,000 charge for each additional person to attend training. See Item 6. Other Fees.

We provide on-site opening assistance by two trainers for up to 10 consecutive days for each new restaurant opening at our expense. For any additional days or trainers, we currently charge \$500 per day, plus expenses, for each trainer. See Item 6. Other Fees.

In 2008, our predecessor’s predecessor, Lee’s Famous Recipes, Inc., offered all then existing Lee’s Famous Recipe franchisees the option to terminate their franchise agreements and enter into replacement license agreements for the continued use of the Lee’s Famous Recipe® Marks and System within assigned protected areas without the requirement to pay royalties, along with new advertising royalty agreements for the payment of advertising royalty fees at the rate of 1% of gross sales to our affiliate, Lee’s Famous Recipe Advertising Cooperative, Inc. The licensees made a payment of 4.5 times royalties paid in the preceding year. If the existing Lee’s Famous Recipe franchisee also had development rights, as a licensee they may develop additional Lee’s Famous Recipe locations within their assigned development area without paying any further initial franchise fees and any new Lee’s Famous Recipe locations developed operate under the same terms and conditions of the license agreement. See Item 6. Other Fees, Notes 2, 4, 5, 6, 8 and 10. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee’s Famous Recipe system, of which 66 licensees have development rights.

ITEM 6: OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks
Royalty ²	4% of Gross Sales ³ for Traditional Stand-alone locations or Streamlined locations; 6% of Gross Sales ³ for Non-Traditional locations	Payable weekly on Gross Sales for the prior week	The only acceptable method of payment is by ACH draft. See Note 3 for definition of “Gross Sales.”
Cooperative Advertising Fund Fee ⁴	2% of Gross Sales ³	Payable weekly on Gross Sales for the prior week	The only acceptable method of payment is by ACH draft. See Note 3 for definition of “Gross Sales.”

Name of Fee ¹	Amount	Due Date	Remarks
Local Advertising Expenditures ⁵	Minimum – 3% of annual Gross Sales ³	Annually, as franchisee determines	Reduced on a dollar for dollar basis by the amount of contributions to local advertising cooperative. See Note 3 for definition of “Gross Sales.”
Local, Regional or National Advertising Cooperative Fee ⁶	Maximum – 2% of Gross Sales ³	Each cooperative will establish the timing of contributions	See Note 3 for definition of “Gross Sales.”
Training Fee for Additional Attendees ⁷	\$3,000 for each additional attendee	Prior to attending training	See Note 7.
Opening Assistance - Additional Days or Additional Trainers ⁷	\$500 fee per trainer for each additional trainer or each day beyond 10 consecutive days	5 days after receipt of invoice	See Note 7.
Supplier and Product Approval Fees	\$500 per supplier or item plus our cost of evaluating and investigating any request for approval of a new or additional supplier or product	Prior to approval or disapproval of a request for a new or additional supplier or product	
Audits ⁸	Our cost of inspection of audit	Within 15 days after receipt of audit report	Payable only if you understate Gross Sales for any period or periods by 3% or more. The only acceptable method of payment is by ACH draft. See Note 3 for definition of “Gross Sales.”
Transfer Fees ⁹ for Franchise Agreement and Market Development Agreement	The then current transfer fee being charged by us (currently \$5,000 per location to be developed for a Market Development Agreement and \$7,500 for each Franchise Agreement)	Upon submission of request for approval	Payable if we approve your transfer of the Franchise Agreement, Market Development Agreement or a controlling interest in you.
Extension Fee for Market Development Agreement	The extension fee is \$5,000 for one 6 month extension of the development schedule	Upon submission of request for approval	Payable if we approve your request for an extension (which is at our sole discretion).
Additional Site Visit Fee	\$1,500 per site visit	If incurred, upon demand	We will provide one site visit to you at no cost, thereafter, we will charge you \$1,500 per site visit until a site is accepted.

Name of Fee ¹	Amount	Due Date	Remarks
Training materials	\$500 minimum	As materials are provided	
Marketing and Advertising Promotional/Point of Purchase Materials and System Promotions	\$500 minimum	As materials are provided	
Insurance ¹⁰	Our cost of obtaining insurance coverage and a reasonable administrative fee that we set	If incurred, upon demand	If you do not obtain or maintain the required insurance and we purchase coverage on your behalf, you must reimburse us.
Costs and Attorneys' Fees	Our costs and expenses	If incurred, upon demand	Payable only if you fail to comply with the Market Development Agreement or Franchise Agreement.
Indemnification	The losses and expenses we incur	If incurred, upon demand	You must reimburse us if we are held liable for claims arising from the operation of your restaurant.
Late Charges ¹¹	Highest rate permitted by applicable law with a maximum of 18%	Upon receipt of invoice	The only acceptable method of payment is by ACH draft. Payable on all overdue amounts.
Renewal Fee	The then current franchise fee	Upon signing successor Franchise Agreement	You may renew the Franchise Agreement for one additional 20 year term, provided that you satisfy certain conditions. See Item 17.
Stipulated Damages	Equal to Royalty Fees and Cooperative Advertising Fees payable to us during the last 208 weeks immediately preceding termination	On the date your Franchise Agreement is terminated	Applies if we terminate your Franchise Agreement for default. See Item 17.

Name of Fee ¹	Amount	Due Date	Remarks
Gift card program fees, POS system hardware, software, installation, training, maintenance, update and data retrieval fees, internet and computer system fees, customer survey and market research program fees, customer service and feedback program fees, payment card industry data security standard compliance fees.			We plan to implement these fees in the future and reserve the right to charge you when they are implemented.

Explanatory Notes:

1. Non-Refundable Fees. Except where otherwise noted, all of these fees are uniformly imposed, collected and payable to us or our affiliates. All fees are nonrefundable. All fees are payable through our current electronic funds transfer program authorizing us to use a pre-authorized bank draft authorization (ACH draft) where noted.

2. Royalty. Except as noted below, the 4% royalty is currently uniform for all persons buying a Traditional Stand-alone franchise or a Streamlined franchise, and the 6% royalty is currently uniform for all persons buying a Non-Traditional franchise. In 2008, our predecessor’s predecessor, Lee’s Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee’s Famous Recipe® Marks and System without the requirement to pay royalties. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee’s Famous Recipe System.

3. Gross Sales. “Gross Sales” is defined as the total amount of all revenues from whatever source derived (whether in the form of cash, credit, insurance proceeds for lost sales covered by business interruption insurance, agreements to pay or other consideration, and whether or not payment is received at the time of sale or any such amounts prove uncollectible) which arise from or are derived by you or by any other person from business conducted or which originated in, on, from or through your Lee’s Famous Recipe Restaurant location, or from the sale of any products or services associated with the use of the Lee’s Famous Recipe trademarks, including sales from vending machines, deliveries, and catering sales, but excluding sales tax or any similar taxes which are required by law to be computed separately and paid by a customer.

4. Cooperative Advertising Fund Fee. The advertising fee is used to defray the cost of producing and/or purchasing radio, television or printed advertising materials as we deem necessary on a national, regional or local basis. You must pay this fee to us or to our designee by ACH draft. We currently do not operate any company-owned units. In the event we elect to do so in the future, based on the current bylaws of our affiliate, Lee’s Famous Recipe Advertising Cooperative,

Inc., we will have one vote for each and every company-owned unit we operate and each company-owned unit would pay an advertising fee equal to the percentage of gross sales required to be paid under the then current form of franchise agreement at the time the company-owned unit opened for business. In 2008, when our predecessor's predecessor, Lee's Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee's Famous Recipe® Marks and System, our affiliate, Lee's Famous Recipe Advertising Cooperative, Inc., entered into advertising royalty agreements with the licensees that included advertising royalty fees at the rate of 1% of gross sales. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee's Famous Recipe System.

5. Local Advertising Expenditures. You do not pay these amounts to us directly or indirectly. In 2008, our predecessor's predecessor, Lee's Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee's Famous Recipe® Marks and System which do not require them to make local advertising expenditures. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee's Famous Recipe System.

6. Local, Regional or National Advertising Cooperative Fee. The Franchise Agreement gives us the right to require you to participate in local, regional or national cooperative advertising with us and/or other franchisees. The participants of each cooperative determine the amount of the contribution to the cooperative area advertising program which may not be more than 3% of your annual Gross Sales. You must enter into such formal agreements with other participants as may be necessary to accomplish the purposes of the cooperative advertising program. The term "area" for purposes of determining participation in a cooperative area advertising program generally is defined as the "Designated Market Area" as those terms are used in the advertising industry. In 2008, our predecessor's predecessor, Lee's Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee's Famous Recipe® Marks and System which do not require them to participate in or pay fees to any local, regional or other national advertising cooperative. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee's Famous Recipe System.

7. Training. We provide at a charge of \$5,000 for 4 attendees, a 6 to 8 week training course in a franchised Lee's Famous Recipe Restaurant or in another restaurant that we may designate. If you request that additional owners or employees attend training, there is a \$3,000 charge for each additional person to attend training. You must pay for any travel and living expenses of you and your employees while attending training. We provide on-site opening assistance by two trainers for up to 10 consecutive days for each new restaurant opening at our expense. For additional days or additional trainers, we currently charge \$500 per day, plus expenses, for each trainer. We may also require that you purchase training materials, DVDs or other instructional materials from us and the advertising materials for the opening from us. See Item 7. Estimated Initial Investment and Item 11. Franchisor's Assistance, Advertising, Computer Systems, and Training.

8. Audits. You are required periodically to submit certain sales reports and financial statements to us. We have the right to audit your financial records. If any audit discloses that you understated the Gross Sales of your restaurant for any period of time, you must, within 15 days of demand, pay to us the royalty and advertising fees based upon the amount of the understatement plus the specified interest charge (see Note 11 below) from the date such payments were originally due by ACH draft. We conduct audits at our expense; but if an audit discloses that you understated your

Gross Sales for any period or periods by 3% or more, you must reimburse us by ACH draft for all our expenses incurred in connection with the audit and immediately pay us all fees due that are related to your understated Gross Sales (including interest accruing thereon). In 2008, our predecessor's predecessor, Lee's Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee's Famous Recipe® Marks and System which do not require them to submit to an audit or pay any audit costs. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee's Famous Recipe System.

9. Transfer Fee. You may not transfer or assign any interest in your franchise or development rights (or your entity) without our prior written consent. We are entitled to receive the then current transfer fee being charged when you request our approval for a transfer or assignment.

10. Insurance. If you fail to carry insurance required by the Franchise Agreement, we may obtain such insurance and you must reimburse us for the cost of that insurance plus a reasonable administrative fee we may designate. In 2008, our predecessor's predecessor, Lee's Famous Recipes, Inc., entered into license agreements with then existing franchisees for the use of the Lee's Famous Recipe® Marks and System which do not require them to maintain insurance, but they are required to indemnify us. As of the date of this Franchise Disclosure Document, there are currently 107 licensees in the Lee's Famous Recipe System.

11. Late Charges. You must pay us interest on any payments to us that are late, including any amounts that we find in an audit were under-reported by ACH draft. The interest rate on any overdue or unpaid amount will be the lower of 18% per year or the highest rate allowed by applicable law.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure ¹	Amount - Traditional Stand-Alone (New Structure)	Amount - Traditional Stand-Alone (Reimage Existing Structure)	Amount - Streamlined Location	Amount - Non-traditional Location	Method of payment	When due	To whom payment is to be made ¹
Development Fee	\$15,000	\$15,000	\$15,000	\$15,000	Lump sum	At signing of Market Development Agreement	Lee's
Initial Franchise Fee	\$20,000	\$20,000	\$20,000	\$15,000	Lump sum	At signing of Franchise Agreement	Lee's
Training Fee ²	\$5,000	\$5,000	\$5,000	\$5,000	Lump Sum	Prior to attending training	Lee's
Training Expenses ²	\$15,000 to \$22,000	\$15,000 to \$22,000	\$15,000 to \$22,000	\$15,000 to \$22,000	As agreed	As incurred	Employees and vendors
Grand Opening Advertising ³	\$5,000	\$5,000	\$5,000	\$5,000	As agreed	As incurred	Vendors
Real Estate (leased or purchased) ⁴	(See Note 4)	(See Note 4)	(See Note 4)	(See Note 4)	As agreed	As agreed	Landowner
Building and Improvements ⁵	600,000 to \$810,000	99,000 to 198,000	81,000 to 253,000	81,000 to 165,000	As agreed	As incurred	Vendors
Equipment, Furniture and Signage ⁶	\$183,200 to 244,200	150,600 to 250,300	\$132,700 to \$227,500	\$64,700 to 132,700	As agreed	As incurred	Vendors and suppliers
POS System ⁷	34,300 to 37,800	\$30,100 to \$34,300	\$30,100 to \$34,300	\$26,300 to \$30,100			
Opening Inventory ⁸	12,200 to 24,400	12,200 to \$24,400	\$12,200 to \$24,400	\$6,600 to \$8,800	As agreed	Before opening	Vendors and suppliers
Utility Deposits, Permits, Business Licenses and Miscellaneous Opening Costs ⁹	\$7,500 to \$50,000	\$7,500 to \$22,500	\$7,500 to \$22,500	\$7,500 to \$22,500	As agreed	As incurred	Lee's, utility companies, vendors and suppliers
Insurance ¹⁰	\$10,000 to \$20,000	\$10,000 to \$20,000	\$10,000 to 20,000	\$10,000 to \$20,000	As agreed	As incurred	Insurance company or broker
Additional Funds - 3 Months ¹¹	\$15,000 to \$30,000	\$15,000 to \$30,000	\$15,000 to \$30,000	\$15,000 to \$25,000	As incurred	As incurred	Employees, vendors and suppliers
TOTAL	\$922,200 to \$1,283,400 ¹²	\$384,400 to \$646,500 ¹²	\$348,500 to \$678,700 ¹²	\$266,100 to \$466,100 ¹²			

Explanatory Notes:

1. Refund of Fees. Fees and charges paid to us or our affiliates are non-refundable. Whether fees and charges imposed by third parties are refundable will depend upon your negotiations and agreements with those third parties.

2. Training. In connection with the initial mandatory training, you must pay us a \$5,000 fee for tuition and materials for four attendees to attend training, plus \$3,000 per attendee for any additional attendees. See Item 6. Other Fees. You will also need to arrange and pay for transportation, lodging, food and incidental expenses for you and three designated management employees, which will vary depending on your location. You must also pay the salaries and any benefits of your designated management employees while they attend training. In addition, training expenses will vary depending upon how many owners and management employees we determine you must send to training or if you decide to send additional owners or management employees to training. This mandatory initial training must be completed before you open for business. We provide such training in a designated franchised Lee's Famous Recipe Restaurant or other training facility location that we designate. Training lasts approximately 6 to 8 weeks, depending on the extent and nature of your prior restaurant industry experience.

3. Opening Advertising. You must expend the sum of at least \$5,000 on advertising we approve in connection with the opening of your restaurant.

4. Real Estate. The estimated initial investment amount does not include the costs of location, selection, land acquisition (by purchase or lease), land preparation, landscaping and other land improvements, or any associated financing costs. You are responsible for obtaining the real estate by lease or purchase on which your restaurant will be located. The cost for the real estate will vary greatly from location to location depending on many variables, including the size of the property and land prices in the geographic area for your location and we are unable to estimate average lease or purchase and financing guidelines because of the wide variances involved. The estimated average size lot for a Traditional Stand-alone location is generally 24,000 square feet. For a Streamlined location, the size of the space needed would be a minimum of approximately 1,800 to 2,200 square feet. For a Non-Traditional location, the size of the space needed would be a minimum of approximately 1,800 to 2,200 square feet. You should consult with a commercial real estate professional for assistance prior to obtaining your real estate or entering a lease.

5. Building. The building for a Traditional Stand-alone location contains between 2,000 and 2,700 square feet. The premises leased for a Streamlined or Non-traditional location contains approximately 1,800 to 2,200 square feet. The cost of the build-out at the leased premises will vary greatly from location to location. The building and improvements costs include the costs for architectural and engineering plans. All costs for the architectural and engineering plans are your responsibility. You are obligated, at your expense, to retain a licensed architect to prepare all required construction plans to suit the site and to ensure that such plans comply with all applicable laws, ordinances, building codes, permit requirements, lease requirements and restrictions. You are responsible for the cost of any modifications to the plans. We must approve all final plans before the start of construction. If you convert an existing building for use as a Lee's Famous Recipe Restaurant, you may not incur all of the costs of a new building, but conversion costs vary widely depending on the type of building, condition, prior use, compliance with the Americans with Disabilities Act,

deferred maintenance and facility upgrades that are required. Typical locations are shopping centers or shopping areas and require ample parking and accessibility, drive-through capability, good visibility and availability of prominent signage.

6. Equipment, Furniture and Signage. We prescribe the designated items of furniture, fixtures, equipment, signage and small wares you must purchase. Prices for equipment and signage will vary for each restaurant depending on the building type and location, building codes and health requirements.

7. POS System. We prescribe the hardware and software for a computerized electronic point-of-sale (“POS”) system and other computer systems, software and communications equipment that is necessary to operate your restaurant. See Item 11. Franchisor’s Assistance, Advertising, Computer Systems, and Training.

8. Opening Inventory. This reflects the cost of the beginning inventory of supplies required to commence operations.

9. Miscellaneous Opening Costs. In addition to the above items, you must pay for various building permits, utility deposits, prepaid tax payments, your accountant’s and attorney’s fees, pre-opening wages for your restaurant employees, and a security deposit if you lease your real estate (estimated at 2 months’ rent for Streamlined and Non-Traditional Locations). The cost of these items will vary greatly depending upon where your restaurant will be located.

10. Insurance. You must obtain the types of insurance that your Franchise Agreement requires from an insurer with an A.M. Best rating of at least “A” before you open your restaurant. See Item 8. Restrictions on Sources of Products and Services. In addition, if you lease your location, you must also obtain the insurance that your lease requires. You should contact your insurance advisor prior to entering into a Market Development Agreement or Franchise Agreement because the costs of insurance vary widely and may not be refundable.

11. Additional Funds. This amount is an estimate of your initial operating expenses for one restaurant during the first three months of operations after opening. These expenses include payroll costs, but your labor expenses may differ depending on actual staffing levels, employee taxes, wage levels and benefit levels. These estimates do not include any salary or draw for the owners. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business expertise; local economic conditions; the local market for your business; the prevailing wage rate; competition; your mortgage or rent payments; and the sales level reached during the initial period. This is only an estimate and there is no assurance that additional working capital will not be needed.

12. Totals. The totals are estimates for a single restaurant or your first restaurant under a Market Development Agreement and are based on the restaurant operating and franchising experience of our management. See Item 2. Business Experience. You should review these figures carefully with a business advisor, such as an attorney, accountant and/or commercial real estate professional, before making any decision to enter into a Franchise Agreement or Market Development Agreement.

The calculation of payments made to third parties and a determination of whether they are refundable will be determined by those third parties.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

In order to insure a uniform image and uniform quality of products and services throughout the Lee's Famous Recipe system, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us or our affiliates, you must obtain our consent to the location of your restaurant. See Item 11. Franchisor's Assistance, Advertising, Computer Systems, and Training. You must construct and equip your restaurant in accordance with our then-current approved design, specifications and standards, and it is your responsibility to insure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws.

You also must use equipment (including hardware and software for a computerized electronic point-of-sale ("POS") system and/or other computer systems, communications equipment or electronic services providers), signage, fixtures, furnishings, products, ingredients, services, supplies and advertising and sales promotion materials that meet our specifications and/or standards.

You may sell or use in your restaurant only those products and services that we approve. Approved products and services typically meet specifications and/or standards that we develop and are prepared, manufactured or provided by manufacturers, suppliers and/or distributors that are approved by us. We have the right periodically to add to or delete from the list of products and services approved for sale from, or use in restaurants and to update and alter the specifications and standards for approved products and services.

We have the right to approve the manufacturer, supplier and/or distributor of any approved products and services you may sell or use in your restaurant. None of our officers own any interest in any of the approved third party suppliers.

As of the issuance date of this disclosure document, we and our affiliates have arrangements with the following vendors for the pricing of goods and services for which you are currently required to purchase or participate:

Pepsi-Cola Sales and Distribution Inc. and Dr. Pepper/Seven Up, Inc. for the supply of fountain beverages and other beverages.

You must purchase the proprietary branded products that we or our affiliates develop from time to time, and purchase them only from us or our affiliate Lee's Distribution, LLC. As of the issuance date of this disclosure document, we are the only approved supplier for the following products: Lee's macaroni & cheese, baked bean sauce, baked bean seasoning, chicken chili base, red beans and sausage, biscuit dough, seasonings, sauces and dressings.

As of the issuance date of this disclosure document, the only approved suppliers of the following are listed below:

1. Advanced Labeling Systems for iced tea and lemonade labels and catering labels;
2. AJM Packaging Corporation for paper bags;

3. Aunt Millie's Bakeries for buns and rolls;
4. Bama Companies, Inc. for fried apple turnovers;
5. Bay Valley for jalapeno peppers;
6. Campbell's Soup for pot pie filling;
7. Celite for Celite powder;
8. CenSea, Inc. for Pangasius fillet;
9. CF Sauer Co. for honey and honey sauce packets;
10. Continental Mills for peppered gravy mix;
11. CH Guenther & Son, Inc. for logoed cookies
12. Custom Culinary, Inc. for chicken flavored soup base;
13. Custom Packaging and Products for plastic utensils and sandwich foil;
14. Dallas Group of America for Magnesol oil filtering product;
15. Del Monte, Bountiful Harvest / Lakeside and Seneca Foods for green beans
16. Domino Foods, Inc. for extra fine granulated sugar;
17. Essenhause Foods, LLC for noodles;
18. Essity (SCA Tissue) for embossed napkins, paper towels and toilet paper;
19. Fabri-Kal Corporation for 16 oz deli containers and lids;
20. General Mills for pot pie dough;
21. GenPak for carry out containers;
22. Graphic Packaging for paper cups, paper buckets, and lids;
23. Hanover Foods Corp. for pork and beans;
24. Handi Foil for pot pie tins and aluminum pans;
25. Huhtamaki and Pactiv for cup carriers;
26. Idahoan Foods, LLC for mashed potatoes;
27. Kelly Box & Packaging Corp. for catering boxes;
28. Knouse Foods, Inc. for apple sauce and apple slices;
29. Kraft Heinz for ketchup, mayo, mustard, hot sauce, dill pickle chips, lemon juice and jelly;
30. Lamb Weston for potato wedges;
31. Marzetti for ranch dressing and tri color rotini;
32. McCain Foods USA, Inc. for potato wedges, fried pickles and jalapeno poppers;
33. Newly Weds Foods for noodle mix;
34. Pak-Sher for corn bags;
35. Proctor and Gamble for cleaning supplies;
36. Red Gold, Inc. for ketchup packets;
37. Ron's Home Style Foods, Inc. and St. Clair Foods for macaroni salad and potato salad;
38. Sara Lee for pecan pie and strawberry cheesecake;
39. Schwan's Food Service for chocolate cream pie;
40. Seneca Foods and Lakeside for whole kernel corn and corn on the cob;
41. Stampede Meat, Inc. for beef steak fritters;
42. Stratas and Ventura for liquid margarine;
43. Tampa Maid Foods, LLC for frozen shrimp;
44. Tea Connection for coffee and iced tea;
45. Uncle Ben's for long grain rice;
46. Ventura Foods for spread cups;
47. Walco Organization, Inc. for t-shirt bags and sandwich wrap;
48. West Rock for carry-out boxes; and

49. Wincup for side item cups and lids, and drink cups and lids.

We or our affiliates may sell some of the advertising and sales promotion materials and non-food products used in the franchised business. In addition, we have the right to produce and require you to purchase from us from time to time certain restaurant training materials for use with your employees. See Item 11. Franchisor's Assistance, Advertising, Computer Systems, and Training.

We ordinarily establish reasonable and detailed specifications and/or standards for major or principal products used in your business. We modify or adjust these specifications and/or standards from time to time as we deem appropriate. We will not make these specifications available to you, but will, upon request, provide summary specifications to you that may be used in determining the interest of a manufacturer or processor in providing a particular product. We have the right to require that they sign a non-disclosure agreement.

There are some approved products and services for which we do not have detailed written specifications and/or standards. We do however, establish for these products and services either parameter specifications or certain products or services as the standard of comparison for these items for purposes of obtaining approval of alternative manufacturers, suppliers and/or distributors.

You must at all times maintain an inventory of approved food products, beverages, ingredients and other products sufficient in quantity and variety to realize the full potential of your restaurant. You must use the menus and menu boards that we designate and serve meals and products in the manner we designate.

We may approve, directly or through a co-operative purchasing group, one or more distributors or other suppliers for any product, ingredient, paper goods, supply or material used in Lee's Famous Recipe Restaurants, and we may approve a distributor or other supplier only as to certain products, ingredients, paper goods, supplies or other materials. We and our affiliates may concentrate purchases with one or more distributors or suppliers to obtain lower prices, better advertising support, or better services for any group of Lee's Famous Recipe Restaurants. We may condition approval of a distributor or other supplier on requirements relating to the frequency of delivery, standards of service (including prompt attention to complaints or other criteria), adequate insurance, product quality, food security plan, Hazard Analysis Critical Control Point ("HACCP") food safety plan, product recall process, accessibility for inspection and concentration of purchases, or other appropriate considerations. We may grant temporary approval, pending our further evaluation of the distributor or other supplier.

If you want to use any item that is to be purchased from a supplier or manufacturer that has not yet been approved, you must first submit a written request with sufficient information, specifications and samples for our review to start the process to determine whether the item complies with system standards or the supplier meets approved supplier criteria. The supplier or manufacturer must also sign a confidentiality and nondisclosure agreement. We have the right to charge you a reasonable fee to cover the costs we incur in making this determination and will, within a reasonable time notify you of our decision, not to exceed 90 days from our receipt of the request. We maintain procedures for submitting requests for approval of items and suppliers in our Manuals, and may impose limits on the number of approved items and suppliers. We reserve the right to revoke our approval with 90 days' notice, or such lessor time that is necessary to protect the goodwill of the trademarks.

The equipment that you use in your restaurant must also meet our specifications and/or standards to maintain product quality, appearance, value and customer perceptions.

As of the issuance date of this disclosure document, the only approved suppliers of the following equipment are listed below:

1. Blodgett and Duke for convection ovens;
2. Bunn for hot water dispensers;
3. Henny Penny for pressure fryers and warming cabinets;
4. Henny Penny or AireKing for breading tables;
5. Intec or AccuTemp for steamers; and
6. Pepsi for post-mix systems.

You may use alternate equipment to the other items of recommended equipment only if you notify us in advance in writing and the alternate equipment is of the same quality and performs the same functions as the recommended equipment.

You must comply with all applicable legal, regulatory and credit card brand requirements regarding the use of information technology and personally identifiable information in your restaurant. You must honor all credit, charge, courtesy or cash cards or other credit devices that we specify. You must comply with the then current Payment Card Industry Data Security Standards (“PCI/DSS”) as those standards may be revised by the PCI Security Standards Council, LLC or successor organization. Among other things, you agree to implement the security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance upon reasonable request, which may include having an independent third party qualified security assessor conduct a PCI/DSS audit. In the event you are unable to demonstrate full compliance, we may require that you engage the services of an approved vendor to assist you on an ongoing basis.

We and our affiliates currently do not receive rebates from third party suppliers, but we reserve the right to do so in the future.

In the year ended December 31, 2020 we did not receive any revenues from required purchases of products and services by franchisees.

The required purchase of goods and services from us will represent approximately 2% to 6% of your overall purchases in establishing and operating the franchised business. We estimate the required purchases from approved suppliers or under our specifications will represent approximately 25% to 50% of your costs to establish the franchised business, and approximately 25% to 50% of your costs to operate the franchised business.

There are currently no purchasing or distribution cooperatives. In the future, we may require you to become a member of a purchasing and/or distribution cooperative association program established by us and remain a member in good standing of the purchasing and/or distribution cooperative association program, and pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative association program.

We may negotiate purchase arrangements with suppliers and distributors, including price terms, that will benefit the Lee’s Famous Recipe system, but we do not negotiate on behalf of individual franchisees.

You must obtain and maintain, at your own expense, insurance coverage that satisfies our requirements and meets the insurance-related obligations in the Market Development Agreement and Franchise Agreement. You must carry all risk property insurance coverage (including flood and/or earthquake, if appropriate) covering your restaurant building and equipment in the amount of the full insurable replacement cost value of the property. Additionally, the policy must include business interruption insurance that covers your obligation to pay an amount equal to the royalty and advertising fees you otherwise would pay us during any covered interruption. You also must secure commercial general liability and commercial motor vehicle liability insurance policies with limits we periodically determine but with a minimum limit of \$1,000,000 for each occurrence and an aggregate limit of at least \$2,000,000. The policy further must specifically insure your obligation to indemnify us under the Market Development Agreement and the Franchise Agreement. You also must carry products liability and advertising liability insurance with limits we periodically determine but with an aggregate limit of at least \$2,000,000. You must name us as an additional insured under each liability and property insurance policy and you must provide us with certificates of insurance evidencing your insurance coverage. All policies must contain endorsements requiring the insurance company to give us at least 30 days’ written notice before terminating, canceling or making any changes in any policy. These are minimum requirements and you are responsible for consulting with insurance professionals to evaluate your own risk and exposure. See Item 7. Estimated Initial Investment.

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section In Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Articles 5, 6, 7 and 8 of market development agreement	Items 5, 7 and 11
b. Pre-opening purchase/leases	Articles 4, 6.3,7, 10.1.1(b) and 12.4 of franchise agreement	Item 5, 7 and 8
c. Site development and other pre-opening requirements	Articles 4, 5, 6, 7, 8, 9 and 13 of market development agreement	Items 5, 7 and 11
d. Initial and ongoing training	Articles 10 and 11 of market development agreement; Article 6 of franchise agreement	Items 5,7, 11 and 15

Obligation	Section In Agreement	Disclosure Document Item
e. Opening	Article 11 of market development agreement; Article 6.3 of franchise agreement	Items 5 and 11
f. Fees	Articles 3 and 11 of market development agreement and Articles 2, 3, 6.3, 7.4, 10, 12.4, 14.2 and 16.2 of franchise agreement	Items 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Articles 1, 4, 5, 6, 7, 9 and 10.1.1 of franchise agreement	Items 8, 11 and 16
h. Trademarks and proprietary information	Articles 1, 9, 12 and 15 of market development agreement; Articles 1 and 11 of franchise agreement	Items 13 and 14
i. Restrictions on products/services offered	Article 1 of market development agreement; Articles 1, 4, 7 and 9 of franchise agreement	Items 8, 11 and 16
j. Warranty and customer service requirements	Articles 4 and 6 of franchise agreement	Items 6, 8 and 11
k. Territorial development and sales quotas	Article 4 of market development agreement	Item 12
l. Ongoing product/service purchases	Articles 3.2.1, 6.2, and 7 of franchise agreement	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	Articles 5, 12.4, 14.2 and 16.2 of franchise agreement	Item 11
n. Insurance	Article 9 of market development agreement; Article 12.4 of franchise agreement	Items 6, 7 and 8
o. Advertising	Articles 10 and 11.2 of franchise agreement	Items 6, 7, 8 and 11
p. Indemnification	Article 22.2 of market development agreement; Articles 12.4 and 12.5 of franchise agreement	Item 6
q. Owner's participation/management staffing	Article 10 of market development agreement; Article 6.2 of franchise agreement	Items 11 and 15
r. Records and reports	Article 9 of market development agreement; Articles 3.1 and 3.2 of franchise agreement	Item 11
s. Inspections and audits	Article 9 of market development agreement; Articles 3.2 and 9.1 of franchise agreement	Item 6
t. Transfer	Article 16 of market development agreement; Article 16 of franchise agreement	Items 6 and 17

Obligation	Section In Agreement	Disclosure Document Item
u. Renewal	Articles 2 and 17 of market development agreement; Article 14.2 of franchise agreement	Items 6 and 17
v. Post-termination obligations	Articles 14 and 15 of market development agreement and Articles 13, 15.3, 15.4 and 15.5 of franchise agreement	Item 17
w. Non-competition covenants	Article 13.1 of franchise agreement	Item 17
x. Dispute resolution	Article 18 of market development agreement; Article 20 of franchise agreement	Item 17

ITEM 10: FINANCING

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

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

Except as disclosed below, we are not required to provide you with any assistance:

Preopening Obligations

Before you open your restaurant and after you sign the Market Development Agreement, we will:

1. Designate a territory and the number of and development schedule for restaurants that you will develop within that territory (Market Development Agreement - Articles 1 and 4). You must find a location for your Lee's Famous Recipe Restaurant within the designated territory of your Market Development Agreement. We grant each franchise for a specific location only.
2. Review the proposed site you submit to us for review. Our representatives will examine the proposed location and consult with you, based upon our experience and a study of population, traffic count and information concerning income level of residents and housing costs and any other information available to us relative to the proposed location. While we offer counseling in site selection and have the right to accept or reject all sites, we do not guarantee the suitability or success of the accepted site (see Market Development Agreement - Article 7). See Item 7. Estimated Initial Investment of this Franchise Disclosure Document for site size requirements. You must submit specific site data and demographic and other information about the proposed site, including a current scaled map of city/town, area income analysis, area demographic description, traffic counts, site description and plot plan on site, color photos, area competition information, building and signage plans, which we consider in accepting or rejecting the proposed site

(Market Development Agreement - Article 6). If we reject the proposed site, you may not proceed at the rejected site, but must try to locate an acceptable site within the designated territory of your Market Development Agreement. You must locate a site that is acceptable to us before we will sign the Franchise Agreement. If we accept the proposed site, you must acquire control of the site by either purchase or lease of the site from independent third parties (Market Development Agreement - Article 6). It is also your responsibility to obtain necessary zoning and construction approvals and permits, architectural services and contracts for building construction or remodeling as required, and equipment in accordance with approved final building and equipment plans. (Market Development Agreement - Article 9).

3. Provide a copy of one set of preliminary architectural plans and/or written specifications for a Traditional Stand-alone Lee's Famous Recipe Restaurant when we accept a proposed site for use by you and your architect. We do not provide preliminary architectural plans for Streamlined and Non-traditional locations. We must approve all final plans before the start of construction. (Market Development Agreement - Article 9).
4. Grant you a limited right to use the Lee's Famous Recipe trademarks (Market Development Agreement - Article 12); and
5. Execute and deliver to you our then-current form of Franchise Agreement upon your payment of all required fees and performance of all required disclosure and other obligations for the particular restaurant then being developed under the Market Development Agreement (Market Development Agreement - Article 11).

A Market Development Agreement does not obligate us to perform any services for a particular restaurant once the restaurant is opened. Once you sign a Franchise Agreement and open a restaurant, our obligations arise solely from the Franchise Agreement (Market Development Agreement - Article 11).

Before you open your restaurant and after you sign the Franchise Agreement, we will:

1. Grant you the right to use the Lee's Famous Recipe System and to operate a Lee's Famous Recipe Restaurant at the accepted location (Franchise Agreement - Article 1).
2. Furnish you with our Manuals and the mandatory and suggested specifications, and approved suppliers for the equipment, signs, fixtures, opening inventory and suppliers for the opening of your restaurant (Franchise Agreement - Articles 1.2.2, 1.2.3, 1.2.4, 4.1, 5.1 and 7.1).
3. Provide a training program for a \$5,000 fee, for you and certain management employees that we designate at the training facility we designate (Franchise Agreement - Article 6.2).
4. Provide up to 10 consecutive days of on-site assistance by two trainers in the opening of the restaurant. (Franchise Agreement - Article 6.3).

You must open your restaurant within 30 days after the effective date of the Franchise Agreement, unless we provide otherwise in writing (Franchise Agreement - Article 4.2).

Length of Time Before Opening

The typical length of time between payment of the development fee for a single-unit Market Development Agreement and the opening of the franchised restaurant will range between 120 and 365 days, depending on such factors as site selection, lease negotiations, obtaining acceptable financing arrangements, necessary zoning and building permits, meeting other local ordinances or community requirements, weather conditions, strikes, shortages, slow deliveries and other similar factors relating to completion of construction, remodeling, decorating, purchasing and installing equipment, fixtures and signs.

Ongoing Obligations

During the operation of your restaurant, we will:

1. Renew the Franchise Agreement if you satisfy the conditions described in the Franchise Agreement (Franchise Agreement- Article 14.2).
2. Administer the cooperative advertising fund that we control to provide such advertising and advertising material as we deem necessary on a national, regional or local basis. We may require you to pay for some of the advertising materials that we make available to you (Franchise Agreement - Article 10.2).
3. Review any proposed assignment of the Franchise Agreement or interest in you and either approve or disapprove that proposed assignment (Franchise Agreement - Article 16).
4. Conduct periodic inspections of your restaurant and periodic evaluations of the products you use and sell in the restaurant (Franchise Agreement - Article 9).

Advertising

Cooperative Advertising

We, or our designee, maintain and administer an advertising fund (the “Cooperative Advertising Fund”) for such advertising, marketing and public relations programs and materials as we deem necessary or appropriate in our sole discretion (Franchise Agreement – Article 10.2). You must contribute 2% of your gross sales on a weekly basis to the Cooperative Advertising Fund. See Item 6. Other Fees. Other Lee’s Famous Recipe franchisees and licensees contribute at different rates and at different times.

The current designee to maintain and administer the Cooperative Advertising Fund is our affiliate, Lee’s Famous Recipe Advertising Cooperative, Inc. See Item 1. The Franchisor and any Parents, Predecessors, and Affiliates. You must join, actively participate in, and comply with the then current bylaws of Lee’s Famous Recipe Advertising Cooperative, Inc. (attached as Exhibit I) or any successors or replacements we designate.

We have retained a national advertising agency, currently Stone Ward, to direct all programs financed by the Cooperative Advertising Fund. The Company retains sole discretion over the creative concepts, materials and endorsements used. The Cooperative Advertising Fund may be

used to: pay the costs of preparing and producing video, audio and written advertising materials; employing advertising, promotion and marketing agencies to provide assistance; and supporting public relations, market research and other advertising, promotion and marketing activities. The Cooperative Advertising Fund will furnish you with samples of advertising, marketing and promotional formats and materials at no cost. We will furnish multiple copies of such materials to you at our direct cost of producing them, plus any related shipping, handling and storage charges. You may use your own advertising and promotional materials if we have preapproved them before first publication or use.

The Cooperative Advertising Fund is intended to promote recognition of the trademarks and service marks and patronage of Lee’s Famous Recipe Restaurants. We will endeavor to use the Cooperative Advertising Fund to develop advertising and marketing materials and programs that will benefit as many Lee’s Famous Recipe Restaurants as possible, but we are not obligated to ensure that Cooperative Advertising Fund expenditures in or affecting any geographic area are proportionate or equivalent to the contributions to the Cooperative Advertising Fund by Lee’s Famous Recipe Restaurants operating in that geographic area, or that any Lee’s Famous Recipe Restaurant will benefit directly or in proportion to its contribution to the Cooperative Advertising Fund, or that the advertising and marketing materials will apply to your territory.

We are not required to audit the Cooperative Advertising Fund, but we will account for the Cooperative Advertising Fund separately from our other funds. We may use it to defray our operating expenses related to the administration and direction of the Cooperative Advertising Fund or its programs. We may spend, on behalf of the Cooperative Advertising Fund, in any fiscal year an amount greater or less than the aggregate contributions to the Cooperative Advertising Fund in that year, and the Cooperative Advertising Fund may borrow from us (and we may charge interest on such advances) or others to cover deficits or invest any surplus for future use. We will use all interest earned on monies contributed (not advanced) to the Cooperative Advertising Fund to pay advertising costs before we expend other assets of the Cooperative Advertising Fund. If all of the Cooperative Advertising Fund fees that accrue during a year are not spent during that year, the amounts are carried over to the following year. We will prepare an annual statement of monies collected and costs incurred by the Cooperative Advertising Fund and furnish it to you upon written request. We currently do not operate company restaurants, but in the event we do so, we will make contributions on a similar basis to the Cooperative Advertising Fund as Lee’s Famous Recipe franchisees and licensees do. We currently do not spend Cooperative Advertising Fund monies to solicit the sale of franchises.

During the time period from January 1, 2020 to December 31, 2020, the Cooperative Advertising Fund expenditures were as follows:

Production	41.6%
Media Placement	32.6%
Administrative expenses	<u>25.8%</u>
	100%

Advertising Council and Bylaws

Local, Regional or National Advertising Cooperative

After your restaurant opens, you must participate in any local, regional or national advertising cooperative that we establish or that other Lee's Famous Recipe franchisees in the area where your restaurant is located establish (Franchise Agreement - Article 10.3). The local advertising cooperative determines the amount of your contribution for a local advertising cooperative, but the amount may not exceed 2% of your Gross Sales. See Item 6. Other Fees. Your required local marketing advertising expenditures (see below) will be reduced dollar for dollar by payments to a local advertising cooperative.

Each advertising cooperative must adopt written governing documents. A copy of the governing documents of any cooperative (if one has been established) for your restaurant is available upon request. Each cooperative will determine its own voting procedures. The members and their elected officers are responsible for administering any advertising cooperative. Each advertising cooperative must prepare annual statements that will be available for review by each member.

If no local, regional or national advertising cooperative exists when your restaurant opens, we reserve the right to require you to participate in an advertising cooperative if one is created. We also reserve the right to change, dissolve or merge any advertising cooperatives.

Local Market Advertising

In addition to your required contributions to the Cooperative Advertising Fund described above, you must spend annually for local advertising and promotion of your restaurant at least 3% of Gross Sales (Franchise Agreement - Article 10.1.1). In addition to these requirements, you also must spend at least \$5,000 to promote the opening of your restaurant (Franchise Agreement - Article 10.1.1). You also must obtain listings in the white and yellow page telephone directories that cover your territory. We may review your books and records relating to your expenditures for advertising and promotion to confirm if you have satisfied this requirement. We do not credit the costs of telephone directory advertising and on-site signs toward this advertising obligation, nor will we count the costs of products sold at reduced price or given away toward fulfillment of this obligation.

All advertising, promotional and marketing materials you use must meet our standards and you must obtain our prior written approval before implementing or using the advertising, promotional or marketing materials (including any Internet, online electronic or social network) (Franchise Agreement - Article 11.2.2). You may not use any advertising or promotional materials that we have disapproved.

Point-of-Sale System

We require that you purchase or lease and use a point-of-sale ("POS") system that has been approved in writing by us and meets our specifications and requirements. (Franchise Agreement - Article 3.2.1). The POS system will manage the daily workflow of the business, coordinate the customer ordering experience, track inventory, food costs, labor, and other financial information, and have the capability to provide specific detailed information in both dollar amounts and percentages. Menu

items and specific recipes must be able to be loaded into the system in order to obtain an “ideal usage” report along with an “actual usage” report and an “ideal food cost” report.

We estimate the cost of purchasing the POS system will be \$30,000 to \$40,000 per restaurant, and leasing the POS system will be \$4,000 to \$8,000 per year per restaurant. We currently do not require you to purchase the POS system from an approved vendor, but reserve the right to do so in the future. (Franchise Agreement - Article 3.2.1).

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the POS system. (Franchise Agreement - Article 3.2.1). There are no limitations in the Franchise Agreement regarding the cost of such required support, maintenance, repairs, or upgrades relating to the POS System, however, we estimate the annual costs of required maintenance, updating, upgrading or support contracts will be \$8,000 to \$15,000. We may revise our specifications for the POS system periodically. Consequently, you must upgrade or replace your POS system at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We (or our vendor) will have independent access to the information generated by the POS system. (Franchise Agreement - Article 3.2.1). This includes daily, weekly and periodic sales, menu mix (in both dollar amounts and percentages), order guides from approved distributors, inventory, labor mix (including management) and all other data and reports from your POS system. There are no limits in the Franchise Agreement on our right to poll information from your POS System, either directly or through our vendor. You will be required to subscribe to the approved polling system we designate at your expense. We estimate the annual cost to you for our polling of information will be \$1,500 to \$2,500 per year. In addition, this requires a high level of internet speed and connectivity and the system must be able to be programmed to coordinate the polling of data on a daily, weekly and period basis.

Computer Systems

We require that you purchase or lease and use a computer system that has been approved in writing by us and meets our specifications and requirements. (Franchise Agreement - Article 3.2.1). The computer system will be used to access the internet, link to the POS system, email and other necessary communications with us, download our marketing materials, view online training videos, and webinars, along with other required forms of training and communication.

We estimate the cost of purchasing the computer system will be \$1,000 to \$2,000 per restaurant. We currently do not require you to purchase the computer system from an approved vendor, but reserve the right to do so in the future. (Franchise Agreement - Article 3.2.1).

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the computer system. (Franchise Agreement - Article 3.2.1). There are no limitations in the Franchise Agreement regarding the cost of such required support, maintenance, repairs, or upgrades relating to the computer system, however, we estimate the annual costs of required maintenance, updating, upgrading or support contracts will be \$1,500 to \$3,500. We may revise our specifications for the computer system periodically. Consequently, you must upgrade or replace your computer system at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation. We may independently access from a remote location, at any time, all

information input to and compiled by your computer system, including information concerning sales, purchase orders, inventory, and expenditures. There are no contractual limitations to our right to access the information and data.

Operations Manuals

The following chart displays the table of contents of these Manuals as of the date of this disclosure document:

OPERATING STANDARDS MANUAL

Table of Contents	Pages
Chicken Preparation	7
Famous Recipe Chicken	36
Spicy Chicken	21
Oven Roast Chicken	9
Boneless Chicken	76
Other Entrees	64
Famous Sides	94
Desserts	12
Drinks	10
Signature Sauces	1
Shortening Care	4
Product Assembly	8
Catering	7
Purchasing Guide	1
Brand Standards	34
TOTAL	384

TRAINING EXCELLENCE MANUAL

Table of Contents	Pages
Food Safety & HACCP	30
Mini - Sessions	9
Team Member Training Program (TMTP)	32
Shift Manager Training Program (SMTP)	28
Management Training Program (MTP)	125
Advanced Management Development Program (AMDP)	68
General Manager Training Program (GMTP)	5
TOTAL	297

Training

Below is a description of our initial training program as of the date of this disclosure document:

TRAINING PROGRAM

Subject	Number of Hours of Classroom Training	Number of Hours of On-The-Job Training	Location
Orientation	----	1 hour	Designated Training Restaurant
Cooking Chicken	----	40 hours	Designated Training Restaurant
Study Time	----	2 hours	Designated Training Restaurant
Product Receiving and Storage	----	1 hour	Designated Training Restaurant
Prep	----	5 hours	Designated Training Restaurant
Week One Test	1 hour	----	Designated Training Restaurant
Week One Evaluation	1 hour	----	Designated Training Restaurant
Cooking Chicken	----	40 hours	Designated Training Restaurant
Study Time	----	2 hours	Designated Training Restaurant
Product Receiving and Storage	----	1 hour	Designated Training Restaurant
Prep	----	5 hours	Designated Training Restaurant
Week Two Test	1 hour	----	Designated Training Restaurant
Week Two Evaluation	1 hour	----	Designated Training Restaurant
Register	----	40 hours	Designated Training Restaurant
Expediter	----	4 hours	Designated Training Restaurant
Dining Room Customer Service	----	4 hours	Designated Training Restaurant
Introduction to Administrative Duties	----	1 hour	Designated Training Restaurant
Pre-Opening Manager's Duties	----	5 hours	Designated Training Restaurant
Hourly Readings/Labor Tracking	----	3.5 hours	Designated Training Restaurant
Position Chart	----	1 hour	Designated Training Restaurant

Subject	Number of Hours of Classroom Training	Number of Hours of On-The-Job Training	Location
Deposit Tracking/ Cash Policies	----	2.5 hours	Designated Training Restaurant
POS Daily Reports	----	5 hours	Designated Training Restaurant
Week Three Test	1 hour	----	Designated Training Restaurant
Week Three Evaluation	1 hour	----	Designated Training Restaurant
Register	----	40 hours	Designated Training Restaurant
Expediter	----	4 hours	Designated Training Restaurant
Dining Room Customer Service	----	4 hours	Designated Training Restaurant
Introduction to Administrative Duties	----	1 hour	Designated Training Restaurant
Pre-Opening Manager's Duties	----	5 hours	Designated Training Restaurant
Hourly Readings/Labor Tracking	----	3.5 hours	Designated Training Restaurant
Position Chart	----	1 hour	Designated Training Restaurant
Deposit Tracking/ Cash Policies	----	2.5 hours	Designated Training Restaurant
POS Daily Reports	----	5 hours	Designated Training Restaurant
Week Four Test	1 hour	----	Designated Training Restaurant
Week Four Evaluation	1 hour	----	Designated Training Restaurant
Packer	----	40 hours	Designated Training Restaurant
Posting Invoices	----	1 hour	Designated Training Restaurant
Local Ordering and Receiving	----	1 hour	Designated Training Restaurant
Prep Sheet	----	1 hour	Designated Training Restaurant
Operations Checklist	----	1 hour	Designated Training Restaurant
Hourly Rounds (Manager's Walk)	----	3 hours	Designated Training Restaurant

Subject	Number of Hours of Classroom Training	Number of Hours of On-The-Job Training	Location
Week Five Test	1 hour	----	Designated Training Restaurant
Week Five Evaluation	1 hour	----	Designated Training Restaurant
Closing Paperwork	----	10 hours	Designated Training Restaurant
Running a Shift	----	40 hours	Designated Training Restaurant
POS Register System	----	5 hours	Designated Training Restaurant
Shift Change	----	1.25 hours	Designated Training Restaurant
Shift Checklist	----	1.25 hours	Designated Training Restaurant
Closing Manager's Duties	----	12.5 hours	Designated Training Restaurant
Manager's Walks	----	1 hour	Designated Training Restaurant
Projections	----	1 hour	Designated Training Restaurant
Week Six Test	1 hour	----	Designated Training Restaurant
Week Six Evaluation	1 hour	----	Designated Training Restaurant
Positioning	----	1.25 hours	Designated Training Restaurant
Weekly evaluation	1 hour		Designated Training Restaurant
Manage Day and Night Shifts	----	35 hours	Designated Training Restaurant
Operations Checklist	----	2.5 hours	Designated Training Restaurant
Projections	----	2.5 hours	Designated Training Restaurant
Positioning	----	2.5 hours	Designated Training Restaurant
3x5 Card Planning System	----	1 hour	Designated Training Restaurant
Employee Discipline	----	.5 hour	Designated Training Restaurant
Food Cost Control System	----	5 hours	Designated Training Restaurant
Closing Paperwork	----	10 hours	Designated Training Restaurant

Subject	Number of Hours of Classroom Training	Number of Hours of On-The-Job Training	Location
Orientation/ Training Superstars	----	1.5 hours	Designated Training Restaurant
Week Seven Test	1 hour	----	Designated Training Restaurant
Week Seven Evaluation	1 hour	----	Designated Training Restaurant
Running a Shift	----	40 hours	Designated Training Restaurant
Restaurant Opening Procedures	----	5 hours	Designated Training Restaurant
Evaluation	----	1 hour	Designated Training Restaurant
Temperatures Music System Breaker Box Manuals Emergency Numbers Safe Combinations Location of Bank	----	10 hours	Designated Training Restaurant
Comprehensive Review	1 hour	----	Designated Training Restaurant
Comprehensive Final Exam	2 hours	----	Designated Training Restaurant

After you have signed the Franchise Agreement, but before you open your restaurant, you (or your operating principal if you are an entity), your general manager and two of your assistant managers, must complete within 60 days of signing the Franchise Agreement, to our satisfaction, our training program at a designated franchisee-owned training restaurant, or other approved location we choose, which lasts for approximately 6 to 8 weeks, depending on the extent and nature of your prior restaurant industry experience. (Market Development Agreement - Article 10 and Franchise Agreement - Article 6.2).

The majority of the training consists of on-the-job training, and our instructional materials include manuals, workbooks, DVD's and on-line materials. The initial training program is held on a year-round basis. In addition, the Market Development Agreement gives us the right to require additional representatives to attend and successfully complete our training program before you open additional restaurants. You must at all times employ at least one general manager and two assistant managers in each of your restaurants who has successfully completed our training program (as determined by us) or a comparable program that we approve. You must pay our then current charges for training. See Item 5. Initial Fees. You are responsible for the travel, living expenses, meals and all benefits (including, without limitation, salary and insurance) of the enrollee. Your employees are required to sign a nondisclosure agreement prior to the beginning of employment. We may require that you attend refresher or additional training courses at our then current charge and you are

responsible for travel and living expenses. We may also require you to purchase training materials, DVDs or other instructional materials from us.

The experience of our training instructors is as follows:

William M. Sparks has been our Vice President of Operations since June 21, 2021 and was Vice President of Operations for our predecessor since April 2013.

Amanda McArdle has been our Senior Vice President since June 21, 2021. Mrs. McArdle was Senior Vice President for our predecessor from February 2020 until June 2021. Prior to that Mrs. McArdle served as our predecessor's Vice President of Brand and Franchise Services from June 2016 until February 2020 and Director of Administration from April 2013 until June 2016.

Donald R. Kupski has been our Vice President of Purchasing / Research and Development since June 21, 2021. Mr. Kupski served in the same role for our predecessor from April 2013 until June 2021.

David Adkins has been one of our Regional Franchise Directors since June 21, 2021 and served in the same role for our predecessor from April 2014 until June 2021. Mr. Adkins was also employed by GZK, Inc., a former multiple licensee of Lee's, from 1984 until April 2014 in various positions including training manager.

Kristi Comstock has been one of our Regional Franchise Directors since June 21, 2021 and served in the same role for our predecessor from August 2019 until June 2021. Mrs. Comstock was also employed by FRFC Springfield, Inc., a multiple licensee, from 2008 until August 2019 in various positions.

ITEM 12: TERRITORY

Market Development Agreement

The Market Development Agreement grants you the right to develop and operate a certain agreed upon number of Lee's Famous Recipe Restaurants at agreed upon authorized locations within your specified development area within a specified amount of time. The size of the development area will vary depending on the number and type of restaurant(s) to be developed. The typical size of a development area for each location is a one mile radius. You must obtain our written consent to each authorized location and you must sign the then-current form of franchise agreement for each location, which will detail the rights specific to each restaurant.

You will not receive an exclusive territory under a Market Development Agreement. You may face competition from other channels of distribution or from other competitive brands that we may control in the future. However, during the term of the Market Development Agreement we will not establish or franchise others to establish Lee's Famous Recipe Restaurants within the development area prior to the expiration or termination of the Market Development Agreement. If your Market Development Agreement is for the development of a single restaurant, the Market Development Agreement terminates 365 days after we sign the Marketing Development Agreement, or, if earlier, once the franchise agreement for that restaurant is executed and you then have only the protected territory granted in the individual franchise agreement.

If your Market Development Agreement covers more than one restaurant, your right to develop restaurants in your development area is conditioned on your compliance with the development schedule in your Market Development Agreement. If you fail to meet the schedule, we may terminate your Market Development Agreement. If the Market Development Agreement is terminated or expires, we can own, operate, franchise and license others to operate Lee's Famous Recipe Restaurants in the development area, subject to the protected territory granted to you under franchise agreements that remain in effect.

The continuation of your rights in the development area does not depend upon achieving a certain sales volume, market penetration or other contingency (except developing the agreed upon number of restaurants within a certain period of time).

We and our affiliates have the right to operate, and to license others to operate, Lee's Famous Recipe Restaurants at any location outside the defined boundaries of your development area, even if doing so will or might affect your development or operation of restaurants. Within the development area, your exclusivity does not apply to the following:

1. We and our affiliates may grant rights to master concessionaires or contract food service providers to operate Lee's Famous Recipe outlets inside airports and other travel facilities, military bases, hospitals, convention centers, stadiums, arenas, or other recreational, entertainment, business or industrial food service facilities where food service is provided only by a master concessionaire or contract food service provider in your development area.

2. We and our affiliates may establish or acquire restaurants or other food service units selling the same or similar products or services using different trademarks and service marks. Outlets of other brands could exist or be established in your development area, and your restaurants may have to compete with them. We do not have a policy to resolve conflicts between different brands regarding territory, customers, and franchisor support.

3. We and our affiliates can offer and sell the same or similar products, or other products, through any other distribution channel, including sales through wholesale distributors, supermarkets, other retail outlets, and the Internet and other electronic channels, using the trademarks or any other marks, to any location.

We will have no obligation to compensate you in connection with any such activities.

Franchise Agreement

The Franchise Agreement grants you the right to operate a Lee's Famous Recipe Restaurant only at a specific location. You may not conduct your business from any other location. You may not relocate the restaurant without our prior written approval. We may approve a request to relocate the restaurant in accordance with the provisions of the Franchise Agreement that provide for the relocation of the restaurant, and our then-current site selection policies and procedures. See Item 11. Franchisor's Assistance, Advertising, Computer Systems, and Training.

You will not receive an exclusive territory. You may face competition from other channels of distribution or from other competitive brands that we may control in the future. However, during

the term of the Franchise Agreement, we will not establish or franchise others to establish another Lee's Famous Recipe Restaurant with your designated protected area.

Your designated protected area will be determined in our sole discretion as described in Exhibit C to the Franchise Agreement. The protected area for a Traditional Stand-alone location and a Streamlined location is typically a circle having a one mile radius with the Franchise Premises (as defined in the Franchise Agreement) as the center. In the case of Non-Traditional locations, we will determine the protected area in our sole discretion based upon anticipated customer counts and may limit the protected area to the Non-Traditional location. We will determine in our sole discretion whether your location will be classified as a Traditional Stand-alone, Streamlined or Non-Traditional location and will specifically describe it in Exhibit C to the Franchise Agreement. We have the right to operate, and to license others to operate, a Lee's Famous Recipe Restaurant at any location outside of your protected area. Continuation of the protected area is not dependent upon your achieving certain sales volumes or other contingencies.

You may provide food catering services and deliveries from your restaurant to points inside or outside your protected area, but you may not solicit outside of your protected area. You may provide catering and delivery services in the territories of other Lee's Famous Recipe Restaurants without compensating the operator of those restaurants; likewise, other Lee's Famous Recipe Restaurants may provide catering and delivery services in your protected area without compensating you. We may impose restrictions on the territory for providing catering and delivery services in the future.

We and our affiliates have the right to operate, and to license others to operate, Lee's Famous Recipe Restaurants at any location outside the defined boundaries of your protected area, even if doing so will or might affect your operation of your restaurant. Within your protected area, your exclusivity does not apply to the following:

1. We and our affiliates may grant rights to master concessionaires or contract food service providers to operate Lee's Famous Recipe outlets inside airports and other travel facilities, military bases, hospitals, convention centers, stadiums, arenas, or other recreational, entertainment, business or industrial food service facilities where food service is provided only by a master concessionaire or contract food service provider in your protected area.
2. We and our affiliates may establish or acquire restaurants or other food service units selling the same or similar products or services using different trademarks and service marks. Outlets of other brands could exist or be established in your protected area, and your restaurant may have to compete with them. We do not have a policy to resolve conflicts between different brands regarding territory, customers, and franchisor support.
3. We and our affiliates can offer and sell the same or similar products, or other products, through any other distribution channel, including sales through wholesale distributors, supermarkets, other retail outlets, and the Internet and other electronic channels, using the trademarks or any other marks, to any location.

We will have no obligation to compensate you in connection with any such activities.

ITEM 13: TRADEMARKS

The Franchise Agreement licenses you to use the Lee’s Famous Recipe® trademarks, service marks and trade names (collectively, “trademarks”). Listed below are the principal trademarks that you may use, each of which is registered on the Principal Register of the United States Patent and Trademark Office. We have filed or intend to file all required affidavits and renewals for the trademarks listed below:

Principal Trademark	Registration Number	Date of Registration
FAMOUS RECIPE®	0974710	December 11, 1973
FAMOUS RECIPE®	1013215	June 10, 1975
LEE’S FAMOUS RECIPE®	1311285	December 25, 1984
LEE’S: FAMOUS FOR CHICKEN®*	4722489	April 21, 2015
LEE’S: FAMOUS FOR CHICKEN®*	4722490	April 21, 2015
LEE’S: FAMOUS FOR CHICKEN®*	4722491	April 21, 2015
LEE’S FAMOUS RECIPE CHICKEN (Design)	5016592	August 9, 2016
LEE’S FAMOUS RECIPE CHICKEN (Design)	5016593	August 9, 2016
LEE’S FAMOUS RECIPE CHICKEN (Design)	5016594	August 9, 2016

* No claim is made to the exclusive right to use "Famous For Chicken" apart from the mark as shown.

There are currently no effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state administrator or court, nor any pending infringement, opposition or cancellation proceedings. There is no federal or state court pending material litigation involving our use or ownership rights in the trademarks.

The trademarks are owned by LFR Chicken LLC (“Parent”), which has granted us a license to use and license franchisees to use the marks effective June 21, 2021 (the “Trademark License Agreement”). Parent may terminate the Trademark License Agreement if our misuse of the trademarks materially impairs the goodwill associated with the trademarks, if we violate any of Parent’s instructions concerning the quality of the trademarks, or if we fail to perform any other obligation under the Trademark License Agreement, and we fail to cure such breach within 30 days. If the Trademark License Agreement terminates, any then-existing sublicenses (franchises) will automatically be assigned to Parent and will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other material limitations.

Except as disclosed in this Item, there are no agreements currently in effect which significantly limit our rights to use or license the use of such trademarks listed in this Item in a manner material to the franchise.

We are not obligated to protect your right to use the trademarks listed in this Item or to protect you against infringement or unfair competition claims arising out of your use of the trademarks.

You must notify us immediately of any infringement or unauthorized use of the trademarks of which you become aware and cooperate with any action we take. We are not required by the Franchise Agreement to take affirmative action when notified of these uses or claims.

We have the right to control any administrative proceeding or litigation related to the trademarks and the right to decide to pursue or settle.

The Franchise Agreement does not require us to participate in your defense or indemnify you for any expenses or damages if you are a party to an administrative or judicial proceeding involving the trademarks, or if the proceeding gets resolved unfavorably to you.

You do not have any rights under the Franchise Agreement if we require you to modify or discontinue using a trademark and we are not obligated to reimburse you for any costs associated with compliance.

Except as disclosed in this Item, we have no knowledge of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered, or pending patent applications that are material to the franchise. We claim copyright ownership and protection in our manuals, promotional and other materials, although these copyrights may not be registered with the United States Copyright Office.

There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office or any court regarding any patent or of any copyright. There are currently no agreements in effect that limit the use of any patent or copyright in a manner affecting you.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights.

You must notify us immediately of any infringement or unauthorized use of patents and copyrights of which you become aware and cooperate with any action we take. We are not required by the Franchise Agreement to take affirmative action when notified of these uses or claims.

We have the right to control any administrative proceeding or litigation related to the patents or copyrights and the right to decide to pursue or settle.

The Franchise Agreement does not require us to participate in your defense or indemnify you for any expenses or damages if you are a party to an administrative or judicial proceeding involving any patents or copyrights, or if the proceeding gets resolved unfavorably to you.

You do not have any rights under the Franchise Agreement if we require you to modify or discontinue any subject matter covered by a patent or copyright and we are not obligated to reimburse you for any costs associated with compliance.

We know of no patent or copyright infringement that could materially affect you.

The manuals, product preparation materials, and related materials are confidential, proprietary and our property. You must keep them confidential during and after the term of the Franchise

Agreement. You may not use our confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others, except to your employees who need to know such information. You may disclose this information to your employees, but only if they have signed an employee nondisclosure agreement and to the extent necessary to operate your business, and then only while your Franchise Agreement is in effect. You must comply with all changes to the manuals at your cost. Upon termination of your Franchise Agreement, you must return all confidential and proprietary information, including all manuals, product preparation materials and related material.

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

If you are a sole proprietor, you are obligated to participate in the direct operation of your restaurant. If more than one individual or a legal entity such as a corporation, partnership or limited liability company owns the franchise, you must designate and retain an individual to serve as the Operating Principal of the restaurant. The Operating Principal must be approved by us and must have at least a 5% ownership interest in the restaurant or a 5% profit participation in the restaurant. The Operating Principal must have full control over the day-to-day operations of the restaurant and any other restaurants owned by you located in the same geographic area. The Operating Principal must devote full-time and best efforts to supervising the operation of the restaurant(s) and not engage in any other business or activity that requires substantial management responsibility. The Operating Principal must have his or her primary residence within a reasonable driving distance of the restaurant. The Operating Principal must attend and complete our required training.

If you are a corporation partnership, limited liability company or other entity, each person or entity that has a direct or indirect ownership interest of 5% or more must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by and personally liable for the breach of every provision of the Franchise Agreement. A copy of our standard Guaranty of Franchisee's Undertakings is attached as Exhibit F to the Franchise Agreement included as Exhibit A in this Franchise Disclosure Document.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the restaurant solely for the operation of a Lee's Famous Recipe® restaurant and must keep the restaurant open and in normal operation for the hours and ways we specify in the manuals or otherwise in writing.

You must meet the highest applicable health standard and rating. You must operate the restaurant in strict compliance with the methods, standards and specifications in the manuals or as we specify in writing.

You must offer for sale and sell only those products and services that we have approved. You may not offer for sale any products or perform any services that we have not authorized. You may not offer for sale or otherwise handle alcoholic or intoxicating beverages. We have the right to change the types of authorized products and services and there are no limits on our right to do so. See

Item 8. Restrictions on Sources of Products and Services for more specific information on restrictions covering what you may sell.

We do not limit the customers to whom you may sell goods or services provided you do so from the location of your restaurant and do not solicit outside your protected area. You may provide catering services and deliveries outside your protected area, but may not solicit outside your protected area.

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

THE FRANCHISE RELATIONSHIP

These tables list 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	14.1	Term is 20 years.
b.	Renewal or extension of the term	14.2	If you are in good standing, you may renew for an additional 20-year term.
c.	Requirements for franchisee to renew or extend	14.2	You must not be in default of any agreement or contract with us or our affiliates in the prior 24 months; modernize the restaurant, give 120 days' written notice; pay then current renewal fee, general release signed by you (Exhibit J to this FDD), training, and sign then-current franchise agreement which may contain materially different terms than your franchise agreement and other required documents.
d.	Termination by franchisee	None	Not applicable.
e.	Termination by franchisor without cause	None	Not applicable.
f.	Termination by franchisor with cause	15	We can terminate only if you default under the franchise agreement or for other specified grounds.
g.	"Cause" defined – curable defaults	15.1.2 and 15.1.3	You have 5 days after notice to cure non-payment defaults, you have 30 days after notice to cure any other defaults (excluding non-payment and defaults identified in item "h" below).

	Provision	Section in franchise agreement	Summary
h.	"Cause" defined - non-curable defaults	15.1, 15.1.1 and 15.1.4	Non-curable defaults include: Insolvency, bankruptcy, assignment for the benefit of creditors, receivership, attachment not released in 30 days, termination of right to occupy the premises, failure to commence operations on time, conviction of felony or similar event, violation of the non-competition or nondisclosure covenants, repeated defaults (3 in 12 months, even if cured), failure to correct legal or regulatory compliance 30 days after notice from authority, submission of false information, failure to allow inspection, if the continued operation of your restaurant will result in danger to public health or safety, abandonment, unapproved transfers or assignments, failure to maintain ACH draft capability, failure to restore operations within 365 days after loss of possession by either condemnation or casualty.
i.	Franchisee's obligations on termination/non-renewal	15.3	Cease use of trademarks, cease use of and return all advertising materials, Manuals, and confidential information, complete de-identification, leave premises in safe condition, pay all amounts due and stipulated damages, disconnect or transfer business telephone numbers to us (also see item "r" below.)
j.	Assignment of contract by franchisor	16.7	No restriction on our right to assign.
k.	"Transfer" by franchisee - defined	16.1 and 16.4	Includes transfer of any interest in you (including your owners), the franchise agreement, the business operated under the franchise agreement, the Franchised Premises, or grant of a security interest.
l.	Franchisor approval of transfer by franchisee	16.2	No transfers by you are permitted without our prior written approval and specified conditions are met.

	Provision	Section in franchise agreement	Summary
m.	Conditions for franchisor approval of transfer	16.2, 16.3, 16.4 and 16.5	60 days' notice, proposed franchisee qualifies, purchase agreement terms approved, all amounts owed by you paid, you are in compliance with your agreements with us, pay then current transfer fee, then current form of franchise agreement which may contain materially different terms than your franchise agreement and other required documents signed by proposed franchisee, general release signed by you (Exhibit J to this FDD), required guarantees signed, required, replacements and upgrades completed, training completed, landlord's consent obtained, trademarks not used in sale process without our consent, (also see items "n" and "r" below).
n.	Franchisor's right of first refusal to acquire franchisee's business	16.6	We, or our designee, have the right of first refusal to match any offer for any interest in the agreement, the business premises or the business.
o.	Franchisor's option to purchase franchisee's business	None	Not applicable
p.	Death or disability of franchisee	16.3	Your interest must be assigned to an approved transferee within six months of your death or disability in accordance with Section 16.2 (see item "m" above.)
q.	Non-competition covenants during the term of the franchise	13.1	You and your owners or guarantors may not own, operate or manage a similar business.
r.	Non-competition covenants after the franchise is terminated or expires	13.1	No direct or indirect involvement by you, your owners or guarantors in a competing business for 2 years within 5 miles of your assigned protected area or the assigned protected area of any of our other franchisees.
s.	Modification of the agreement	1.2.2, 1.2.3, 4.1, 11.5 and 20.6	No modifications unless in writing signed by the parties, but manuals, trademarks and menu subject to change.
t.	Integration/merger clause	20.6 and 21	The franchise agreement is our full and complete agreement with you (subject to the laws in certain states). Except for this disclosure document, you may not rely on any other representations or promises you may have been provided about the franchise.
u.	Dispute resolution by arbitration or mediation	20.3	Except for certain claims, non-binding mediation is required before litigation in the city where our principal office is located.

	Provision	Section in franchise agreement	Summary
v.	Choice of forum	20.3	Litigation must be in the federal or state court where our principal executive office is located (see also state-specific addenda attached as Exhibit G to this FDD).
w.	Choice of law	20.2	Applicable law is that of the state where our principal executive office is located (see also state-specific addenda attached as Exhibit G to this FDD).

MARKET DEVELOPMENT AGREEMENT

	Provision	Section in development agreement	Summary
a.	Length of the franchise term	2 and 13	If single unit agreement, term ends on the earlier of 365 days from the effective date of the market development agreement or the effective date of the franchise agreement. If multiple unit agreement, term ends on the earlier of the effective date of the franchise agreement for the last restaurant to be developed or the development schedule end date.
b.	Renewal or extension of the term	4 and 17	The market development agreement does not provide for renewal; you may negotiate to obtain a new market development agreement by advising us in writing at least 60 days before expiration of the market development agreement or 60 days before the anticipated effective date for the final unit to be developed. We may grant one 6 month extension of the term in our sole discretion and upon payment of extension fee.
c.	Requirements for franchisee to renew or extend	None	Not applicable
d.	Termination by franchisee	None	Not applicable
e.	Termination by franchisor without cause	None	Not applicable
f.	Termination by franchisor with cause	13	We can terminate if you default.
g.	"Cause" defined – curable defaults	13	30 days for any default not listed in (h) below, default under any other agreement with us and failure to cure within the time specified in that agreement.

	Provision	Section in development agreement	Summary
h.	"Cause" defined - non-curable defaults	13	Failure to open any restaurant within the time period specified; unapproved assignment of the agreement; unapproved transfers; material misrepresentation; bankruptcy; assignment for the benefit of creditors; uncured default under any other agreement between us; conviction of felony or similar event.
i.	Franchisee's obligations on termination/non-renewal	3, 14 and 15	Development fees non-refundable; all rights granted under the agreement are extinguished.
j.	Assignment of contract by franchisor	16	No restriction on our right to assign.
k.	"Transfer" by franchisee - defined	16	Includes the transfer of an interest in you (including your owners) or in the Development Agreement.
l.	Franchisor approval of transfer by franchisee	16	We have the right to approve all transfers.
m.	Conditions for franchisor approval of transfer	16	60 days' notice, new developer qualifies, all amounts owed by you paid, you are in compliance your other agreements with us, all agreements with us in your development area transferred, pay then current transfer fee, then current form of market development agreement signed which may contain materially different terms than your market development agreement and required documents signed by proposed transferee, general release signed by you (Exhibit J to this FDD).
n.	Franchisor's right of first refusal to acquire franchisee's business	None	Not applicable
o.	Franchisor's option to purchase franchisee's business	None	Not applicable
p.	Death or disability of franchisee	16	We will not unreasonably withhold our consent to transfer to a transferee who we determine is capable of performing your obligations and subject to the conditions as listed in "m" above.
q.	Non-competition covenants during the term of the franchise	15	You may not own, operate or manage a similar business.
r.	Non-competition covenants after the franchise is terminated or expires	15	No direct or indirect involvement by you or your owners, or guarantors in a competing business for 2 years within 5 miles of your development area or the development area of any of our other developers.

	Provision	Section in development agreement	Summary
s.	Modification of the agreement	25	No modification unless in writing and signed by the parties.
t.	Integration/merger clause	25 and 26	The market development agreement is our full and complete agreement with you (subject to the laws in certain states). Except for this disclosure document, you may not rely on any other representations or promises you may have been provided about the franchise.
u.	Dispute resolution by arbitration or mediation	18	Except for certain claims, non-binding mediation is required before litigation in the city where our principal office is located.
v.	Choice of forum	18	Litigation must be in the federal or state court where our principal executive office is located (see also state-specific addenda attached as Exhibit G to this FDD).
w.	Choice of law	18	Applicable law is that of the state where our principal executive office is located (see also state-specific addenda attached as Exhibit G to this FDD).

ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote the franchise. No public figure is involved in the management or control of Lee's. No public figure has any investment in Lee's.

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.

We have a reasonable basis and written substantiation for the financial performance information disclosed in Item 19.

The financial performance representation is historic based upon our existing franchisees and licensees. It includes all franchisees and licensees whose businesses were in operation for the full year of 2020. As of December 31, 2020, there were 127 franchised and licensed outlets, 126 of which were open and operating during the entire 2020 calendar year. No outlets outside the United States are included. The operations of licensed outlets are similar to those of the franchised outlets

offered by this Franchise Disclosure Document except that licensed outlets do not have certain expenses that franchised outlets have, such as payment of royalties.

We obtained these historical financial results from the information submitted to our predecessor by franchisees and licensees. This is the only criteria that were used to select the financial performance information that is included in Item 19. Neither we nor a certified public accountant have independently audited or verified the information.

The figures show the average and median unit sales volume for the number of outlets in the various sale ranges (divided into four quartiles). The charts show the number of outlets in each quartile and the average and median unit sales volume for the outlets within each quartile.

We present the average gross sales as well as the number and percentage achieving or surpassing the average gross sales in each quartile.

The explanatory notes following the charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts.

Average Gross Sales of Franchised Restaurants

Quartile	Arithmetic Average		Median
First Quartile (32 out of 126 restaurants)	\$2,344,171		\$2,161,221
	Number Above Average	12	
	Percentage Above Average	38%	
Second Quartile (31 out of 126 restaurants)	\$1,522,897		\$1,471,682
	Number Above Average	13	
	Percentage Above Average	42%	
Third Quartile (32 out of 126 restaurants)	\$1,196,867		\$1,197,223
	Number Above Average	17	
	Percentage Above Average	53%	
Fourth Quartile (31 out of 126 restaurants)	\$768,964		\$844,065
	Number Above Average	22	
	Percentage Above Average	71%	

Gross Sales Range of Franchised Restaurants

Quartile	High	Low
First Quartile (32 out of 126 restaurants)	\$4,239,728	\$1,817,570
Second Quartile (31 out of 126 restaurants)	\$1,811,105	\$1,327,206
Third Quartile (32 out of 126 restaurants)	\$1,327,009	\$1,025,203
Fourth Quartile (31 out of 126 restaurants)	\$1,014,285	\$24,544

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

Because the financial performance data included in the representation is system-wide with the only qualifying criteria being the length of time the business has been operating and the ranking of gross sales for 2020, the specific characteristics of each outlet whose financial performance data is included in the representation will vary among the outlets included in the representation. Gross sales and expenses experienced by the outlets differ from location to location because of a variety of factors, including, among others, differences in menu pricing; demographics; competition; economic conditions; weather conditions; labor conditions and minimum wage laws; commodity, sales tax rates; and governmental rules, regulations and interpretations.

This information does not reflect the cost of sales, operating expenses, or other costs or expenses that you must deduct from the gross sales figure in order to obtain your net income or profit which will affect the net income and/or cash flow of any outlet and must be carefully considered and evaluated. You should conduct an independent investigation of the costs and expenses that you will incur in operating your outlet.

The actual performance of any outlet will depend on a number of factors specific to the location, including:

1. The impact of the COVID 19 pandemic and any related closures or stay at home orders which vary widely depending on locations;
2. Rent, interest or other financing costs for land, buildings, equipment and inventory;
3. Initial franchise fee and organization costs;
4. Any management or supervisory fees;
5. Economic and weather conditions of various geographic areas;

6. Competition from a variety of other restaurants, including quick-service food businesses;
7. Different acquisition, development, construction and property costs;
8. Cost of equipment;
9. Occupancy expenses such as rent, utilities and property taxes;
10. Labor costs, payroll taxes and laws concerning employees and employee benefits;
11. Different traffic counts, accessibility, visibility, parking and seating;
12. Different results from advertising;
13. Outlets have been in business for different periods of time in their respective markets;
14. Cost of food, paper and other product and supply costs;
15. Franchise payments including royalties; and
16. Workers compensation and insurance coverage.

These and other expenses you incur will affect the net income and cash flow of the outlet. You should consider them and evaluate the impact on your operations.

The restaurant business is highly competitive and is affected by, among other things, changes in geographic area, changes in eating habits and preferences, local, regional and national economic conditions, population trends and traffic patterns. Additionally, the acquisition of sites is highly competitive with other restaurant chains and retail businesses for suitable sites. The performance of your outlet will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.

You should consult other sources for financial information including your financial, business and legal advisors in connection with the information provided and our franchisees and licensees listed in Exhibits D and E to this Franchise Disclosure Document in order to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings and profits.

Written substantiation to support the information appearing in this financial performance representation is available to you upon reasonable request.

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 management by contacting Ryan Weaver, 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579, 850-344-1130, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2018 to 2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised and Licensed	2018	133	131	-2
	2019	131	128	-3
	2020	128	127	-1
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Total Outlets	2018	133	131	-2
	2019	131	128	-3
	2020	128	127	-1

Table No. 2
Transfers of Outlets From Franchisees to New Owners
(other than the Franchisor)
For years 2018 to 2020

State	Year	Number of Transfers
Indiana	2018	0
	2019	1
	2020	0
Kentucky	2018	2
	2019	3
	2020	0
Ohio	2018	0
	2019	0
	2020	1
South Carolina	2018	0
	2019	0
	2020	1
Total	2018	2
	2019	4
	2020	2

Table No. 3

**Status of Franchised Outlets
For years 2018 to 2020***

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Florida	2018	4	0	1	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Illinois	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
Indiana	2018	13	0	0	0	0	0	13
	2019	13	0	0	0	0	0	13
	2020	13	0	0	0	0	0	13
Kentucky	2018	42	1	1	0	0	0	42
	2019	42	0	4	0	0	0	38
	2020	38	3	3	0	0	0	38
Michigan	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Missouri	2018	16	0	0	0	0	0	16
	2019	16	0	0	0	0	0	16
	2020	16	0	0	0	0	0	16
Ohio	2018	41	0	1	0	0	0	40
	2019	40	1	0	0	0	0	41
	2020	41	3	4	0	0	0	40
South Carolina	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Tennessee	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Virginia	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Wisconsin	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Totals	2018	133	1	3	0	0	0	131
	2019	131	1	4	0	0	0	128
	2020	128	6	7	0	0	0	127

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4

**Status of Company-Owned Outlets
For Years 2018 to 2020**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0

Table No. 5

Projected Openings As Of December 31, 2020

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Kentucky	1	1	0
Michigan	1	1	0

Attached as Exhibit D is a list of the addresses and telephone numbers of all current franchisees and licensees in our franchise system as of the date of this Franchise Disclosure Document.

Attached as Exhibit E is a list of the name and last known home address and telephone number of each franchisee or licensee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or license agreement since December 31, 2020, or who has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not entered into any confidentiality clauses with current or former franchisees or licensees that restrict them from discussing with you their personal experiences as a franchisee or licensee in our franchise system.

We are not aware of any trademark-specific franchisee organization associated with the franchise system being offered.

ITEM 21: FINANCIAL STATEMENTS

The audited financial opening balance sheet of LFR Chicken LLC dated June 21, 2021 are attached as Exhibit C.

ITEM 22: CONTRACTS

The following agreements are attached as exhibits to this Franchise Disclosure Document:

Franchise Agreement	Exhibit A
Market Development Agreement	Exhibit B
State Addenda	Exhibit G
Statement of Prospective Franchisee	Exhibit H
General Release	Exhibit J

ITEM 23: RECEIPTS

The last two pages of this disclosure document are a detachable acknowledgment of receipt for you to sign and return to us. Please sign and date each of them as of the date you received this disclosure document and return one copy to us.

EXHIBIT A
FRANCHISE AGREEMENT

**LEE'S FAMOUS RECIPE®
FRANCHISE AGREEMENT**

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ATTACHMENTS

EXHIBIT A	TRADEMARKS
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EXHIBIT E	LIST OF OWNERS
EXHIBIT F	GUARANTY OF FRANCHISEE'S UNDERTAKINGS

FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is effective _____, 20____ (“Effective Date”) between Lee’s Franchisor LLC, a Delaware limited liability company whose address is 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579 (“Franchisor”) and _____ (a corporation, limited liability company, partnership or individual), whose principal address is _____ (“Franchisee”). Now therefore, in consideration of these premises and the mutual covenants contained herein, the sufficiency of which is acknowledged by the parties, intending to be legally bound, Franchisor and Franchisee agree as follows:

ARTICLE 1 INTRODUCTION AND GRANT OF FRANCHISE

Article 1.1 Introduction

Franchisor owns or has the right to license certain trade names, trademarks, service marks and/or indicia of origin (the “Trademarks”) identified on Exhibit A attached hereto and made a part hereof, the uniqueness and value of which are acknowledged by Franchisee. Franchisor has developed a plan for the organization and operation of a system relating to the franchising of quick service restaurants that sell chicken and other approved food, beverage and other products sold by Lee’s Famous Recipe Restaurants, which system includes site evaluation assistance, equipment selection and layouts, merchandising, advertising, sales and promotional techniques, operations training, and other matters relating to the operation and promotion of such restaurants (the “Lee’s Famous Recipe System”), all of which are designed to enhance the reputation and goodwill with the public of establishments operated in accordance with the Lee’s Famous Recipe System. Franchisor may change, modify, or enhance any portion of the Lee’s Famous Recipe System from time to time at Franchisor’s discretion. Franchisee has investigated and become familiar with the Lee’s Famous Recipe System, and desires, in accordance with this Agreement, to obtain a franchise to operate a restaurant which will utilize the Trademarks and the Lee’s Famous Recipe System (the “Franchised Business”) and Franchisor is willing to authorize Franchisee to operate the Franchised Business.

Article 1.2 Grant of Franchise

Subject to the terms and conditions herein, Franchisor hereby grants Franchisee the following franchise rights:

Article 1.2.1 Franchised Business and Franchised Premises

(a) Franchisee may operate a Franchised Business, but only at the location and under the designation described in Exhibit B attached hereto and made a part hereof (the “Franchised Premises”). The rights herein granted are sometimes referred to in this Agreement as the “Franchisee.”

(b) The Franchise relates solely to the Franchised Premises and affords Franchisee no right to construct or operate any additional, expanded or modified facilities on the Franchised Premises, nor any right to construct or operate the Franchised Business at any location other than the Franchised Premises, except as provided in Article 16.5 herein. Franchisee shall not conduct business from any location other than the Franchised Premises.

Article 1.2.2 Licensed Trademarks and Manuals

(a) Franchisor has developed confidential Operations Manuals (the “Manuals”) that contain mandatory standards, specifications, recipes and procedures prescribed from time to time for the Lee’s Famous Recipe System which are confidential, proprietary and Franchisor’s exclusive property. During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, the Manuals. The Manuals may consist of multiple volumes of printed manuals, computerized documents or software, information provided on the internet or an extranet, tapes, disks, or any other analog or digital format or medium Franchisor adopts periodically for use with the Lee’s Famous Recipe System and designates as part of the Manuals. Franchisor may update and change the Manuals periodically at Franchisor’s discretion to reflect changes in the Lee’s Famous Recipe System, and Franchisee expressly agrees to comply with each mandatory requirement in the Manuals within any reasonable time Franchisor specifies, or if no time is specified, within 30 days after receiving notification of the requirement. The Manuals shall be considered a part of this Agreement. Franchisee shall at all times ensure that its copy of the Manuals and any other confidential materials supplied by Franchisor to Franchisee are kept current and up to date. Franchisee must keep any printed Manuals in a secure location, must restrict employee access to the Manuals on a need to know basis, and take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Manuals.

(b) Franchisee may use in the Franchised Business the Trademarks that are now or that in the future may be approved by Franchisor for use by Franchisee with the Lee’s Famous Recipe System and listed in Exhibit A hereto or as are presently or subsequently listed in the Manuals, as revised from time to time, but only in the manner specified in the Manuals, this Agreement or by Franchisor.

Article 1.2.3 Franchised Products

Franchisee may use the Trademarks in the Franchised Business only on or in connection with the sale of those food and non-alcoholic beverage products designated in the Manuals as being included in the Lee’s Famous Recipe System standard restaurant menu and meeting the specifications and quality standards set forth in the Manuals (collectively, “Franchised Products”), or as otherwise approved by Franchisor. Franchisor may revise the Manuals’ requirements concerning the Franchised Products and the standards related thereto from time to time in its sole discretion, and Franchisee at all times shall conform to the requirements of the then current Manuals.

Article 1.2.4 Franchised Know-how

Franchisee may utilize in the Franchised Business the manner of preparing and serving the Franchised Products, the method of doing business, and certain other confidential information and trade secrets which are proprietary to Franchisor, as designated and adopted by Franchisor from time to time in the Manuals (the “Franchised Know-How”).

Article 1.2.5 Assigned Protected Area

Franchisor shall not own or franchise any other Lee’s Famous Recipe Restaurant within the “Assigned Protected Area,” which shall be the area bounded and described in Exhibit C attached hereto and made a part hereof, except as follows:

(a) Franchisor and its affiliates reserve the right to operate or franchise restaurants using the Trademarks in any location other than a location that is within the Assigned Protected Area.

(b) Franchisor and its affiliates reserve the right to operate or franchise restaurants or other food service units selling the same or similar products or services using different trademarks and service marks in any location.

(c) Franchisor and its affiliates reserve the right to grant rights to master concessionaires or contract food service providers to operate Lee’s Famous Recipe outlets inside airports and other travel facilities, military bases, hospitals, convention centers, stadiums, arenas, or other recreational, entertainment, business or industrial food service facilities where food service is provided only by a master concessionaire or contract food service provider within the Assigned Protected Area.

(d) Franchisor and its affiliates reserve the right to offer and sell the same or similar products, or other products, through any other distribution channel, including sales through wholesale distributors, supermarkets, other retail outlets, and the Internet and other electronic channels, using the Trademarks or any other marks, to any location.

Franchisee may provide food catering services and deliveries from the Franchised Premises, but shall not solicit outside the Assigned Protected Area.

ARTICLE 2 FRANCHISE FEE

Upon Franchisee’s execution of this Agreement, Franchisee shall pay to Franchisor a franchise fee of \$20,000 for a traditional stand-alone location (“Traditional Stand-alone”), \$20,000 for a streamlined location (“Streamlined”), and \$15,000 for a non-traditional location (“Non-Traditional”), as applicable, and as described in Exhibit B attached hereto. Franchisee

acknowledges and agrees that the foregoing franchise fee is consideration for the grant of this Agreement, has been fully earned by Franchisor at the Effective Date, and is non-refundable.

ARTICLE 3

ROYALTY PAYMENTS, REPORTING AND FINANCIAL INFORMATION

Article 3.1 Weekly Royalty Fee Reports and Payments

(a) From the date of opening of the Franchised Business, Franchisee shall pay Franchisor a royalty fee equal to 4% of Franchisee's Gross Sales (as defined in Article 3.1.3) for a Traditional Stand-alone location or a Streamlined location, and 6% of Franchisee's Gross Sales for a Non-Traditional Location ("Royalties"). Royalties are payable on a weekly basis every Tuesday or at any other date and time designated by Franchisor. All Royalties and other amounts payable under this Agreement, including any interest charges, shall be paid to Franchisor by electronic means pursuant to the Automated Clearing House Payment Authorization attached as Exhibit D to this Agreement. Franchisee shall not terminate that authorization as long as this Agreement remains in effect. Franchisee shall not close the account referenced in the authorization without prior written notice to Franchisor and the establishment of a substitute bank account. Franchisee shall make funds in the amount necessary to fund the fees and payments due to Franchisor available in the account for withdrawal by electronic transfer. Franchisor will base the actual amount transferred from the account to pay Royalties and other amounts due based on the Gross Sales of the Franchised Business as reported to Franchisor. If, at any time, Franchisor determines that Franchisee has underreported the Gross Sales of the Franchised Business, or otherwise underpaid any Royalties or other amounts due Franchisor under this Agreement, Franchisor shall have the authority to initiate an immediate wire transfer from Franchisee's account in the appropriate amount in accordance with the foregoing procedure, including interest as provided in this Agreement. Franchisor will credit any overpayment to Franchisee's account effective as of the first reporting date after Franchisor and Franchisee determine that a credit is due.

(b) Every Monday morning, or at any other date or time Franchisor designates, Franchisee shall provide Franchisor with a report of the previous week's Gross Sales and other revenue generated at or by the Franchised Business, including whatever other information and documents Franchisor may from time to time specify in the Manuals or otherwise, in whatever form Franchisor may require (collectively, "Royalty Reports").

Article 3.1.1 Overdue Payments

All overdue payments shall bear interest from the date due at the lower of: (i) 18% per annum; or (ii) the highest rate allowed by applicable law. Overdue payments will be applied first to Franchisee's oldest obligation regardless of any designation by Franchisee to the contrary. This interest shall accrue regardless of whether Franchisor exercises its right to terminate this Agreement due to Franchisee's default in payment of Royalties or other payments or for any other reason. Franchisor and Franchisee agree that the amounts charged constitute a Time-price Differential as defined in Tennessee Code Annotated § 47-14-101 et seq.

Article 3.1.2 Guarantee of Obligations

If Franchisee is a business entity, each person and entity that holds a direct or indirect ownership interest of 5% or more in the business entity must execute the Guaranty of Franchisee's Undertakings attached as Exhibit F and List of Owners attached as Exhibit E to this Agreement. Franchisee represents that Exhibit E to this Agreement sets forth the names, addresses and percentage ownership of all of Franchisee's owners as of the date of this Agreement. Franchisor, in its sole discretion, may also require a letter of credit in an amount specified by Franchisor to secure payment of Royalties and other fees required to be paid under this Agreement. Franchisor reserves the right to require any guarantor to provide personal financial statements to Franchisor from time to time.

Article 3.1.3 Definition of Gross Sales

"Gross Sales" is defined as the total amount of all revenues from whatever source derived (whether in the form of cash, check, credit, debit, insurance proceeds for lost sales covered by business interruption insurance, agreements to pay or other consideration, and whether or not payment is received at the time of sale or any such amounts prove uncollectible) which arise from or are derived by Franchisee or by any other person from business conducted or which originated in, on, from or through the Franchised Premises, or from the sale of any products or services associated with the use of the Trademarks, including sales from vending machines, deliveries, and catering sales, but excluding sales tax or any similar taxes which are required by law to be computed separately and paid by the customer.

Article 3.2 Business Records and Financial Information

Franchisee must create and maintain in a manner reasonably satisfactory to Franchisor, and retain for at least three years, each of the following: (i) all records of sales, advertising and marketing expenses and other operating accounts of the Franchised Business; (ii) all Royalty Reports; (iii) monthly or period and annual financial statements; (iv) federal and state income tax returns and state sales and use tax returns and records; (v) daily sales reports for the Franchised Business (as prescribed by Franchisor) and all POS System data; (vi) license, contracts and product supplier invoices; (vii) bank account statements; (viii) statistical and financial information regarding the operation of the Franchised Business required by Franchisor; and (ix) any other reports or records required by Franchisor. Franchisee shall furnish Franchisor within 30 days following the end of each of Franchisee's fiscal quarters, a quarterly profit and loss statement for the Franchised Business, prepared in accordance with generally accepted accounting principles, showing income and expenses for the preceding quarter and year-to-date income and expenses, and certified by Franchisee or Franchisee's chief executive or financial officer. Franchisee shall furnish Franchisor within 90 days following the end of each of Franchisee's fiscal years, a fiscal year-end balance sheet, income statement, statement of changes in financial position, and statement of cash flow of the Franchised Business for the previous fiscal year, prepared in accordance with generally accepted accounting principles and reflecting all year-end adjustments (audited if available), together with a statement of annual Gross Sales, certifying that Franchisee's Gross Sales for the immediately preceding fiscal year have been calculated and reported in

compliance with the terms of this Agreement, all of which will be certified by Franchisee or by Franchisee's chief executive or financial officer. Upon Franchisor's request, Franchisee shall furnish any other data, information and supporting records for the periods Franchisor requires from time to time.

Article 3.2.1 POS, Cash Register and Computer Systems

Franchisee shall purchase, license, install and maintain, at Franchisee's expense, a new electronic point-of-sale cash register system and software ("POS System") designated by Franchisor which meets standards and specifications established by Franchisor, as modified from time to time in response to business, operations and marketing conditions. In addition to the POS System, Franchisee shall purchase, install and maintain, at Franchisee's expense, any computer systems, including without limitation both hardware and software, or other existing or future communication or data storage systems (collectively "Computer Systems"), designated by Franchisor which meet standards and specifications established by Franchisor, as modified from time to time in response to business, operations and marketing conditions. Franchisee shall purchase the POS System and any required Computer Systems from a source or sources designated by Franchisor. Franchisor has the right to designate a single source from whom Franchisee must purchase the POS System or any required Computer Systems. Franchisor may require Franchisee to purchase, at Franchisee's expense, and to use a POS System, software or Computer Systems compatible with any program or system that Franchisor uses now or in the future. Franchisee must faithfully record all sales information, menu mix, orders, inventory, and labor mix on that designated equipment simultaneously with the occurrence of each transaction and Franchisor has the right to access all of Franchisee's intraday, daily, weekly and periodic sales, menu mix (in both dollar amounts and percentages), order guides from approved distributors, inventory, labor mix (including management), ideal usage, actual usage and ideal food cost and all other data and reports from the POS system by direct or remote electronic means. Franchisor may periodically require Franchisee, at Franchisee's expense, to upgrade, update or replace the POS system and Computer Systems to remain in compliance with Franchisor's computer and communications standards and specifications. Franchisee must, at all times and at Franchisee's expense, maintain access to the Internet, telephone system or other computer or electronic communications network that Franchisor specifies. Franchisee shall maintain an electronic mail (e-mail) address and keep Franchisor informed of that e-mail address. Subject to the limitations and requirements of all applicable privacy and credit card security laws and regulations, Franchisor requires Franchisee, at Franchisee's expense, to configure and connect Franchisee's POS system to Franchisor's system, or to Franchisor's designated agent, in order to provide Franchisor with continuous real-time access to all of Franchisee's intraday, daily, weekly and periodic sales, menu mix (in both dollar amounts and percentages), order guides from approved distributors, inventory, labor mix (including management) and all other data and reports and related data stored on Franchisee's POS system. Franchisee agrees that Franchisor, or Franchisor's designated agent, shall have the right to retrieve any data and information from Franchisee's POS System as Franchisor in its sole discretion, deems appropriate, with the cost of the retrieval and transmittal to be borne by Franchisee.

Franchisor has no obligation to provide any maintenance, repairs, upgrades or updates to the POS System or Computer Systems.

Article 3.2.2 Right to Audit

Franchisor has the right, at any time during business hours, upon three days' written notice, to enter the premises where Franchisee's books and records relative to the Franchised Business are kept, to inspect, evaluate, copy and audit, or cause to be inspected, evaluated, copied and audited, Franchisee's business records, bookkeeping and accounting records, sales and income tax records and returns, and other records relating to the Franchised Business and its operation. Franchisee must fully cooperate with Franchisor's representatives and any independent accountants that Franchisor hires to conduct any inspection or audit. In order to verify the information supplied by Franchisee, Franchisor has the right to calculate Franchisee's sales through the inventory extension method or other methods to analyze and reconstruct sales. Franchisee agrees to provide Franchisor with written authorization to contact Franchisee's vendors and suppliers for purchase histories and other records related to the Franchised Business. If any inspection or audit discloses an understatement of the Gross Sales of the Franchised Business, Franchisee agrees to pay to Franchisor, within 15 days after receipt of the inspection or audit report, by electronic means pursuant to the Automated Clearing House Payment Authorization attached as Exhibit D to this Agreement, the Royalties and Cooperative Advertising Fees due on the amount of the understatement, plus interest (at the rate and on the terms provided in Article 3.1.1, of this Agreement) from the date originally due until the date of payment. Further, if the inspection or audit is made necessary because of Franchisee's failure to furnish Franchisor with reports, supporting records, other information, or financial statements as required by this Agreement or to furnish the reports, records, information or financial statements on a timely basis, or if any understatement of Gross Sales for the period of any audit is determined by the auditor or inspection to exceed 3% of the amount reported, Franchisee will reimburse Franchisor immediately upon notice for the cost of the inspection or audit, including (without limitation) the charges of attorneys and independent accountants, and the travel, lodging and meal expenses and applicable per diem charges for Franchisor's employees. The foregoing rights will be in addition to all other remedies and rights that Franchisor may have under this Agreement or under applicable law.

Article 3.2.3 Right to Set-Off

Notwithstanding anything contained in this Agreement, upon Franchisee's failure to pay to Franchisor as and when due, any amounts of money provided for herein, Franchisor shall have the right, at its election, to deduct any and all such amounts remaining unpaid from any monies or credits held by Franchisor for Franchisee's account. If Franchisee pays, or Franchisor otherwise receives, less than the full amount of any payment due hereunder, the payment shall be applied against the earliest amount due to Franchisor. Franchisor may accept any check or payment in any amount without prejudice to its right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall be construed as an accord or satisfaction.

Article 3.2.4 Amounts Owing to Affiliates

In the event that Franchisee shall enter into any agreement or transaction with any of Franchisor's affiliates, associates, licensees or licensors, Franchisee agrees, as a specific covenant to Franchisor under this Agreement, to pay all sums due and owing by Franchisee under any such agreement or transaction promptly, in full, when due and prior to any delinquency. Franchisor shall have the right to make demand upon Franchisee for payment of any amounts due and owing by Franchisee under any such agreement or transaction, and upon the making of any such demand, the amount due and owing and so demanded shall be deemed to be an amount due and owing by Franchisee to Franchisor under this Agreement.

ARTICLE 4 OPERATING STANDARDS AND CONDITIONS

Article 4.1 Conform to Current Manuals and Franchisor Instructions; Confidentiality

(a) Franchisee shall operate the Franchised Business in conformance with the Manuals and other instructions of Franchisor, including without limitation, those related to having all furniture, fixtures, equipment, supplies, POS System, Computer Systems hardware and software as designated from time to time by Franchisor, as well as those related to food and beverage products, menu items, product specifications and sources (including without limitation, that certain Fountain Beverage Sales Agreement between Franchisor and Pepsi-Cola Sales and Distribution, Inc. dated December 30, 2003, as amended by Amendment dated February 2, 2011 and Amendment #2 dated April 22, 2013, as may be amended from time to time, or any successor to such agreement; and that certain Fountain Support Agreement dated March 24, 2015 between Franchisor and Dr. Pepper/Seven Up, Inc. as may be amended from time to time, or any successor to such agreement), cleanliness and sanitation, customer service and specified hours of operation. Franchisor may modify or revise the Manuals from time to time and Franchisee shall operate the Franchised Business strictly in conformance with the Manuals as then in effect. In any dispute concerning the contents of the Manuals, the master copy maintained at Franchisor's principal executive office shall be controlling.

(b) Franchisee, and each guarantor shall, during the term of this Agreement and thereafter, at all times keep the Manuals, the Franchised Know-How and any other materials, goods and information created or used by Franchisor (the "Confidential Information") as confidential and shall use the Confidential Information only as necessary to perform their obligations under this Agreement and shall limit access to the Confidential Information to employees of Franchisee on a need-to-know basis. Franchisee acknowledges and agrees that the unauthorized use or disclosure of the Confidential Information will cause irreparable injury to Franchisor and that monetary damages are not an adequate remedy. Franchisee shall not at any time, without Franchisor's prior written consent, disclose, use, permit the use thereof (except as may be required by applicable law or authorized by this Agreement), copy, duplicate, record, transfer, transmit or otherwise reproduce such Confidential Information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not publicly known about the Lee's Famous Recipe System and the Franchised Products, and the services, standards, procedures, techniques and such other

information or material as Franchisor may designate as Confidential Information shall be deemed confidential for purposes of this Agreement.

Article 4.2 Commence Operation

Franchisee shall commence operation of the Franchised Business within 60 days after the Effective Date, or such extended period as may be granted by Franchisor in writing.

Article 4.3 Compliance with Applicable Laws

Franchisee shall at all times, comply with all federal, state, county, municipal, city and township laws and ordinances, including, without limitation workers' compensation laws, and all rules and regulations of any duly constituted authority affecting or respecting the Franchised Business or the Franchised Premises.

Article 4.4 Use of Franchised Premises

Franchisee shall at all times use the Franchised Premises only for the Franchised Business.

ARTICLE 5 BUILDING AND EQUIPMENT

Article 5.1 Sign Standards

Franchisee shall use only such exterior, interior and vehicle signs that have been approved by Franchisor in writing and comply with and satisfy the requirements of the then current Manuals. All marketing and promotional materials placed or displayed at the Premises (interior or exterior) shall only be the signs, emblems, lettering, logos, displays and advertising materials that Franchisor approves from time to time in writing. Franchisee shall display at all times an internal sign as designated by Franchisor indicating that Franchisee is an independent operator and a franchisee of the Lee's Famous Recipe System.

Article 5.2 Repair and Maintenance

Franchisee agrees to maintain the condition and appearance of the Franchised Business, its decor, fixtures, equipment, furniture, furnishings and signs, and the Franchised Premises in accordance with the requirements of the then current Manuals and Franchisor's specifications and standards as in effect from time to time. Franchisee will perform all periodic cleaning and maintenance with respect to the decor, equipment, fixtures, furniture, furnishings, flooring, signs, paint, landscaping, parking lot, driveways, exterior or interior lighting of the Franchised Business and the Franchised Premises required from time to time to maintain the condition, appearance and efficient operation, including, without limitation, the repair or replacement of damaged, worn out, or obsolete decor, equipment, fixtures, furniture, flooring, furnishings and signs.

Article 5.3 Remodeling and Replacement

Whenever and as frequently as necessary to maintain an attractive appearance and good public image, and in any event within 30 days after the receipt of notice from Franchisor that any

building, decor, equipment, fixtures, furniture, furnishings, flooring, paint, landscaping, parking lot, driveways, interior and exterior lighting or signage is not in compliance with the then current Manuals or Franchisor's specifications and standards, not in good condition, or not functioning properly, Franchisee shall promptly repair, remodel or refurbish such items that can be repaired or remodeled, or replace such items that cannot be repaired, remodeled or refurbished within 30 days after the receipt of notice. Franchisee acknowledges and agrees that the foregoing obligation may require significant capital or other expenditures during the term of this Agreement. Prior to the commencement of such repair or remodeling, Franchisee shall submit to Franchisor proposed plans, prepared by a licensed architect, at Franchisee's expense, that comply with applicable laws, ordinances, building codes, permit requirements, lease requirements and restrictions, including proof of any variances required by building and zoning codes. Franchisee shall not undertake such repairs or remodeling until Franchisor has approved the proposed plans in writing as satisfactory to cure the deficiency.

ARTICLE 6 PERSONNEL AND MANAGEMENT

Article 6.1 Personnel

Franchisee shall hire, train and properly supervise sufficient and qualified personnel for the efficient operation of the Franchised Business and, in particular, shall hire, train and properly supervise staff so that all operational standards (including standards for food preparation, dress attire, personal appearance, hygiene, customer service, and restaurant sanitation and cleanliness) in the then current Manuals and according to applicable law can be and are satisfied at all times. Neither Franchisor nor any of its affiliates shall have any control over employees of Franchisee, including, without limitation, their hours of work, wages and their hiring and termination.

Article 6.2 Operating Principal, Required Training and Managers

(a) Franchisee, if an individual, shall be active in overseeing the operations of the Franchised Business. If Franchisee is an entity owned by more than one individual, Franchisee shall at all times designate one of the owners as the Operating Principal who shall devote full-time and best efforts to supervising the operations of the Franchised Business. The Operating Principal shall maintain a primary residence within a reasonable driving distance of the Franchised Business and successfully complete all training required by Franchisor.

(b) Prior to the opening of the Franchised Business, and no later than 60 days from the Effective Date, Franchisee, or Franchisee's Operating Principal, and at least three managers, including Franchisee's general manager and assistant managers (or their operating equivalents), and any other persons Franchisor designates, must complete Franchisor's training program to Franchisor's satisfaction, at Franchisee's expense. Franchisee is responsible for all of Franchisee's and Franchisee's employees' travel, local transportation, lodging, meals and compensation during attendance of any training program. No person may supervise the Franchised Business until this training has been satisfactorily completed. If Franchisor determines, in its sole discretion, that any person cannot complete the training program satisfactorily, upon request, Franchisee must hire a replacement who must satisfactorily complete the training program. The fee for this training as of

the date of this Agreement is \$5,000 for four attendees. The fee as of the date of this Agreement for each additional attendee is \$3,000 per attendee.

(c) Franchisee shall at all times employ at least one general manager and two assistant managers in the Franchised Business who have satisfactorily completed Franchisor's training program. Franchisee shall immediately contact Franchisor in the event Franchisee must send a manager or assistant manager to be trained in order to comply with the foregoing sentence. Franchisee shall further make commercially reasonable efforts to promptly enroll any new Operating Principal, manager or assistant manager in a management training program approved by Franchisor. Franchisee or the Operating Principal and managers shall attend, additional or refresher training programs, which in the future may be required by Franchisor. Franchisee shall pay all costs incurred in complying with the training requirements. Franchisee may be required to purchase training videos or other instructional material from Franchisor from time to time, as set forth in the then current Manuals.

Article 6.3 Assistance in Opening

Franchisor shall provide on-site assistance for Franchisee for up to 10 consecutive days by two trainers for the opening of the Franchised Business. Additional days of on-site opening assistance or additional trainers may be provided by Franchisor for a fee of \$500 per day, per trainer. Franchisee is solely responsible for all reasonable expenses of Franchisor related to additional on-site opening assistance, including all travel and lodging fees. All of the foregoing fees shall be due 5 days from Franchisee's receipt of an invoice related thereto.

Article 6.4 Attendance at Meetings

Franchisee, or the Operating Principal, at Franchisee's expense, shall attend all meetings Franchisor may hold or sponsor in Franchisee's area or region including, without limitation, all meetings for the marketing area in which the Franchised Business is located, and all meetings relating to new products or preparation procedures, new Lee's Famous Recipe System programs, new operational procedures or programs, sales or sales promotion, or other topics.

ARTICLE 7 PRODUCT STANDARDS

Article 7.1 Acknowledgment of Standards

Franchisee acknowledges and agrees that uniform and high standards of quality, service and appearance among all Lee's Famous Recipe System restaurants are necessary to maintain Franchisor's public image and widespread consumer acceptance. Franchisee shall prepare and sell only the Franchised Products that are specified in the then current Manuals, as modified or revised from time to time by Franchisor, or as otherwise approved by Franchisor. In connection with such Franchised Products, Franchisee shall use only those cups, containers, napkins, uniforms, paper goods, and other packaging, supplies or items bearing the Trademarks that are specified in the Manuals, as modified or revised from time to time by Franchisor.

Article 7.1.1 Approval of Products

If Franchisee desires to sell any food products or beverages other than the Franchised Products, Franchisee must request, in writing, permission from Franchisor to do so. Franchisor may approve or deny any such request in its sole discretion. Franchisee shall not sell or dispense any such food products or beverages unless and until they have been approved in writing by Franchisor (and not thereafter disapproved).

Article 7.2 Purchase of Items

Franchisee may purchase the items specified in Article 7.1, or components or ingredients thereof, and any furnishings, fixtures, equipment or signs used in the Franchised Business, from any source approved by Franchisor. Franchisor may receive profits or commissions on any sales made directly by Franchisor to Franchisee regardless of the source of distribution or the agent for billing.

Article 7.2.1 Approval of Supplier

If Franchisee desires to purchase any of the items specified in Article 7.1 above, or components or ingredients thereof, and/or any decor, furnishings, fixtures, equipment or signs for use in the Franchised Business (excluding Franchised Know-How where Franchisor may be or designate the exclusive suppliers), from a supplier that has not been approved in writing by Franchisor, Franchisee may request in writing approval by Franchisor of such supplier. Franchisor may approve such proposed supplier if, in Franchisor's sole judgment and discretion, the proposed supplier can meet and maintain Franchisor's specifications, standards and requirements. In making any such request, Franchisee at its sole expense shall furnish Franchisor with adequate samples of the items for which approval is being requested or, if that is not feasible, with copies of descriptions, specifications and pictures of such items. Franchisee shall not sell, dispense or use any such items unless and until Franchisor has given written notice of approval to Franchisee. Nothing contained herein shall be construed to require Franchisor to approve any number of suppliers for any particular item or service.

Article 7.2.2 Charge for Approval

As a condition precedent to approving or disapproving any request for a new or additional supplier or product, Franchisor may charge the proposed supplier and/or Franchisee its then current fee and the reasonable costs and expenses incurred by Franchisor in evaluating and investigating any such request.

Article 7.2.3 No Intention to Limit Sources

Nothing contained in this Agreement shall be construed as an attempt by Franchisor to unreasonably limit the sources from which Franchisee may procure non-proprietary supplies, equipment, services or other items; provided such supplies, equipment, services or other items are in compliance with Franchisor's standards and specifications.

Article 7.3 Approved Menu and Menu Boards

Franchisor shall have the right to prescribe, and subsequently vary, one or more menus, menu boards, and formats to be utilized in the operation of the restaurant, both in store and in the drive-through. The menus, menu boards, and formats may include requirements concerning organization, graphics, product descriptions, illustrations, and other matters related to the menu. Prescribed menus, menu boards and formats may vary depending on region, market size, or other factors as determined by Franchisor. If any menu or menu board used by Franchisee ceases to be an authorized menu or menu board and format, Franchisee shall have a reasonable period of time (not to exceed six months) to discontinue use of the old menu or menu board and begin using the then currently authorized menu or menu board and format.

Article 7.4 System Contracts

(a) Franchisor and its affiliates have entered or may enter into arrangements with certain vendors for the pricing of commodities, goods and services which Franchisee is required to purchase and/or in which Franchisee is required to participate. These arrangements are subject to addition, amendment, termination, substitution, replacement or non-renewal from time to time.

(b) Franchisee is required to comply with all applicable legal, regulatory and credit card brand requirements regarding the use of information technology and personally identifiable information in the Franchised Business. Franchisee shall honor all debit, credit, charge or other credit devices specified by Franchisor. Franchisee shall also comply with the then current Payment Card Industry Data Security Standards ("PCI/DSS") as those standards may be revised by the PCI Security Standards Council, LLC or successor organization, including: (i) implementing (at Franchisee's expense) all security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards; and (ii) participating in (at Franchisee's expense) a standardized PCI/DSS compliance program that is provided by a PCI/DSS vendor. In the event Franchisee is unable to demonstrate full compliance with PCI/DSS (or the then applicable current) standards by providing a report from an independent third party qualifier security assessor, Franchisor may require Franchisee to engage the services of an approved vendor to assist Franchisee to demonstrate full compliance on an ongoing basis. Additionally, Franchisor may require Franchisee to use, and directly contract with, certain approved third-party vendors for some or all of Franchisee's technology security compliance and/or card brand or government requirements related to the transmission/processing of debit and credit card transactions and personally identifiable information. Franchisee shall immediately notify Franchisor if Franchisee becomes aware of any breach, or suspected breach, of card holder data or personally identifiable information related to the Franchised Business, whether notice is provided by Franchisee's credit card processor, law enforcement or any other party.

(c) Franchisee is required to participate in any electronic gift card program that Franchisor designates. The gift card program may require Franchisee to invest in additional equipment and incur fees from the gift card processing vendors that Franchisor designates. Franchisee must remit the proceeds from its sales of gift cards to the gift card administrator if Franchisor so designates, which will be subject to the service fees charged by the merchant and the third-party processor, the cost of the gift card and bank processing fees and other related charges. Franchisor is not

obligated to provide Franchisee with an accounting of the proceeds and disbursements of the gift card programs.

(d) Franchisee is also required to participate in any customer survey and market research program that Franchisor designates. Franchisee is also required to participate in any guest feedback/hotline program that Franchisor designates. The results from Franchisee's participation in these programs will be available to Franchisor and Franchisee may be required to offer customer incentives for customer participation in these programs.

ARTICLE 8 VARIATION OF TERMS

Article 8.1 Differing License and Franchise Agreements

Franchisee acknowledges and agrees that other franchisees or licensees of Franchisor have been or may be granted franchise agreements or license agreements at different times and in different situations, and that the rights and obligations in such agreements may vary substantially from those contained in this Agreement.

Article 8.2 Varying Requirements

Franchisor may, in its sole discretion, vary specifications, standards and operating practices and requirements among franchisees and licensees, including, without limitation, those relating to building, equipment, signage, operations and Franchised Products. Franchisee acknowledges and agrees that such variation may lead to different costs or obligations among franchisees and licensees.

ARTICLE 9 RIGHT OF INSPECTION

Article 9.1 General

Franchisor and its authorized representatives shall have the right to enter and inspect the Franchised Business and the Franchised Premises and to test all Franchised Products offered for sale and supplies used by Franchisee for the purpose of determining the quality and specifications of such products and supplies and their conformance with this Agreement. Franchisor shall have access to the Franchised Business and the Franchised Premises at all reasonable times for these purposes, and Franchisee must fully cooperate with Franchisor in the inspections, tests and evaluations. Franchisee must at all times meet or exceed the standards set forth in the Manuals. If at any time in Franchisor's judgment, Franchisee's operations, or the general state of repair or appearance of any part of the Franchised Premises does not meet Franchisor's standards, Franchisor shall notify Franchisee in writing, specifying the action to be taken to correct all deficiencies from the failed inspection, test or evaluation and the time within which the corrective action must be completed. Franchisee's failure to correct any specified deficiency within the specified time period is a default of this Agreement subject to the provisions of Article 15.1.3.

Article 9.2 Samples

Upon request from Franchisor, Franchisee shall furnish Franchisor with samples of any products, supplies or other items, whether or not bearing the Trademarks, used by Franchisee in the Franchised Business. Franchisor shall reimburse Franchisee for such samples at Franchisee's actual cost.

ARTICLE 10 ADVERTISING AND MARKETING

Article 10.1 Acknowledgement of Role of Advertising and Marketing

Franchisee acknowledges and agrees that advertising, marketing and promotional activities ("Advertising") are essential to the furtherance of the goodwill and public image of Lee's Famous Recipe System restaurants and the Franchised Business.

Article 10.1.1 Required Expenditure for Local Market Advertising

(a) Franchisee shall expend a reasonable amount each year in local market advertising, exclusive of on-site signs or telephone directory listings, and in no event less than 3% of its Gross Sales as defined in Article 3.1.3 above. Costs of Franchised Products sold at a reduced price or given away shall not count toward fulfillment of this obligation. To the extent Franchisee participates in a local advertising cooperative, the expenses required by this Article 10.1.1 (a) shall be reduced on a dollar for dollar basis by payments to such cooperative. In addition, Franchisee must make the advertising payments required by Article 10.2 below.

(b) In addition to the local advertising requirements under Article 10.1.1 (a) above, Franchisee shall expend an additional amount of at least \$5,000 on Advertising of the Franchised Business in connection with the grand opening and in accordance with the requirements of the Manuals. Franchisee shall provide Franchisor with documentation for all Advertising expenses incurred in connection with the grand opening of the Franchised Business.

(c) Franchisee, at its sole expense and exclusive of any fees paid to the Fund, as defined in Article 10.2(b), and exclusive of any local market advertising under Article 10.1.1(a) above, shall:

(i) Obtain and maintain listings of the Franchised Business in the white and yellow pages of all local telephone directories of the kind and size specified from time to time by Franchisor; and

(ii) Obtain and maintain any special promotional materials of the kind and size as Franchisor may from time to time require, including without limitation, participation in any online promotion of the Franchised Business using Franchisor's pre-approved format for the online service, social media site, page or group, such

as Facebook, Foursquare, or other sites or services that Franchisor designates as mandatory.

Article 10.2 Cooperative Advertising Fee

(a) Franchisee shall, in addition to the amounts expended pursuant to Article 10.1.1 above, pay to Franchisor, or to such other entity as may be designated by Franchisor, in addition to Royalties, a sum equal to 2% of Gross Sales, which sum is to be used for Advertising (“Cooperative Advertising Fees”). Franchisee shall pay the Cooperative Advertising Fees via electronic means pursuant to the Automated Clearing House Payment Authorization attached as Exhibit D to this Agreement at the same time the Royalties are due. Such Cooperative Advertising Fees will be expended for the benefit of Franchisor, Franchisee and all other franchisees, licensees, or users of the Lee’s Famous Recipe System for the production or placement of such internet, radio, television, outdoor, print and/or other advertising and/or marketing materials or services as Franchisor or its designee deems necessary on a national, regional and/or local basis. The expenditure of such funds for advertising and marketing shall be under the control of, and in the discretion of, Franchisor or its designee, at all times.

(b) Franchisor or its designee shall exclusively maintain and administer any Advertising fund (“Fund”) and shall direct all such Advertising with sole discretion over the concepts, materials and media used therein. All Advertising contributions paid by Franchisee pursuant to Article 10.2(a) above shall be part of such Fund. Franchisor or its designee shall have the sole rights to enforce the obligations of Franchisee, and all other franchisees and licensees of the Lee’s Famous Recipe System who are obligated to contribute to the Fund, and neither Franchisee nor any other franchisees or licensees of Franchisor who shall be obligated to contribute to the Fund shall be deemed a third party beneficiary with respect to said Fund or have any right to enforce any obligation to contribute thereto. The Fund may, without limitation, be used by Franchisor or its designee to defray any of its operating expenses related to Fund administration (including salaries of personnel) reasonably allocable to such Advertising, or other activities reasonably related to the administration or direction of the Fund and its related programs. Franchisor may, in its sole discretion, from time to time advance monies to the Fund and charge the Fund interest on such advances at 1% above the prime rate then designated by Franchisor at its primary bank (or if no such rate is then so being designated, at such rate as reasonably determined by Franchisor as an equivalent rate) and may authorize repayment of such advances from the Fund, all in accordance with such terms as Franchisor deems necessary or appropriate. Franchisee agrees that the Fund may otherwise be used to meet any and all costs incident to such Advertising, including joint or collective advertising campaigns of Franchisor’s direct or indirect parents, subsidiaries or affiliates using the Lee’s Famous Recipe System. Franchisee agrees to be bound by and comply fully with the then current bylaws or other membership requirements that Franchisor may establish for the Fund from time-to time.

(c) Franchisor or its designee shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor’s general operating account, may be commingled with Franchisor’s general operating funds, and may be deemed an asset of Franchisor, subject however to Franchisor’s obligation to expend the Fund in accordance with the terms hereof. Franchisor or its designee shall furnish Franchisee with

annual financial statements of the Fund. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during such fiscal year.

Article 10.3 Local, Regional or National Advertising Cooperative Fee

In connection with this and any and all other Lee's Famous Recipe System restaurants owned or operated by Franchisee, Franchisee shall participate to the greatest possible extent in any local, regional or national cooperative advertising group, consisting of other franchisees or licensees of the Lee's Famous Recipe System and/or Franchisor, when and if prescribed by Franchisor. Any such cooperative shall provide for one vote per Lee's Famous Recipe System restaurant belonging to such cooperative. Franchisor shall have the right to require Franchisee to engage in local or regional cooperative or joint advertising with Franchisor and/or other franchisees or licensees in connection with any and all Lee's Famous Recipe System restaurants owned or operated by Franchisee. The particular cooperative advertising program in which Franchisee will be required to participate shall be designated by Franchisor in its sole discretion (which designations may be based upon, without limitation, the particular Designated Market Area as that term is used in the advertising industry, in which the Franchised Business is located). Franchisee's payments to any cooperative program shall be determined by Franchisee, other franchisees and/or Franchisor, as the case may be, who are participants in such cooperative advertising program, as set forth in the bylaws of that cooperative organization, or membership, dues, participation or other payment agreements with that cooperative organization. Franchisee, however, may not be required to spend more than 2% of Gross Sales per annum pursuant to any cooperative advertising program for local market Advertising. Any payment to a cooperative advertising program shall be made to the applicable cooperative as designated by Franchisor and such cooperative shall be obligated to fulfill the obligations of Franchisor with respect to cooperative advertising funds. In addition, such payments made to a local cooperative shall reduce the amounts required to be spent or paid under Article 10.1.1(a) above. Franchisee shall enter into such formal agreements with such other franchisees or licensees and/or Franchisor, as the case may be, as shall be necessary or appropriate to accomplish the foregoing. If Franchisee becomes delinquent in its dues or other payments to the cooperative organization, such delinquency shall be deemed a failure to participate in the cooperative organization and a breach of this Agreement.

Article 10.3.1 Local, Regional or National Cooperative Advertising Disputes

In the event a claim, controversy or dispute occurs within a local, regional or national cooperative advertising group, Franchisor, upon becoming aware of the dispute and determining that such dispute is appropriate for resolution by the cooperative shall give 30 days' notice in writing to the chairperson of the cooperative, which notice shall demand resolution of the dispute. If the dispute has not been settled or resolved within the 30 day period, Franchisor shall be entitled to determine the resolution for the dispute. Franchisor's decision will be binding on the local, regional or national cooperative advertising group.

Article 10.4 Benefit of Payments

Franchisee acknowledges and agrees that neither Franchisor nor any other entity administering advertising payments received hereunder shall be obligated to make expenditures

which are equivalent or proportional to the amount contributed by each franchisee, or to ensure that any particular franchisee benefits directly or pro-rata from such expenditures, as such payments are intended to be used to develop the general public recognition and acceptance of the Trademarks and the Lee's Famous Recipe System as a whole.

Article 10.5 Use of Photographs

Franchisor shall have the right to take and use photographs of Franchisee's facilities in any of Franchisor's publicity, advertising or marketing, without charge therefore, and Franchisee shall cooperate in obtaining such photographs and the consent of any persons photographed.

ARTICLE 11 TRADEMARK STANDARDS AND COPYRIGHT

Article 11.1 Title

Franchisee acknowledges and agrees that Franchisor or its parent company is the owner of the Trademarks and of all the goodwill relating thereto, and that the same shall at all times be and remain the sole and exclusive property of Franchisor. Franchisee also acknowledges and agrees that Franchisee, by reason of this Agreement or otherwise, has not acquired any right, title, interest or claim of ownership in the Trademarks. The use by Franchisee of the Trademarks and any and all goodwill arising from such use shall inure solely to the benefit of Franchisor and shall be deemed to be the sole property of Franchisor in the event of the termination or expiration of this Agreement, and that no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Trademarks. Upon termination or expiration of this Agreement, any and all rights in and to any of the Trademarks granted to Franchisee hereunder shall automatically terminate. Franchisee at no time will contest ownership of the Trademarks or the rights or goodwill associated with them. Nothing contained in this Agreement shall be construed to prevent Franchisor from licensing any other person or entity to use the Trademarks.

Article 11.2 Use of Trademarks

Unless previously approved in writing by Franchisor, Franchisee shall not use any other mark or name alone or in connection with the Trademarks in the operation of the Franchised Business and shall not authorize the name "Lee's Famous Recipe" or any of the Trademarks to be used by others. Franchisee shall not display any sign, use any advertising materials or media, or engage in any advertising or promotional programs using the Trademarks that may adversely affect Lee's Famous Recipe System restaurants or Franchisor, or could be detrimental to its good name and reputation, or adversely affect any other businesses licensed by Franchisor or its affiliates. Franchisee shall not do anything in any way, directly or indirectly, at any time during the term of this Agreement or thereafter, to infringe upon, impair, harm or contest the rights, title and interest of Franchisor or its affiliates in or to the Trademarks.

Article 11.2.1 Advertising

Franchisee shall operate and advertise only under the Trademarks from time to time designated by Franchisor for use by Franchisee, and to use the Trademarks solely in the

manner prescribed by Franchisor. If Franchisor determines in its sole judgment or discretion that any advertising in promotional programs or material used or planned by Franchisee are directly or indirectly injurious or prejudicial to Franchisor or any of its franchisees or licensees, or violate Article 11 herein, Franchisee shall cease such advertising or promotion immediately upon notification from Franchisor.

Article 11.2.2 Prior Approval of Advertising, Websites and Social Media

(a) Franchisee must submit all advertising or promotional programs or materials that have not been prepared by or previously approved by Franchisor, to Franchisor or its designated entity, for written approval prior to use.

(b) Franchisor has the right to require Franchisee, at Franchisee's expense, to participate in Franchisor's website or other online communication systems. Franchisor has the right to determine the content and use of Franchisor's website or other online communication systems and will establish the rules under which Franchisee will participate. Franchisor retains all rights relating to Franchisor's website or other online communication systems and may alter or terminate the site or systems.

(c) Prior to establishing an internet or intranet website in connection with Franchisee's operation of the Franchised Business, Franchisee must submit to Franchisor a complete sample of the website information, domain name, home page address and meta-tags, which shall be in the form and manner prescribed by Franchisor for websites from time to time. Franchisee shall not establish or maintain a website or domain name that Franchisor has not approved in writing. If Franchisee alters a previously approved website or domain name, Franchisee must submit to Franchisor a sample of the alterations and receive Franchisor's written approval prior to implementing the alterations to the website. Franchisor also may require Franchisee to establish hyperlinks to Franchisor's website. Franchisor may revoke Franchisor's approval of Franchisee's website at any time and require Franchisee to discontinue Franchisee's use of it and any domain names associated with it. In addition to any other applicable requirements, Franchisee must comply with any standards and specification Franchisor develops that are applicable to websites as set forth in the Manuals or otherwise in writing, which standards and specifications Franchisor may modify from time to time. Franchisor may designate the form and content of Franchisee's website and may require that any such website be hosted by Franchisor or a third party who Franchisor designates, at Franchisee's expense. In addition to the foregoing, Franchisee shall not use or permit any third party to use any of the Trademarks in connection with any internet website and/or as part of any internet domain name or electronic mail or home page address, unless such use is expressly approved by Franchisor in writing. Franchisee shall not, directly or indirectly, authorize any third party to engage in any online advertising for the Franchised Business, without Franchisor's prior written consent, and Franchisor's prior written approval of all online advertising materials. Franchisee shall not operate or create a social media site, page or group containing the Trademarks, including, but not limited to, Facebook, MySpace, Twitter, YouTube, or other similar sites or services without Franchisor's prior written consent. Franchisor may, at any time, require any unapproved page, site or group be discontinued and deleted.

Article 11.3 Use of Trademarks in Business Name

Franchisee shall not use the Trademarks or any other trademarks, service marks or trade names confusingly similar thereto in any Uniform Resource Locator and domain name (whether such Uniform Resource Locator and/or domain name are owned by Franchisee or any other party on behalf of Franchisee), corporate, partnership, entity, or other business name. Franchisee shall refrain from using the Trademarks to perform any activity or to incur any obligation or indebtedness in such a manner as may, in any way, subject Franchisor to liability therefore. Franchisee shall observe all laws with respect to the registration of trade names and assumed or fictitious names, and include in any application therefore a statement that Franchisee's use of the Trademarks is limited by the terms of this Agreement. Franchisee shall provide Franchisor with a copy of any such application and other registration document(s) and shall observe such requirements with respect to trademark and service mark registrations and copyright notices as Franchisor may, from time to time, require, including, without limitation, affixing "SM", "TM", or ® adjacent to all such Trademarks in any and all uses thereof.

Article 11.4 Trademark Infringement

Franchisee shall immediately give notice in writing to Franchisor of any infringement of the Trademarks or misappropriation of any rights of Franchisor which shall come to Franchisee's attention or knowledge at any time and, when requested, shall cooperate with Franchisor, upon request and at Franchisor's expense, in instituting such action, if any, as Franchisor may deem appropriate with respect to any infringement that may occur. No legal action for infringements or unfair competition relative to any proprietary rights of Franchisor may be taken or defended by Franchisee without the consent of Franchisor, and Franchisor alone shall have the right to control and direct any such action or defense.

Article 11.5 Additional or Substitute Trademarks

Franchisor reserves the right, in its sole discretion, to designate one or more new, modified or replacement Trademarks for use by Franchisee and to require the use by Franchisee of any such new, modified or replacement Trademarks in addition to or in lieu of any previously designated Trademarks. Any expenses or costs associated with the use by Franchisee of any such new, modified or replacement Trademarks shall be the sole responsibility of Franchisee. Franchisor also may, from time to time, add, amend, modify, delete or enhance any portion of the Lee's Famous Recipe System (including any of the Trademarks) as may be necessary in Franchisor's sole judgment, to change, maintain or enhance the Lee's Famous Recipe System, and Franchisee, at its expense, will be required to fully comply with all such changes and enhancements.

Article 11.6 Copyright and Waiver

Franchisee acknowledges and agrees that Franchisor owns all intellectual property, including but not limited to all copyrights, in and to the Lee's Famous Recipe System. Any work giving rise to copyright or other intellectual property to which Franchisee or its employees contributes shall be the exclusive property of Franchisor (including but not limited to new or improved recipes, artwork, photographs and writings). Franchisee waives any rights to such work

and will be responsible for ensuring that all of its employees also waive any rights. Franchisee will cooperate with Franchisor and provide all necessary assistance in protecting and enforcing such copyrights and other intellectual property.

ARTICLE 12 FRANCHISEE'S FINANCIAL RESPONSIBILITIES

Article 12.1 Franchisee an Independent Business Entity

Franchisee at all times shall be a separate and independent business entity, and neither Franchisee nor any of its employees, agents or representatives expressly or by implication shall be deemed to be an employee, agent, joint venturer, partner or representative of, or in a fiduciary relationship with Franchisor or any affiliated entity, or be authorized or empowered to create any claim, debt or obligation on behalf of Franchisor, or in any way bind Franchisor. Franchisor may require Franchisee to display public signs indicating that it is an independent business entity and/or may require Franchisee to give such notification in all of its letters, stationery, business forms, advertising and other materials.

Article 12.2 Disclaimer

Franchisee assumes sole responsibility for the operation of the Franchised Business and agrees that, while Franchisor may furnish advice and assistance to Franchisee from time to time during the term of this Agreement, Franchisor has no legal or other obligation to do so. In addition, Franchisee acknowledges and agrees that Franchisor does not guarantee the success or profitability of the Franchised Business in any manner whatsoever and shall not be liable therefore; in particular, Franchisee acknowledges and agrees that the success and profitability of the Franchised Business depends on many factors outside the control of either Franchisor or Franchisee (such as competition, interest rates, unemployment rates, demographic trends and general economic conditions), but principally depend on Franchisee's efforts in the operation of the Franchised Business.

Article 12.3 Payment of Obligations

Franchisee shall accept full and sole responsibility for and pay promptly all taxes, assessments, penalties and interest which may be assessed against the Franchised Business or any of the assets thereof, all liens and encumbrances of every kind and nature which may be placed against the Franchised Business and any assets thereof, and all undisputed accounts and debts of every kind which may be incurred in the operation of the Franchised Business.

Article 12.4 Insurance

Franchisee shall obtain (prior to opening the Franchised Business) and maintain in full force and effect at Franchisee's sole cost and expense: (i) worker's compensation and employer's liability insurance as prescribed by law (or a similar policy and coverage for restaurants that are located in a non-subscriber state); (ii) business interruption insurance, including lease rentals, for a period adequate to re-establish normal business operations; (iii) commercial general liability insurance (with products, personal and advertising injury, completed operations, and contractual

liability and independent contractors coverage) and commercial motor vehicle liability insurance (for owned, hired and non-owned vehicles) against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business (or otherwise in conjunction with Franchisee's conduct of business pursuant to this Agreement) under one or more policies of insurance, each on an occurrence basis, for personal and bodily injury, death and property damage, having a minimum limit of \$1,000,000 per occurrence and a general aggregate limit of not less than \$2,000,000; (iv) unemployment compensation, disability insurance, social security, health, and any other mandatory insurance required by law; (v) property insurance (special form including wind, hail, flood and earthquake) with no coinsurance, covering the building and equipment in the amount of full replacement value; (vi) employment practices liability insurance; and (vii) builders' risk insurance on a completed value basis during the period of any construction, remodeling or restoration. Franchisee shall at all times maintain on file with Franchisor a certificate of insurance for all required insurance policies, and all renewals thereof indicating Franchisee's compliance with the foregoing and naming Franchisor and its affiliates as an additional insured on all liability and property insurance policies. Insurance shall be placed with a responsible insurance company licensed to do business in the state in which the Franchised Premises is located and having an A.M. Best Company insurance rating of at least "A". Franchisee's choice of an insurance company is subject to prior written approval by Franchisor. Franchisor may, at any time during the term of this Agreement upon notice to Franchisee, increase the coverage requirements or limits of insurance required to be carried by Franchisee hereunder, and Franchisee shall comply with such modifications. Each policy shall provide that it will not be cancelled or modified without the insurance company first giving Franchisor notice at least 30 days before any such cancellation or modification shall become effective. Proof that all of the applicable requirements in this [Article 12.4](#) have been met shall be sent to Franchisor before Franchisee may open the Franchised Business, and Franchisee shall, in addition to the certificates of insurance, provide Franchisor with copies of policies and proof of premium payment that indicate Franchisee's compliance with this [Article 12.4](#) promptly upon Franchisor's request from time to time. Prior to the expiration of any insurance policy, proof of renewal of the insurance policy must be sent to Franchisor at least 10 days prior to the expiration date. If Franchisee shall fail to comply with any of the requirements of this [Article 12.4](#), and after notice has been given by Franchisor to Franchisee, Franchisor may obtain such insurance and Franchisee shall pay Franchisor the cost thereof plus a reasonable administrative fee designated by Franchisor. Notwithstanding the existence of such insurance, Franchisee is and shall be responsible for its obligations under [Article 12.5](#). The applicable policy or policies required in this [Article 12.4](#) shall insure Franchisee's obligation to indemnify and hold Franchisor harmless as set forth in this Agreement. If the Franchised Business sustains any damage covered by the insurance required in this [Article 12.4](#), Franchisee shall use the applicable insurance proceeds to restore the restaurant to its original condition as soon as possible, unless prohibited by the lease or Franchisor otherwise consents in advance, in writing.

Article 12.5 Indemnification

Franchisee shall protect, defend, indemnify and save and hold Franchisor, and any of its affiliates and their respective directors, members, officers, managers, affiliates, subsidiaries, agents, insurers, attorneys and shareholders, harmless from and against any and all fines, claims, costs, losses, expenses (including attorneys' and accountants' fees and court costs arising from the

enforcement of this Article 12.5 or otherwise), demands, damages, actions, causes of action, and other liabilities of every kind and nature arising or resulting, directly or indirectly from the operation of the Franchised Business (including the use of Franchised Products or materials specified or approved by Franchisor), the construction or occupancy of the Franchised Premises, the use or operation of any fixtures, equipment or motor vehicle, the sale of any Franchised Products, and the breach by Franchisee of this Agreement. Franchisee shall notify Franchisor of any and all such matters as soon as Franchisee becomes aware of them. Unless otherwise required by an applicable insurance contract, Franchisor shall have the exclusive right to control and direct legal activities associated with any such action through counsel retained and compensated by it if that action is deemed by Franchisor in its sole discretion to be potentially damaging to other franchisees, licensees, other Franchised Businesses, the Lee's Famous Recipe System, or Franchisor's business, public image or goodwill generally.

ARTICLE 13 FRANCHISEE'S COVENANTS

Article 13.1 Covenant not to Compete

(a) In addition to and not in limitation of any other restrictions on Franchisee contained herein, during the term of this Agreement, Franchisee, and each guarantor hereof (and any person directly or indirectly owning at least a 5% equity interest in Franchisee or the Franchised Business) covenants, individually not to engage as an owner, operator, or in any managerial capacity in any quick service food business featuring chicken and other complimentary items similar to those offered by the Franchised Business (a "Competing Business") other than as a franchisee of the Lee's Famous Recipe System; provided, however, that Franchisee shall not be prohibited hereby from owning equity securities of any Competing Business so long as Franchisee's ownership interest shall represent less than 1% of the total number of outstanding shares of such business.

(b) Upon the termination or expiration of this Agreement, or if Franchisee or any guarantor assigns or transfers its interest herein to any entity, then in such event Franchisee and any guarantor hereof covenants, for a period of two years after such expiration, termination or transfer or assignment, not to engage as an owner, operator, or in any managerial capacity, in any Competing Business within the Assigned Protected Area or within a five mile radius of the Assigned Protected Area or the Assigned Protected Area of any other Lee's Famous Recipe franchisee or licensee of Franchisor. Franchisee agrees that the purpose of this covenant is not to deprive Franchisee of a means of livelihood and will not do so, but is rather to protect the goodwill and interest of Franchisor and the Lee's Famous Recipe System.

Article 13.2 Franchised Know-How

In the event of any termination or expiration of this Agreement for any reason, Franchisee agrees that it will never use Franchisor's Franchised Know-How in the design, development or operation of any Competing Business. Franchisee agrees that if it engages as an owner, operator or in any managerial capacity in any such business, it will assume the burden of proving that it has not used Franchisor's Franchised Know-How. The protection granted hereunder shall be in addition to and not in lieu of all other protections for trade secrets and confidential information as may otherwise be afforded in law or in equity.

Article 13.3 Franchisor's Remedies

Franchisee understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants in Articles 13.1 and 13.2. Each of the covenants in Articles 13.1 and 13.2 shall be construed as independent of any other covenant or provision of this Agreement. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Franchisee and Franchisor agree that the same shall be enforced to the fullest extent permissible under the law. In addition, Franchisor may, at any time, in its sole discretion, reduce the duration and/or geographic scope of this provision by written notice to Franchisee in order to have it conform with applicable law and Franchisee shall comply promptly with any covenant as so modified. Franchisee agrees that the existence of any alleged claim it may have against Franchisor whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 13. Franchisor shall be entitled to receive injunctive relief to enforce each of the covenants set forth above in addition to any other relief to which it may be entitled at law or in equity. Franchisor shall be entitled to receive such injunctive relief without the necessity of posting bond or other security, such bond or other security being hereby waived.

ARTICLE 14 TERM AND RENEWAL

Article 14.1 Initial Term

Unless otherwise terminated, the term of this Agreement shall be 20 years from the date the Franchised Business initially opens for business.

Article 14.2 Renewal; New Franchise Agreement

Upon the expiration of the 20 year period set forth in Article 14.1 above, Franchisee shall have the right to renew the franchise granted hereunder for one additional period of 20 years using Franchisor's then current form of franchise agreement, provided Franchisee has the right to continue to occupy the Franchised Premises, and subject to the following conditions:

(a) Franchisee at the expiration date of this Agreement and within the 24 months immediately prior thereto shall not be or have been in default in the performance of any material obligation under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates;

(b) Franchisee shall have modernized or contracted to modernize the Franchised Premises, including building, signs, equipment, furnishings and decor, so as to reflect the then current image of Lee's Famous Recipe System restaurants;

(c) Franchisee shall have made written application to Franchisor for such new franchise agreement no earlier than 365 days and no later than 120 days prior to the expiration date;

(d) Franchisee shall have paid a renewal fee equal to the then current franchise fee being charged by Franchisor for new franchises;

(e) Franchisor shall be reasonably satisfied as to the operational and financial good standing, both of Franchisee and any guarantors, and of any other Lee's Famous Recipe System restaurants owned and/or operated by Franchisee and any guarantors pursuant to an agreement with Franchisor or any of its affiliates;

(f) Franchisee shall have executed a general release of all claims, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their owners, shareholders, members, parents, officers, directors, and employees;

(g) Franchisee, and if Franchisee is an entity, Franchisee's Operating Principal, and Franchisee's managers shall have completed any retraining program required by Franchisor to Franchisor's satisfaction; and

(h) At least 30 days prior to the expiration date of this Agreement, Franchisee shall have executed and returned to Franchisor the then current form of franchise agreement, which will supersede this Agreement in all respects and may provide for an increase in royalties and other fees, and contain other material changes; provided, however, Franchisee will not have any additional renewal rights.

Franchisee's renewal rights shall automatically expire if Franchisee does not fully comply with all the foregoing provisions of this Article 14.2.

ARTICLE 15 DEFAULT AND TERMINATION

Article 15.1 Automatic Termination Without Notice

This Agreement shall terminate automatically, without any notice or action required by Franchisor:

(a) upon the insolvency of Franchisee;

(b) upon the filing by Franchisee of any proceedings under any federal or state bankruptcy or insolvency law;

(c) upon the filing of an involuntary petition against Franchisee under any bankruptcy or insolvency laws that is not dismissed within 30 days after filing;

(d) if Franchisee shall make a general assignment for the benefit of creditors;

(e) if a receiver shall be appointed by any court for Franchisee; or

(f) if within 30 days after execution, attachment or other creditor's process shall issue against Franchisee or any of Franchisee's assets, the same shall not be released and discharged.

In no event shall this Agreement or any right of interest hereunder be deemed an asset in any bankruptcy, insolvency, receivership, composition liquidation or reorganization proceeding.

Article 15.1.1 Immediate Termination Upon Notice

This Agreement may be terminated effective immediately, by notice from Franchisor to Franchisee:

(a) if Franchisee's right of possession of the Franchised Premises shall be terminated at any time for any cause whatsoever, except as provided in Article 16.5 below;

(b) if Franchisee fails to commence operation of the Franchised Business as required by Article 4.2 herein;

(c) if Franchisee or any party controlling, controlled by or under common control with Franchisee, or any principal officer of Franchisee or any such person, owning an interest in Franchisee is convicted of, or pleads guilty to, a felony, crime of moral turpitude or any other crime or offense that is possibly likely, in the sole opinion of Franchisor, to affect adversely the Lee's Famous Recipe System, any Lee's Famous Recipe System restaurant, the Trademarks or the goodwill associated therewith;

(d) if Franchisee duplicates any portion of the Lee's Famous Recipe System or uses the Confidential Information in any Competing Business;

(e) if Franchisee violates any of the covenants in Article 13 above or otherwise discloses, uses, permits the use of, copies, duplicates, records, transmits, or otherwise reproduces all or any of the Manuals, any other materials, goods or information treated or used by Franchisor and designated for confidential use within the Lee's Famous Recipe System without Franchisor's prior approval, or violates any of the representations, warranties and covenants stated in Article 21(j) with respect to terrorist activities and money laundering;

(f) if Franchisee has received from Franchisor three notices to cure the same or substantially similar defaults or violations of this Agreement during any 12 month period;

(g) if Franchisee fails, for a period of 30 days after notification of non-compliance by appropriate authority to comply with any law or regulation applicable to the operation of the Franchised Business;

(h) if Franchisee knowingly maintains false books or records, or knowingly submits any false reports to Franchisor, or denies or obstructs or restricts Franchisor's right to inspect the Franchised Business, receive samples for testing or examine any of Franchisee's business records;

(i) if, in Franchisor's reasonable judgment, the continued operation of the Franchised Business will result in imminent danger to public health or safety;

(j) if Franchisee shall discontinue or abandon operation of the Franchised Business for 48 consecutive hours;

(k) if Franchisee assigns or transfers or attempts to assign or transfer any interest in the Franchised Business or this Agreement without prior written consent of Franchisor or if the requirements of Article 16 herein otherwise are violated; or

(l) if Franchisee intentionally revokes the Authorization Agreement for Pre-Authorized Payments Article 3.1(a) requires, or closes the account to which the Authorization Agreement for Pre-Authorized Payments applies without first having established another account and having signed and delivered to Franchisor a new Authorization Agreement for Pre-Authorized Payments on a form acceptable to Franchisor and Franchisor's bank.

Article 15.1.2 Termination Upon Notice With Opportunity to Cure: 5 Day Cure

Franchisor may terminate this Agreement immediately upon notice to Franchisee, if Franchisee shall default in the payment of any indebtedness owed to Franchisor or its affiliates when the same became due and payable, either under this Agreement as Royalties or Cooperative Advertising Fees or otherwise, or under any other agreement with Franchisor or its affiliates, or for any purchases made from Franchisor or its affiliates, if such default continues for 5 days after Franchisor gives written notice of such default to Franchisee.

Article 15.1.3 Termination Upon Notice With Opportunity to Cure: 30 Day Cure

Franchisor may terminate this Agreement immediately upon notice to Franchisee, if Franchisee fails to comply with any of the other terms and conditions contained in this Agreement, the Manuals, any mandatory specification, standard or operating procedure, or any other agreement with Franchisor or its affiliates, if such default continues for 30 days after Franchisor gives written notice of such default to Franchisee (or, if the default is of a type that it cannot be reasonably corrected within such 30 day period, within such additional time as may be reasonably required to cure such default with Franchisee acting diligently to so cure).

Article 15.1.4 Termination: Casualty Loss or Condemnation

Franchisor may terminate this Agreement immediately upon notice to Franchisee, if the Franchised Premises shall be rendered inoperable by any casualty or taking in condemnation or by eminent domain and Franchisee shall not, within 365 days from the date of such casualty or taking in condemnation or by eminent domain, locate an alternative location within the Assigned Protected Area as provided in Article 16.5 below and restore the Franchised Premises to full operation within a reasonable period of time.

Article 15.1.5 Notice of Claim: By Franchisee

In the event that Franchisee shall claim that Franchisor has failed to meet any obligation under this Agreement, Franchisee shall provide Franchisor with written notice of such claim, within one year of its occurrence, specifically enumerating all alleged deficiencies and providing Franchisor with a reasonable opportunity to cure, which shall in no event be less than 30 days from the date of receipt of such notice by Franchisor from Franchisee. Failure to give such notice shall constitute a waiver of any such alleged default.

Article 15.2 Non-Waiver of Rights

The waiver by Franchisor of any particular default by Franchisee hereunder shall not be deemed to be a waiver of, nor affect or impair, Franchisor's rights in respect of any subsequent default of the same or a different nature. Any delay, forbearance or omission by Franchisor to act or to give notice of default or to exercise any power or right arising by reason of such default hereunder shall not be deemed to be a waiver by Franchisor of any right hereunder or the right subsequently to give notice of such default and shall not affect or impair Franchisor's rights hereunder concerning such default or any subsequent breach or default. The description of any default in any notice served by Franchisor hereunder on Franchisee shall not preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, hearing or suit relating to this Agreement or its termination.

Article 15.3 Termination of Rights

Upon the expiration or termination of this Agreement, all of Franchisee's rights and privileges hereunder shall cease immediately and Franchisee shall immediately cease operating or using, or permitting to be used or operated, anywhere in any manner, and whether directly or indirectly: (i) the Trademarks; (ii) all advertising and promotional materials and programs, menu boards, signs, supplies, uniforms, vehicles or other items bearing the Trademarks, including any telephone numbers and listings, websites, domain names, or other online communication systems on the internet; (iii) the Confidential Information; (iv) the Manuals; and (v) Franchisor's exterior building and interior decor designs. Upon such expiration or termination for any reason, Franchisee shall immediately return to Franchisor all of the Manuals and Confidential Information, equipment and other property owned by Franchisor, and Franchisee immediately shall remove all Trademarks and all signs and distinctive trade dress and designs so that the Franchised Premises does not resemble any Lee's Famous Recipe System restaurants. Franchisee shall further leave the Franchised Premises in a clean, healthy and safe manner (including, but not limited to removal of all unused food product) and immediately pay Franchisor all unpaid amounts outstanding, or other amounts due under this Agreement or agreements with affiliates of Franchisor. If any of the foregoing is not done promptly to Franchisor's satisfaction, Franchisor may enter and make such changes as it deems necessary, at Franchisee's sole expense, as well as proceed to contact all landlords or contact all necessary parties as it relates to the Franchised Business and without incurring any liability. Upon approval to enter by the landlord or other authority, Franchisor may at its option operate the Franchised Business without Franchisee until such time as it deems necessary in order to protect the Trademarks. Upon termination for any default by Franchisee, the amount payable to Franchisor shall include actual and consequential damages, costs and expenses (including reasonable attorneys' fees) incurred by Franchisor as a result of the default, and shall

also include (as stipulated damages and not as a penalty), an amount equal to the last 208 payments for Royalties and Cooperative Advertising Fees due during the preceding 208 weeks pursuant to Articles 3.1 and 10.2 hereof (or if the Franchised Business has not been opened 208 weeks, the weekly average multiplied by 208). Promptly upon termination or expiration of this Agreement, Franchisee shall also take such action as may be required by Franchisor to transfer and assign to Franchisor or its designee (or disconnect) all telephone numbers and domain names, discontinue all white and yellow page listings and advertisements and cancel all trade and similar name registrations and business licenses.

Article 15.4 Injunctive Relief and Recovery Costs

In addition to the right to terminate this Agreement, Franchisor shall have all other rights and remedies at law and in equity for breach by Franchisee of the terms and conditions of this Agreement, including the right to seek injunctive relief for any violation, or attempted or threatened violation of any such terms and conditions. Franchisee shall reimburse Franchisor for its cost and expenses, including reasonable attorneys' fees, incurred in the exercise of Franchisor's rights and remedies under this Agreement.

Article 15.5 Franchisor's Option to Cure

Franchisor shall have the right, but not the obligation, at its election, and in addition to all other remedies, to cure at Franchisee's sole expense any default by Franchisee under any lease or sublease for the Franchised Premises or under any agreement pertaining to the lease or rental of, or payment of indebtedness on, any fixtures, equipment or other personal property used by Franchisee in the Franchised Business. In such event, Franchisee shall immediately pay or reimburse Franchisor for such payments made pursuant hereto.

ARTICLE 16 SALE OF BUSINESS OR TRANSFER OF FRANCHISE

Article 16.1 Sale or Transfer Restricted

Franchisee acknowledges and agrees that the rights and duties created by this Agreement are personal to Franchisee, and that Franchisor has granted such rights in reliance on many factors, including, without limitation, the individual or collective character, skill, aptitude and business and financial capacity of Franchisee and any persons owning an interest in Franchisee. Accordingly, neither Franchisee nor any person owning any direct or indirect equity interest therein, shall, without Franchisor's prior written consent, permit the Franchised Business to be operated, managed, directed or controlled, directly or indirectly, by any party other than Franchisee, or directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest: (i) in this Agreement or any portion or aspect thereof, (ii) the Franchised Business; (iii) the Franchised Premises; or (iv) any equity or voting interest in Franchisee, (any such act or event is referred to as a "Transfer".) Any such purported Transfer occurring by operation of law or otherwise, including any Transfer by a trustee in bankruptcy, without Franchisor's prior written consent shall be a material default of this Agreement and convey no rights to, or interest in, this Agreement. In addition, in the event Franchisee is a corporation,

the stock of such corporation shall not be publicly sold or traded on any securities exchange or in the over-the-counter market without the express prior written consent of Franchisor.

Article 16.2 Conditions for Approval of Transfer

Franchisor's approval of any transfer is, in all cases, conditioned on all of the following conditions being met prior to the effective date of a Transfer under this Article 16:

(a) Franchisor must be given at least 60 days' prior written notice of the proposed Transfer;

(b) the proposed transferee (and its owners if the proposed transferee is an entity) must meet Franchisor's then current standards for franchisees, including, being of good character and reputation, having an acceptable credit rating and competent business experience, education, and other qualifications acceptable to Franchisor and shall not be a competitor of Franchisor;

(c) the proposed Transfer shall be at a price and upon such terms and conditions as Franchisor, in its sole judgment, shall deem reasonable;

(d) Franchisee and the proposed transferee shall have fully paid or satisfied all of their obligations to Franchisor;

(e) Franchisee and the proposed transferee shall not be in default hereunder or under any agreement with Franchisor or any affiliates of Franchisor;

(f) the then current transfer fee required by Franchisor, which may change, but as of the date of this Agreement is \$7,500 per franchise agreement, shall have been paid;

(g) if the requested Transfer involves 50% or more of the assets of the Franchised Business, or 50% or more of the direct or indirect ownership interest of or in Franchisee if Franchisee is an entity (including step or related transfers occurring within 60 months), the proposed transferee shall execute Franchisor's then current franchise agreement and other then current ancillary agreements as Franchisor may require for a term expiring on the date of expiration of this Agreement, which substitute franchise agreement may contain terms and conditions substantially different from this Agreement;

(h) Franchisee and the proposed transferee shall have completed all designated transfer application forms and documents required by Franchisor;

(i) Franchisee shall have executed a general release of all claims, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their owners, shareholders, members, parents, officers, directors, and employees;

(j) Franchisee and its 5% or more owners (and any guarantors) must guarantee the transferee's financial obligations to Franchisor;

(k) Franchisee or the proposed transferee shall have completed all construction, remodeling, repairs, equipment replacements, image improvements and upgrades to the Franchised Business as designated by Franchisor;

(l) the proposed transferee shall have completed satisfactorily any and all training requirements then prescribed by Franchisor in its sole discretion and shall demonstrate a commitment to be actively involved in the Franchised Business;

(m) Franchisee shall have first offered to sell such interest to Franchisor pursuant to Article 16.6 below and the same shall have been declined in the manner therein set forth;

(n) the lessor and lender, if any, of the Franchised Premises must have given its advance written consent to the transfer, if required, and Franchisee must provide Franchisor with written proof thereof; and

(o) the name "Lee's Famous Recipe" shall not have been used in any advertising with respect to the proposed Transfer without Franchisor's prior written consent.

Article 16.3 Sale or Transfer to Family Members or Wholly-owned Entity, Death or Disability

(a) The restrictions imposed by Articles 16.1 and 16.2 above shall not be applicable to the Transfer of less than 50% of the assets of the Franchised Business or less than 50% of the direct or indirect ownership interest of or in Franchisee if Franchisee is an entity (including step or related transfers occurring within 24 months), directly or indirectly, as reasonably determined by Franchisor, to family members or trusts for their benefit.

(b) If Franchisee is an individual that is in full compliance with this Agreement, Franchisor will not unreasonably withhold Franchisor's approval of a transfer to an entity which conducts no business other than the Franchised Business (or other Lee's Famous Recipe System restaurants), which is actually managed by Franchisee and in which Franchisee maintains management control and owns and controls 100% of the equity and voting power of all issued and outstanding securities, provided that the current Franchisee executes the List of Owners attached as Exhibit E and the Guaranty of Franchisee's Undertakings attached as Exhibit F to this Agreement. Any subsequent transfers of any interest in that entity will be subject to the provisions of Articles 16.1 and 16.2.

(c) Upon Franchisee's death or permanent disability, or, if Franchisee is an entity, upon the death or permanent disability of the owner(s) of a controlling interest in Franchisee, Franchisor may require that the executor, administrator, conservator, guardian or other personal representative of that person transfer the person's interest in this Agreement, the Franchised Business, or the person's interest in Franchisee, to a third party who meets Franchisor's then-current qualifications for franchisees and whom Franchisor approves. The disposition of this Agreement, the Franchised Business, or interest in Franchisee, including without limitation, any transfer by bequest or inheritance, must be completed within a reasonable time, not to exceed six months after the date of death or permanent disability, and will be subject to all of the terms and conditions contained in Articles 16.1 and 16.2. The Franchised Business must at all times be operated by personnel in

compliance with Article 6 herein. The failure to transfer the interest in this Agreement, the Franchised Business, or interest in Franchisee within that period of time will constitute a default of this Agreement.

Article 16.4 Assignment to Lending Institutions

Franchisee must obtain Franchisor's prior written consent for the assignment, transfer or pledge of all or any part of the assets of the Franchised Business or this Agreement to banks or other lending institutions as collateral security for loans made directly to or for the benefit of the Franchised Business, or any other proposed assignment or pledge of this Agreement, which approval will not permit further transfers or assignment of this Agreement without compliance by the transferee or assignee with the provisions of Articles 16.1 and 16.2 above.

Article 16.5 Casualty Loss or Condemnation

Notwithstanding any other provisions herein to the contrary, Franchisee shall have the right to change the location of the Franchised Premises to a new location within the Assigned Protected Area in the event the Franchised Premises shall be rendered inoperable by any casualty, or the Franchised Premises shall be taken in condemnation or by eminent domain, or the principal highway access to the Franchised Premises shall be terminated or so changed as to substantially reduce access to the Franchised Premises; provided that (i) Franchisee notifies Franchisor thereof within 30 days of the occurrence or first notice of the potential taking; (ii) such new location is approved in writing in advance by Franchisor; (iii) Franchisee removes all signs, Trademarks and distinctive Lee's Famous Recipe System designs so that the abandoned premises do not resemble a Lee's Famous Recipe System restaurant and (iv) if Franchisor approves the new location and authorizes Franchisee to relocate, Franchisee opens a new Lee's Famous Recipe System restaurant at the new location pursuant to the terms of Franchisor's approval, the new location will become the Franchised Business under this Agreement.

Article 16.6 Right of First Refusal

If Franchisee shall receive a bona fide offer from a buyer satisfactory to Franchisor as set forth in Article 16.1 above and/or desires to sell, transfer, assign, lease or sublet any interest in this Agreement, the Franchised Premises or any part thereof, or in the Franchised Business thereon conducted, it shall offer the same to Franchisor in writing at the same price and on the same terms or the monetary equivalent (net of any real estate or business brokerage commissions). Franchisor may accept such offer at any time within 60 days after receipt thereof. If Franchisor or Franchisor's designee, declines, or does not within such 60 day period accept such offer, then Franchisee may proceed to sell, transfer, assign, lease or sublet such interest to such buyer pursuant to the terms and conditions of Articles 16.1 and 16.2 above, but not at a lower price nor on more favorable terms than have been offered to Franchisor. None of the Trademarks shall be used at or in any public auction, nor in any offer made to the public (through any medium of advertising) to sell, transfer, assign, lease or sublet any interest in Franchisee, this Agreement, the Franchised Premises or any part thereof, or in the Franchised Business thereon conducted, or in the equipment or furnishings located thereon. If Franchisee fails to complete such sale within 90 days following the refusal or failure to act by Franchisor, then Franchisee may not complete such transaction without first offering the same to Franchisor again as provided above. The terms of this Article 16.6 do

not apply to a sale and subsequent leaseback of the Franchised Premises or any furnishings or equipment used thereon, or any other sale or other transfer of the Franchised Premises or the furnishings or equipment thereon in connection with any bona fide financing plan.

Article 16.7 Transfer by Franchisor

This Agreement and all rights and duties hereunder may be freely assigned or transferred by Franchisor in its sole discretion to any person or legal entity that agrees to assume Franchisor's obligations hereunder, including a competitor of Franchisor, and shall be binding upon and inure to the benefit of Franchisor's successors and assigns including, without limitation, any entity which acquires all or a portion of the capital stock or ownership interest of Franchisor or any entity resulting from or participating in a merger, consolidation or reorganization in which Franchisor is involved, and to which Franchisor's rights and duties hereunder are assigned or transferred.

ARTICLE 17 RIGHT TO USE MODIFICATIONS OR CHANGES

Franchisor shall have a non-exclusive right to use and incorporate in the Lee's Famous Recipe System for its own and/or its other franchisees' and licensees' benefit, all or any part of any modifications, changes or improvements developed or discovered by Franchisee or Franchisee's employees or agents in the Franchised Business without any liability or obligation therefore to Franchisee or any other person or entity.

ARTICLE 18 NOTICE

(a) Any and all notices, demands or communications required to be given by Franchisor to Franchisee hereunder shall be in writing and sent by first class, certified or registered mail, or delivered by a recognized overnight courier service (e.g., UPS or Federal Express), receipt acknowledged, to Franchisee at the address in the preamble of this Agreement, or to such other address as Franchisee may hereafter provide to Franchisor in writing. Any notice, demand or communication shall be deemed to be given three days after mailing, or on the date of receipt, whichever is earlier.

(b) Any and all notices, demands or communications required to be given by Franchisee to Franchisor hereunder shall be in writing and sent by first class, certified or registered mail, or delivered by a recognized overnight courier service (e.g., UPS or Federal Express), receipt acknowledged, to Franchisor at the address set forth below, or to such other addresses as Franchisor may hereafter provide to Franchisee in writing:

Lee's Franchisor LLC
Attention: Franchise Administration
1270 N. Eglin Parkway, Suite C-14
Shalimar, Florida 32579

ARTICLE 19
SEVERABILITY OF PROVISIONS

(a) The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding shall not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision shall be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, shall continue in full force and effect.

(b) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument. This Agreement and all other documents related to this Agreement may be executed with full legal force and effect by manual or electronic signatures. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

ARTICLE 20
GOVERNING LAW, DISPUTE RESOLUTION AND
CONSTRUCTION OF PROVISIONS

Article 20.1 Benefit

When executed by both parties, this Agreement shall inure to the benefit of the parties and their respective heirs, personal representatives, successors and permitted assigns, as authorized hereunder. This Agreement shall be binding upon Franchisee on the Effective Date, but shall not be binding upon Franchisor until accepted and signed by an officer of Franchisor.

Article 20.2 Governing Law

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et. seq.), this Agreement shall be governed, construed and interpreted in accordance with the laws of the state where Franchisor's principal executive office is located without reference to its conflict of laws principles. This Article 20.2 does not apply to the interest charges on overdue payments, which shall be governed in accordance with Article 3.1.1 of this Agreement.

Article 20.3 Mediation; Choice of Forum

(a) Mediation.

(i) Except for actions which Franchisor may bring in any court of competent jurisdiction (i) for monies owed, (ii) for injunctive or other extraordinary relief, or (iii) involving the Trademarks or confidential information, the parties agree to promptly submit any claim, controversy, issue or dispute (hereafter "Dispute") arising out of or relating to this Agreement and any exhibits hereto or guarantees hereof, to non-binding mediation prior to commencing litigation. The initiating party must give written notice to the other party, describing the Dispute and identifying one or more individuals with authority to

resolve the Dispute. The other party will have 10 days after receipt of the notice to designate in writing one or more individuals with authority to resolve the Dispute.

(ii) The mediation shall be conducted by either an individual mediator selected by the parties hereto, or if the parties are unable to agree, a mediator appointed by the International Institute for Conflict Prevention and Resolution, Inc. (“CPR”), or if CPR does not then exist, through the American Arbitration Association in accordance with its rules governing mediation. The parties shall use good faith efforts to select a mediator or have a mediator selected in accordance with any of the foregoing within 15 days after notice of a Dispute.

(iii) The mediation shall be held in the city where Franchisor’s principal executive office is located.

(iv) The costs and expenses of mediation, including compensation and expenses of the mediator, shall be borne by the parties equally.

(b) Choice of Forum.

(i) If the parties are unable to resolve the claim, controversy or dispute within 60 days after written notice of the Dispute, Franchisee and Franchisor shall file any suit exclusively in the appropriate federal or state court in the state and county in which Franchisor has its principal executive office, however, with respect to any action (i) for monies owed, (ii) for injunctive relief or other extraordinary relief, or (iii) involving the possession or disposition of, or other relief relating to the Trademarks or the confidential information, Franchisor may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. Service of process of process in any such suit or action may be made in the manner in this Agreement set forth for the giving of notices and the same shall constitute valid personal service for all purposes, each party hereby waiving personal service by other means.

(ii) Franchisor shall not be required to post a bond to obtain injunctive relief. Franchisee’s only remedy if an injunction is entered against Franchisee shall be the dissolution of that injunction, and Franchisee shall not have any right to recover damages from Franchisor for wrongful entry of an injunction.

Article 20.4 Effective Date; Survival

Except as provided in Article 20.1 above, the Effective Date of this Agreement for all purposes whatsoever (whether used for purposes of reference or computation herein or hereafter) shall be the Effective Date. Articles 3, 4.1(b), 11, 12, 13, 15, 17, 18, 19, 20 and 21 and Exhibits D, E and F shall survive the expiration or termination of this Agreement.

Article 20.5 Table of Contents, Captions and Construction

The table of contents and captions of this Agreement are inserted only as a matter of convenience and for reference, and in no way define, affect, limit or describe the scope or intent of this Agreement. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named Franchisee, if more than one person is so named.

Article 20.6 Entire Agreement

This Agreement, including the exhibits and any addenda, constitutes the entire agreement between the parties and shall not be modified except by a written document executed by both parties. Notwithstanding the foregoing, this Agreement and any addendum to this Agreement shall not operate to disclaim any representation made in the Franchise Disclosure Document provided to Franchisee.

Article 20.7 Attorneys' Fees

Should Franchisor institute an action that in any way arises out of this Agreement or any alleged default thereof, Franchisor, if it prevails, shall recover from Franchisee, in addition to any other relief, its costs and reasonable attorneys' fees incurred in pursuing such action. Should Franchisee institute an action against Franchisor (or its members, affiliates, agents or employees), Franchisor, if it prevails, shall recover from Franchisee, its costs and reasonable attorneys' fees incurred in defending such action.

Article 20.8 Waiver of Damages

TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES MUTUALLY AND WILLINGLY WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, EACH IS LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES IT SUSTAINS. NOTHING IN THIS SECTION LIMITS FRANCHISOR'S RIGHT OR THE RIGHT OF AN INDEMNIFIED PARTY TO BE INDEMNIFIED AGAINST THE PAYMENT OF PUNITIVE OR EXEMPLARY DAMAGES TO A THIRD PARTY. THE PARTIES ALSO ACKNOWLEDGE THAT THE STIPULATED DAMAGES PAYABLE BY FRANCHISEE UNDER THIS AGREEMENT ARE NOT PUNITIVE OR EXEMPLARY DAMAGES.

Article 20.9 Waiver of Jury Trial

THE PARTIES MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS,

DEFENSES, COUNTERCLAIMS, CROSS-CLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS, WHETHER ARISING FROM OR RELATED TO THE SALE, NEGOTIATION, EXECUTION OR PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS AGREEMENT RELATES.

Article 20.10 Class Action Bar

THE PARTIES AGREE THAT CLAIMS OF ANY OTHER PARTY OR PARTIES SHALL NOT BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN FRANCHISOR AND FRANCHISEE.

Article 20.11 Final Execution

The submission of this Agreement to Franchisee does not constitute an offer, and this Agreement shall become effective only upon execution by both Franchisor and Franchisee.

Article 20.12 Personal Information Privacy

Franchisor has the right, and Franchisee hereby consents, to Franchisor using and disclosing all personal information collected from Franchisee and its principals for any purpose connected with the Lee's Famous Recipe System, and this Agreement and its enforcement, including providing or listing contact information for Franchisee and its principals and management employees for Lee's Famous Recipe System communications purposes, including with landlords and other suppliers of goods or services, or prospective Franchisees; posting on franchise system websites listing Franchisees; in or in connection with Franchisor's disclosure documents and, where applicable, prospectuses, statements of material facts and other securities filings and documents; and making reports or information received from Franchisee pertaining to the franchise, or portions thereof or extracts therefrom, available for inspection by prospective franchisees, to substantiate information contained in Franchisor's disclosure documents for prospective franchisees regarding the subject matter of such reports or information, as the same pertain to the Franchise or Lee's Famous Recipe System in general. Franchisor may also share such personal information where needed with Franchisor's professional advisors, lenders or affiliates or under agreements with third parties relating to the Franchise or Lee's Famous Recipe System. Franchisor may give access to or transfer Franchisor's files containing such personal information to a prospective purchaser or purchaser of the franchise system. Franchisee is responsible to obtain any required consents from its principals and management employees as may be necessary for it to comply with these provisions.

ARTICLE 21 FRANCHISEE'S ACKNOWLEDGMENTS

FRANCHISEE REAFFIRMS THE PROVISIONS OF ARTICLE 12.2 DISCLAIMER AND UNDERSTANDS AND ACKNOWLEDGES THAT THERE ARE SIGNIFICANT RISKS IN ANY BUSINESS VENTURE AND THAT THE PRIMARY FACTOR IN FRANCHISEE'S SUCCESS OR FAILURE IN THE FRANCHISED BUSINESS WILL BE FRANCHISEE'S OWN EFFORTS. IN ADDITION, FRANCHISEE ACKNOWLEDGES AND AGREES:

(a) FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT, OR AS TO THE SUITABILITY OF THE FRANCHISED PREMISES AS A SUCCESSFUL SITE FOR THE FRANCHISED BUSINESS, AND THAT FRANCHISOR AND ITS REPRESENTATIVES HAVE MADE NO REPRESENTATIONS TO FRANCHISEE OTHER THAN OR INCONSISTENT WITH THE MATTERS SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO FRANCHISEE, AND THAT FRANCHISEE HAS UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISEE'S OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

_____ **[Franchisee's Initials]**

(b) FRANCHISEE HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS OFFICERS, DIRECTORS, MEMBERS, SHAREHOLDERS, EMPLOYEES, OR AGENTS, ABOUT THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE FRANCHISE DISCLOSURE DOCUMENT, THE TERMS OF THIS AGREEMENT, OR THE DOCUMENTS INCORPORATED HEREIN. FRANCHISEE REPRESENTS, AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

_____ **[Franchisee's Initials]**

(c) FRANCHISOR'S APPROVAL OF FRANCHISEE'S PREMISES DOES NOT CONSTITUTE RECOMMENDATION OR ENDORSEMENT OF THE FRANCHISED PREMISES, NOR ANY ASSURANCE BY FRANCHISOR THAT THE OPERATION OF A FRANCHISED BUSINESS AT THE FRANCHISED PREMISES WILL BE SUCCESSFUL OR PROFITABLE.

_____ **[Franchisee's Initials]**

(d) FRANCHISOR OR ITS AGENT HAS PROVIDED FRANCHISEE WITH THE MOST CURRENT FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN DAYS PRIOR TO FRANCHISEE'S EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS READ SUCH FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTANDS THE CONTENTS THEREIN.

_____ **[Franchisee's Initials]**

(e) FRANCHISOR OR ITS AGENT HAS PROVIDED FRANCHISEE WITH THIS AGREEMENT AT LEAST SEVEN DAYS PRIOR TO FRANCHISEE'S EXECUTION OF THIS AGREEMENT.

_____ [Franchisee's Initials]

(f) FRANCHISEE HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH FRANCHISEE'S OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS, AND HAS TAKEN SUCH OPPORTUNITY, AND ANY ATTORNEYS FOR FRANCHISOR HAVE NOT ADVISED OR REPRESENTED FRANCHISEE WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP THEREBY CREATED.

_____ [Franchisee's Initials]

(g) FRANCHISEE, TOGETHER WITH FRANCHISEE'S ADVISORS, HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE.

_____ [Franchisee's Initials]

(h) FRANCHISEE IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE LICENSEES, FRANCHISEES AND DEVELOPERS OF FRANCHISOR CURRENTLY OPERATE AND MAY OPERATE UNDER SUBSTANTIALLY DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS LICENSEES, FRANCHISEES AND DEVELOPERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES AND CONTAIN PROVISIONS THAT ARE MATERIALLY DIFFERENT FROM THE PROVISIONS OF THIS AGREEMENT, AND FRANCHISEE IS NOT ENTITLED TO RELY ON ANY OTHER PROVISIONS OF ANY OTHER AGREEMENTS OF OTHER FRANCHISEES, LICENSEES OR DEVELOPERS, WHETHER TO ESTABLISH COURSE OF DEALING, WAIVER, ESTOPPEL OR FOR ANY OTHER PURPOSE.

_____ [Franchisee's Initials]

(i) FRANCHISEE (AND ITS OWNERS IF FRANCHISEE IS AN ENTITY) REPRESENT AND WARRANT TO FRANCHISOR THAT NEITHER FRANCHISEE, NOR ANY OWNER, NOR ANY OF THEIR AFFILIATES IS IDENTIFIED, EITHER BY NAME OR AN ALIAS, PSEUDONYM OR NICKNAME, ON THE LISTS OF "SPECIALLY DESIGNATED NATIONALS" OR "BLOCKED PERSONS" MAINTAINED BY THE U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL. FURTHER, FRANCHISEE (AND ITS OWNERS IF FRANCHISEE IS AN ENTITY) REPRESENT AND WARRANT THAT NEITHER THEY NOR ANY OF THEIR AFFILIATES HAS VIOLATED, AND EACH OF THEM AGREES NOT TO VIOLATE, ANY LAW PROHIBITING CORRUPT BUSINESS PRACTICES, MONEY LAUNDERING OR THE AID OR SUPPORT OF PERSONS WHO CONSPIRE TO COMMIT ACTS OF TERROR AGAINST ANY PERSON OR GOVERNMENT, INCLUDING ACTS PROHIBITED BY THE USA PATRIOT ACT, U.S. EXECUTIVE ORDER

13224, OR ANY SIMILAR LAW. THE FOREGOING CONSTITUTE CONTINUING REPRESENTATIONS AND WARRANTIES, AND FRANCHISEE (AND ITS OWNERS IF FRANCHISEE IS AN ENTITY) SHALL IMMEDIATELY NOTIFY FRANCHISOR IN WRITING OF THE OCCURRENCE OF ANY EVENT OR THE DEVELOPMENT OF ANY CIRCUMSTANCE THAT MIGHT RENDER ANY OF THE FOREGOING REPRESENTATIONS AND WARRANTIES FALSE, INACCURATE OR MISLEADING.

_____ **[Franchisee's Initials]**

[Signature page follows]

IN WITNESS WHEREOF, the parties authorized representatives hereby execute this Agreement to be effective as of the Effective Date set forth above.

FRANCHISOR:

FRANCHISEE:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

By: _____

Printed: Ryan Weaver

Printed: _____

Title: Chief Executive Officer

Title: _____

Date: _____

Date: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

TRADEMARKS

Mark	Registration Number
FAMOUS RECIPE®	0974710
FAMOUS RECIPE®	1013215
LEE'S FAMOUS RECIPE®	1311285
LEE'S: FAMOUS FOR CHICKEN®	4722489
LEE'S: FAMOUS FOR CHICKEN®	4722490
LEE'S: FAMOUS FOR CHICKEN®	4722491
LEE'S FAMOUS RECIPE CHICKEN (Design)	5016592
LEE'S FAMOUS RECIPE CHICKEN (Design)	5016593
LEE'S FAMOUS RECIPE CHICKEN (Design)	5016594

EXHIBIT B TO THE FRANCHISE AGREEMENT

FRANCHISED PREMISES AND
IDENTIFICATION AS A TRADITIONAL STAND-ALONE, STREAMLINED OR
NON-TRADITIONAL LOCATION

EXHIBIT C TO THE FRANCHISE AGREEMENT
ASSIGNED PROTECTED AREA

EXHIBIT D TO THE FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT
FOR PRE-AUTHORIZED PAYMENTS

**AUTHORIZATION AGREEMENT
FOR PRE-AUTHORIZED PAYMENTS**

Lee's Franchisor LLC, and its affiliates, successors and assigns ("FRANCHISOR")

The undersigned Franchisee ("DEPOSITOR") authorizes FRANCHISOR, or any of its affiliates, to initiate electronic debit entries to the Bank Account indicated below at the bank named below ("DEPOSITORY BANK"), and authorizes DEPOSITORY BANK to debit to such account all entries FRANCHISOR initiates.

DEPOSITORY BANK NAME _____

BRANCH LOCATION _____

CITY _____ STATE _____ ZIP CODE _____

BANK ACCOUNT NO. _____

ROUTING NUMBER _____

INDICATE IF CHECKING ACCOUNT _____ OR SAVINGS ACCOUNT _____

DEPOSITOR agrees that this authorization shall be binding and remain in full force and effect until DEPOSITOR has given FRANCHISOR written notice of its revocation in such time and in such manner as to afford FRANCHISOR and DEPOSITORY BANK a reasonable opportunity to act on the notice. FRANCHISOR will provide a copy of this Authorization Agreement to FRANCHISEE and to DEPOSITORY BANK upon request.

DEPOSITOR'S
NAME _____ ID NUMBER _____

DEPOSITOR'S SIGNATURE _____

TITLE OF PERSON SIGNING (if signed in a representative capacity) _____

DATE _____

EXHIBIT E TO THE FRANCHISE AGREEMENT

LIST OF OWNERS

EXHIBIT F TO THE FRANCHISE AGREEMENT
GUARANTY OF FRANCHISEE'S UNDERTAKINGS

GUARANTY OF FRANCHISEE'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of Franchise Agreement (“Franchise Agreement”) dated as of the ____ day of _____ 20__ by Lee’s Franchisor LLC, (“Franchisor”) and _____ (“Franchisee”), each of the undersigned hereby jointly and severally guarantees unto Franchisor that the Franchisee named herein will perform during the term of this Guaranty of Franchisee’s Undertakings (“Guaranty”) each and every covenant, payment, agreement and undertaking on the part of Franchisee contained and set forth in the Franchise Agreement (the “Liabilities”).

This Guaranty constitutes an absolute, unconditional, irrevocable and continuing guaranty and shall remain in full force and effect as to the obligations under the Franchise Agreement until the satisfaction of all of those obligations.

Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (i) resort to any or all of the undersigned for payment of any of the Liabilities of Franchisee to Franchisor or any affiliate of Franchisor, whether or not it or its successors have resorted to any property securing any of the Liabilities or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the Liabilities; (ii) release or compromise any liability of any of the undersigned hereunder or any liability of any party or parties primarily or secondarily liable on any of the Liabilities; or (iii) extend, renew or credit any of the Liabilities for any period (whether or not longer than the original period), alter, amend or exchange any of the Liabilities, or give any other form of indulgence, whether under the Franchise Agreement or not.

The undersigned agrees to comply with and abide by the restrictive covenants and non-disclosure provisions contained in Article 4.1(b) and Article 13 of the Franchise Agreement to the same extent as and for the same period of time as Franchisee is required to comply with and abide by such covenants and provisions, except to the extent otherwise required by the Franchise Agreement. Upon Franchisor’s request, Guarantor shall furnish personal financial statements. These obligations of the undersigned shall survive any expiration or termination of the Franchise Agreement or this Guaranty.

The undersigned further waives presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: (i) notice of acceptance hereof; (ii) notice of all contracts and commitments; (iii) notice of the existence or creation of any liabilities under the Franchise Agreement and of the amount and terms thereof; and (iv) notice of all defaults, disputes or controversies between Franchisee and Franchisor resulting from such Franchise Agreement or otherwise, and the settlement, compromise or adjustment thereof.

The undersigned authorizes Franchisor to make any extensions, renewals, compromises, settlements, releases or dispositions of all or any part of the foregoing obligations from time to time without notice to anyone. Those actions shall not affect, diminish or impair the liability of the undersigned in any manner. In addition, any failure, neglect or omission by Franchisor to make any demand or protest or give any notice of dishonor or default shall not affect, diminish or impair the liability of the undersigned in any manner. Franchisor shall have no obligation, at any time, to resort first to, make demand on, make claim against, or exhaust its remedies against Franchisee,

any of the other undersigned parties, or any other person, or to resort to or exhaust its remedies against any collateral, security or other rights whatsoever.

Franchisor may demand payment by or bring suit against the undersigned at any time, jointly or severally. Franchisor may release any of the undersigned from all further liability to Franchisor under this Guaranty without impairing Franchisor's rights in any respect to demand and receive the satisfaction of the balance of any outstanding obligations from any of the other undersigned parties not released. The failure, omission or delay by Franchisor to exercise its rights under this Guaranty in the event of a default by Franchisee shall not constitute a waiver of the default or of any of its rights or remedies under the Franchise Agreement, this Guaranty, or any other instrument.

The undersigned jointly and severally agrees to pay all expenses paid or incurred by Franchisor in enforcing the Franchise Agreement and this Guaranty against Franchisee and against the undersigned and in collecting or attempting to collect any amounts due there under and hereunder, including reasonable attorneys' fees if such enforcement or collection is by or through an attorney-at-law. Any waiver, extension of time or other indulgence granted from time to time by Franchisor, its agents, its successors or assigns, with respect to the Franchise Agreement, shall in no way modify or amend this Guaranty, which shall be continuing, absolute, unconditional and irrevocable.

The undersigned agrees that all actions relating to or arising from this Guaranty shall be filed exclusively in the appropriate federal or state court in the state and county where Franchisor has its principal executive office. The undersigned hereby waives any rights or objections to the jurisdiction or venue of any such actions when filed in such courts.

If more than one person has executed this Guaranty, the term "the undersigned," shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary, and bind their respective heirs, legal representatives, successors and assigns.

In the event of the death, incompetency, dissolution, liquidation, insolvency of, or institution of bankruptcy or receivership proceedings by or against Franchisee, all of the obligations of Franchisee to Franchisor (including, without limitation, any obligations that arise from the termination of the Franchise Agreement) then existing shall become immediately due and payable by the undersigned at Franchisor's option.

The undersigned agrees that Franchisor shall have the right at any time, including to conduct credit checks of the undersigned and the undersigned hereby consents to Franchisor conducting such credit checks and to the information provider disclosing such information to Franchisor.

This Guaranty may be executed with full legal force and effect by manual or electronic signatures. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

[Signature page follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty under seal effective as of the ____ day of _____, 20__.

Guarantor

Guarantor

Guarantor's Printed Name

Guarantor's Printed Name

Guarantor

Guarantor

Guarantor's Printed Name

Guarantor's Printed Name

EXHIBIT B
MARKET DEVELOPMENT AGREEMENT

**LEE’S FAMOUS RECIPE®
MARKET DEVELOPMENT AGREEMENT**

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ATTACHMENTS

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DEVELOPMENT INCENTIVE PROGRAM

Single Store Agreement _____

Multiple Stores Agreement _____

MARKET DEVELOPMENT AGREEMENT

This Market Development Agreement (this “Agreement”) is effective _____, 20____ (“Effective Date”) between Lee’s Franchisor LLC, a Delaware limited liability company whose address is 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579 (“Franchisor”), and _____ (a corporation, limited liability company, partnership or individual), whose principal address is _____ (“Developer”).

A. Franchisor owns or has the right to license certain trade names, trademarks and service marks, including the trademark, “LEE’S FAMOUS RECIPE,” and is the franchisor of LEE’S FAMOUS RECIPE Restaurants (the “Restaurants”), which serve chicken and other approved food, beverage and other products;

B. Developer acknowledges the sole and exclusive ownership of Franchisor in any rights to Franchisor’s current and future trade names, trademarks and service marks and to all current and future related practices, procedures, methods, devices, techniques, recipes and systems relating to the Restaurants (the “Lee’s Famous Recipe System”);

C. Developer desires the exclusive right to develop one or more Restaurants within the geographic area specified in this Agreement for the limited term of this Agreement; and

D. Franchisor is willing to grant such rights in accordance with the terms and conditions of this Agreement.

INTENDING TO BE LEGALLY BOUND, FRANCHISOR AND DEVELOPER AGREE:

1. **GRANT**

Franchisor hereby grants to Developer during the term of this Agreement and subject to the conditions hereof the right to develop the Restaurants in the limited geographical area identified and set forth in Exhibit A hereto (the “Territory”), excluding any Assigned Protected Area located within the Territory as set forth in any agreement between Franchisor and another party. The operation of each Restaurant will be governed by an individual franchise agreement in accordance with Article 11 below (“Franchise Agreement”). So long as this Agreement is in effect and Developer is in compliance with the terms and conditions of this Agreement, Franchisor will not license others to operate, nor will it itself operate, any new or additional Lee’s Famous Recipe Restaurants in the Territory, except as follows:

- (a) Franchisor and its affiliates reserve the right to grant rights to master concessionaires or contract food service providers to operate Lee’s Famous Recipe outlets inside airports and other travel facilities, military bases, hospitals,

convention centers, stadiums, arenas, or other recreational, entertainment, business or industrial food service facilities where food service is provided only by a master concessionaire or contract food service provider within the Territory.

- (b) Franchisor and its affiliates reserve the right to establish or acquire restaurants or other food service units selling the same or similar products or services using different trademarks and service marks in any location.
- (c) Franchisor and its affiliates reserve the right to offer and sell the same or similar products, or other products, through any other distribution channel, including sales through wholesale distributors, supermarkets, other retail outlets, and the Internet and other electronic channels, using the Trademarks or any other marks, to any location.

2. TERM

Unless earlier terminated pursuant to Article 13, this Agreement shall expire:

- (a) if this Agreement is for the development of a single Restaurant, 365 days from the Effective Date; or,
- (b) if this Agreement is for the development of more than one Restaurant, upon the latest date specified in Exhibit B (the “Development Schedule”).

3. DEVELOPMENT FEE

Upon Developer’s execution of this Agreement, Developer shall pay to Franchisor a fee (“Development Fee”) of \$15,000 for each traditional stand-alone style Restaurant (“Traditional Stand-alone”), \$15,000 for each streamlined style Restaurant (“Streamlined”) and \$15,000 for each non-traditional style Restaurant (“Non-Traditional”) scheduled to be developed hereunder (as described on Exhibit C hereto). Developer acknowledges and agrees that the foregoing Development Fee is consideration for the grant of this Agreement, has been fully earned by Franchisor and is non-refundable.

4. DEVELOPMENT SCHEDULE

If this Agreement is for the development of a single Restaurant, Developer shall construct and open the Restaurant within 365 days from the Effective Date. If this Agreement is for the development of more than one Restaurant, Developer shall open and continuously operate the Restaurants in accordance with the Development Schedule. If Developer opens and continuously operates a greater number of Restaurants than required during any interim period of the Development Schedule, the requirement of the succeeding period(s) shall be deemed satisfied to the extent of such excess number of Restaurants, up to the total number of Restaurants specified in the Development Schedule. If for any reason Developer transfers or closes a Restaurant which reduces the number of Restaurants operated by Developer, the number of Restaurants to be opened and continuously operated by Developer will be increased by the number of Restaurants closed. Franchisor may, in its absolute and sole discretion, grant Developer one extension to the

Development Schedule, provided that Developer shall pay Franchisor an Extension Fee in the amount of \$5,000. Franchisor reserves the right to deny the request for extension of the Development Schedule for any reason.

5. LOCATION OF RESTAURANTS

Developer is solely responsible for locating proposed sites for any Restaurants contemplated within the Territory. During the term of this Agreement, Developer shall use its best efforts to locate suitable sites. Franchisor, in its sole discretion, may offer counseling and advice in site selection. In no event, however, shall Franchisor be obligated to loan money, guarantee leases, provide financing or otherwise become directly involved and/or obligated to Developer or to any third party in respect of such site selection or development; these activities and undertakings, financially and otherwise, shall be the exclusive responsibility of Developer.

6. SITE ACCEPTANCE

Upon selection by Developer of a proposed site for a Restaurant, Developer shall promptly submit to Franchisor such specific site data and demographic and other information concerning the site as may be required by Franchisor, utilizing such forms as may be required by Franchisor. Franchisor shall either accept or reject such site in accordance with Franchisor's then-current site selection policies and procedures. To be effective, any acceptance must be in writing and signed by Franchisor. Developer understands and acknowledges that Franchisor may reject any proposed site, in which event Developer will not proceed at the rejected site, but will seek to locate an acceptable site. The acquisition in any manner of any proposed site prior to acceptance by Franchisor shall be the sole risk and responsibility of Developer and shall not obligate Franchisor in any way to accept such site or to issue a Franchise Agreement for operation of a Restaurant at such site.

7. DISCLAIMER

In executing this Agreement, accepting a proposed site, giving approvals or advice or providing services or assistance in connection with this Agreement, Franchisor does not guarantee the suitability of an accepted site or success of any particular Restaurant established at any such site. Franchisor expressly disclaims any warranties, express or implied, with respect to the suitability of any site or the success of any Restaurant. Developer understands and acknowledges that the suitability of a site and the success of any Restaurant depend on many factors outside the control of either Franchisor or Developer (including, without limitation, such factors as interest rates, unemployment rates, demographic trends and general economic conditions), but principally depend on Developer's efforts in the operation of the Restaurant.

8. LOCATION REQUIREMENTS

As a condition for accepting a proposed site, Franchisor may require Developer to negotiate a lease or sales contract that includes certain terms regarding duration or other specified matters. Developer understands and acknowledges that site acceptance may be conditioned on such matters and that if Developer does not wish to, or cannot satisfy the pertinent conditions within a

reasonable time, the site will be deemed rejected. Developer agrees to submit an executed copy of the lease, or deed and mortgage, to Franchisor for each accepted location for development.

9. CONSTRUCTION

- (a) Upon receiving written acceptance from Franchisor for a proposed site, Developer shall proceed promptly to secure control of the accepted site and to obtain necessary zoning and building approvals and permits. Following acceptance of any site, Franchisor shall provide Developer with one set of preliminary architectural plans and/or written specifications for a Traditional Stand-alone Restaurant. After a site is accepted, but before commencing construction of any Restaurant, Developer shall at Developer's sole expense, promptly furnish to Franchisor for Franchisor's consideration for acceptance, the following:
 - (i) A proposed preliminary site plan for the Restaurant which, if accepted, shall not thereafter be changed without Franchisor's prior written consent;
 - (ii) A copy of Developer's plans for construction of the Restaurant in proposed final form, which plans shall have been prepared by a licensed architect, at Developer's expense, that comply with all applicable laws, ordinances, building codes, permit requirements, lease requirements and restrictions and which, if accepted, shall not thereafter be changed without Franchisor's prior written consent; and
 - (iii) Proof that Developer has builders' risk insurance on a completed value basis covering the period of any construction, and commercial general liability insurance and commercial motor vehicle liability insurance (for owned and non-owned vehicles) against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with Developer's development of restaurants (or otherwise in conjunction with Developer's conduct of business pursuant to this Agreement) under one or more policies of insurance, each on an occurrence basis, for personal and bodily injury, death and property damage, having a minimum limit of \$1,000,000 per occurrence and a general aggregate limit of not less than \$2,000,000. All insurance policies required hereunder shall name Franchisor and its affiliates as additional insureds.
- (b) Upon Franchisor's request, Developer agrees to assign to Franchisor, or require Developer's architect to assign to Franchisor, the plans, drawings or designs, used by Developer in connection with the Restaurant, or at Franchisor's option, obtain the architect's agreement to license to Franchisor such plans, drawings or designs for use in connection with the Restaurant at Developer's expense. Developer shall not hire, engage or use any construction firm, contractor or architect that Franchisor disapproves.
- (c) After the site is accepted and construction has commenced, Developer shall at Developer's sole expense, promptly furnish to Franchisor development progress

reports, on a monthly basis, and any other reports which may be requested by Franchisor from time to time, at Franchisor's sole discretion.

- (d) Franchisor and its agents shall have the right to enter and inspect the construction at any reasonable time. Developer shall correct, upon request and at Developer's sole expense, any deviation from any approved site plan or plans and specifications. Franchisor assumes no responsibility for the quality of any construction or the compliance of any construction with applicable laws and zoning because of any inspections made by it or any reports or recommendations made as a result of such inspections.
- (e) In the event Developer fails to execute a Franchise Agreement and to open any Restaurant within the time periods set forth in this Agreement, or as determined by Franchisor in accordance with its policies then in effect, except for any delay due in material part to war, strikes, lock-outs, governmentally imposed building moratoriums, natural disasters caused by earthquake, flood, hurricane or tornado, or similar causes beyond the control of Developer (which do not include general construction delays or weather-related delays), or in the event Developer commences construction of any Restaurants according to the plans and specifications not accepted by Franchisor or alters such accepted site plan or plans and specifications without Franchisor's written consent, then Franchisor, at its option, may elect to cancel and terminate this Agreement, by written notice to Developer, in which case any Development Fee paid to Franchisor pursuant to Article 3 shall be retained by Franchisor as liquidated and agreed damages and no further Franchise Agreements will be issued for any proposed Restaurants and Developer will immediately remove any signage or other usage of Franchisor's trademarks or trade dress and will return all proprietary materials, manuals, preliminary site plans, Developer's plans and specifications for the Restaurants and products of any kind whatsoever to Franchisor.

10. TRAINING

Unless Developer already operates at least one Restaurant, Developer must satisfy all of Franchisor's then current requirements for training required in connection with the issuance of the Franchise Agreement. Franchisor, in its sole discretion, and prior to issuance of any further Franchise Agreement for additional Restaurants may require additional representatives of Developer to attend and be certified at the Franchisor's training program for new franchisees or complete another comparable program approved in advance by Franchisor at Developer's expense. Developer shall not employ or seek to employ any person who is at the time or within the last three months employed by Franchisor or by any other franchisee of Franchisor without first obtaining the consent of such person's employer and Developer will not, directly or indirectly, induce any such person to leave his or her employment.

11. FRANCHISE AGREEMENT

No Restaurant may be opened or operated by Developer under any circumstances until the then current required Franchise Fee has been paid and the then current Franchise Agreement for

such location has been executed by Franchisor. The then current Franchise Fee must be paid and the then current form of Franchise Agreement for each location must be executed at least 60 days prior to the scheduled opening of a Restaurant. Developer shall comply with all then current franchise disclosure requirements and Franchisor's then-current franchising policies and procedures for issuance of the Franchise Agreements, including any required personal guarantees. Franchisor shall be under no obligation to execute and issue a Franchise Agreement if Developer, or an affiliate of Developer, is in breach or default of any other Franchise Agreement or license agreement between Franchisor and Developer, or if Developer is not eligible for expansion pursuant to Franchisor's then-current criteria for expansion. In addition, Franchisor shall be under no obligation to execute and issue a Franchise Agreement unless Developer has complied in a timely manner with all terms and conditions of this Agreement and has satisfied all requirements set forth herein (including construction and training requirements) with respect to the pertinent accepted site. If and when a Franchise Agreement is executed by Franchisor, it shall govern the relations between the parties with respect to the pertinent Restaurant.

12. NO RIGHT TO OPERATE; LIMITED RIGHT TO USE TRADEMARKS

Until a Franchise Agreement has been issued for a specified site, Developer shall not have, or be entitled to exercise any of the rights, powers and privileges granted by the Franchise Agreement, including without limitation the right to use Franchisor's trademarks, service marks and trade names. The execution of this Agreement shall not be deemed to grant any rights, powers or privileges to Developer (other than the limited rights to use such parts of Franchisor's system as Franchisor deems reasonably necessary in order for Developer to obtain a site and build a Restaurant). Developer may not under any circumstances commence operation of any Restaurant prior to execution by Franchisor of a Franchise Agreement for the particular location.

13. TERMINATION

13.1 This Agreement shall terminate immediately and without any notice or action required by Franchisor:

- (a) upon the commencement of any proceeding by or against Developer under any chapter of the U.S. Bankruptcy Code or amendment thereto, or under any other insolvency act, whether federal or state; the appointment of any trustee or receiver for the business or property of Developer; or any assignment by Developer for the benefit of creditors;
- (b) if this Agreement is for the development of only one Restaurant within the Territory, upon the opening of the Restaurant pursuant to the Franchise Agreement for such Restaurant; or
- (c) if this Agreement is for the development of multiple Restaurants within the Territory, upon the effective date of the Franchise Agreement for the final Restaurant to be developed.

In no event shall this Agreement or any right of interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition liquidation, arrangement or reorganization proceeding.

- 13.2 Franchisor shall have the right at its election to terminate this Agreement immediately upon notice to Developer, upon the occurrence of any of the following:
- (a) failure to execute a Franchise Agreement and open any Restaurant within the time period(s) specified in this Agreement;
 - (b) the attempted assignment of this Agreement without Franchisor's prior written consent;
 - (c) if Developer is an entity, the transfer of any ownership interest of such entity during the term of this Agreement without Franchisor's prior written consent;
 - (d) the discovery by Franchisor of any material misrepresentation in any of the information or documents submitted to Franchisor by or on behalf of Developer;
 - (e) any default by Developer of any of the other terms and provisions of this Agreement if such default shall continue for 15 days after Franchisor gives written notice of such default to Developer;
 - (f) the termination by Franchisor of any Franchise Agreement, license agreement or other agreement between Franchisor and Developer or any affiliate of Developer or any entity (or affiliate of that entity) in which Developer has any ownership interest in, or Developer's failure to cure a default under any Franchise Agreement, license agreement or other agreement between Franchisor or an affiliate of Franchisor, and Developer, or any affiliate of Developer or any entity (or affiliate of that entity) in which Developer has any ownership interest in; or
 - (g) if Developer or any party controlling, controlled by or under common control with Developer, or any principal officer of Developer or any such person owning an interest in Developer is convicted of, or pleads guilty to, a felony, crime of moral turpitude or any other crime or offense that is possibly likely, in the sole opinion of Franchisor, to affect adversely the Lee's Famous Recipe System, any Lee's Famous Recipe Restaurant, the Trademarks or the goodwill associated therewith.

14. EFFECT OF EXPIRATION OR TERMINATION

Upon the expiration or termination of this Agreement, all rights granted to Developer pursuant to this Agreement shall immediately terminate. Unless the parties have executed a new development agreement, Franchisor thereafter shall have the right to operate or permit others to

operate Restaurants within the Territory, except as limited by the provisions of any other then-effective agreements between Developer and Franchisor.

15. CONFIDENTIALITY; COVENANT NOT TO COMPETE

- (a) Developer acknowledges that Franchisor owns or has the right to trade secrets and that all material or other information now or hereafter provided or disclosed to Developer regarding the Restaurants is disclosed to Developer in strict confidence and Developer agrees not to disclose any part of it to anyone who is not an employee or franchisee of Franchisor, and Developer agrees to use such information only as necessary to perform its obligations under this Agreement or a Franchise Agreement. Franchisor shall be entitled to obtain injunctive relief without the necessity of posting a bond, in addition to any other legal or equitable remedies it may have if Developer fails to comply with the provisions contained herein.
- (b) During the term of this Agreement, Developer covenants not to engage as an owner, operator, or in any managerial capacity in any quick service food business featuring chicken and other complimentary items similar to those offered by the Lee's Famous Recipe System (a "Competing Business") other than as a franchisee of the Lee's Famous Recipe System; provided, however, that Developer shall not be prohibited hereby from owning equity securities of any Competing Business so long as Developer's ownership interest shall represent less than 1% of the total number of outstanding shares of such business.
- (c) Upon the termination or expiration of this Agreement, or if Developer assigns or transfers its interest herein pursuant to Article 16 hereof, then in such event Developer and any guarantor hereof covenants, for a period of two years after such expiration, termination or transfer or assignment, not to engage as an owner, operator, or in any managerial capacity, in any Competing Business within the Territory or within a five mile radius of the Territory of any other developer of Franchisor. Developer agrees that the purpose of this covenant is not to deprive Developer of a means of livelihood and will not do so, but is rather to protect the goodwill and interest of Franchisor and the Lee's Famous Recipe System.
- (d) Developer understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants in Articles 15.(a), 15.(b) and 15.(c). Each of the covenants in Articles 15.(a), 15.(b) and 15.(c) shall be construed as independent of any other covenant or provision of this Agreement. Should any part of one or more of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Developer and Franchisor agree that the same shall be enforced to the fullest extent permissible under the law. In addition, Franchisor may, at any time, in its sole discretion, reduce the duration and/or geographic scope of this provision by written notice to Developer in order to have it conform with applicable law and Developer shall comply promptly with any covenant as so modified. Developer agrees that the existence of any alleged claim it may have

against Franchisor whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 15. Franchisor shall be entitled to receive injunctive relief to enforce each of the covenants set forth above in addition to any other relief to which it may be entitled at law or in equity. Franchisor shall be entitled to receive such injunctive relief without the necessity of posting bond or other security, such bond or other security being hereby waived.

16. ASSIGNMENT

16.1 Neither this Agreement, nor any of Developer's rights hereunder, nor any interest in Developer, shall be assignable or transferable by Developer, directly or indirectly, by operation of law or otherwise ("Transfer"), without Franchisor's prior written consent. Any such purported Transfer occurring by operation of law or otherwise, including any Transfer by a trustee in bankruptcy, without Franchisor's prior written consent, shall be a material default of this Agreement and convey no rights to, or interest in, this Agreement.

16.2 All of the following conditions must be met prior to the effective date of a Transfer under this Article 16:

- (a) Franchisor must be given at least 90 days' prior written notice of the proposed Transfer;
- (b) the proposed transferee (and its owners if the proposed transferee is an entity) must meet Franchisor's then current standards for developers and franchisees, including, being of good character and reputation, having an acceptable credit rating and competent business experience, education, and other qualifications acceptable to Franchisor, and shall not be a competitor of Franchisor;
- (c) Developer and the proposed transferee shall have fully paid or satisfied all of their obligations to Franchisor;
- (d) Developer and the proposed transferee shall not be in default hereunder or under any agreement with Franchisor or any affiliates of Franchisor;
- (e) The transfer must be in conjunction with a simultaneous transfer to the same transferee of all Restaurants operated by Developer within the Territory;
- (f) the then current transfer fee required by Franchisor, which may change, but as of the date of this Agreement is \$5,000 per location to be developed, shall have been paid;
- (g) Developer and the proposed transferee shall have completed all designated transfer application forms and documents required by Franchisor, including Franchisor's then current Market Development Agreement for a term

expiring on the date of expiration of this Agreement, which substitute Market Development Agreement may contain terms and conditions substantially different from this Agreement; and

(h) Developer shall have executed a general release of all claims, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates and their owners, shareholders, members, parents, officers, directors, and employees.

- 16.3 In the event of the death or disability of Developer, or if Developer is an entity, then in the event of the death or disability of the owner(s) of a controlling interest in the entity, Franchisor shall not unreasonably withhold its consent to a transfer or assignment of Developer's interest herein to a transferee, who shall in the sole judgment of Franchisor be capable of performing the duties and obligations of Developer hereunder and under any Franchise Agreement to be issued pursuant to this Agreement, or to a responsible bona fide purchaser acceptable to Franchisor. The disposition of this Agreement must be completed within a reasonable time, not to exceed six months after the date of death or permanent disability, and will be subject to all of the terms and conditions contained in Articles 16.1 and 16.2.
- 16.4 If Developer shall receive a bona fide offer from a buyer satisfactory to Franchisor as set forth in Article 16.2 above and/or desires to sell, transfer, assign, lease or sublet any interest in this Agreement, it shall offer the same to Franchisor in writing at the same price and on the same terms or the monetary equivalent (net of any real estate or business brokerage commissions). Franchisor may accept such offer at any time within 60 days after receipt thereof. If Franchisor declines, or does not within such 60 day period accept such offer, then Developer may proceed to sell, transfer, assign, lease or sublet such interest to such buyer pursuant to the terms and conditions of Articles 16.1 and 16.2 above, but not at a lower price nor on more favorable terms than have been offered to Franchisor. If Developer fails to complete such sale within 90 days following the refusal or failure to act by Franchisor, then Developer may not complete such transaction without first offering the same to Franchisor again as provided above.
- 16.5 This Agreement and all rights and duties hereunder may be freely assigned or transferred by Franchisor in its sole discretion to any person or legal entity that agrees to assume Franchisor's obligations hereunder, including a competitor of Franchisor, and shall be binding upon and inure to the benefit of Franchisor's successors and assigns including, without limitation, any entity which acquires all or a portion of the capital stock or ownership interest of Franchisor or any entity resulting from, or participating in a merger, consolidation or reorganization in which Franchisor is involved, and to which Franchisor's rights and duties hereunder are assigned or transferred.

17. NEW DEVELOPMENT AGREEMENT

If a multi-unit Developer wishes to negotiate a new development agreement with Franchisor with respect to further development of Restaurants in the Territory, Developer must so advise Franchisor in writing at least 60 days before the expiration date of this Agreement or 60 days before the anticipated date of execution of the Franchise Agreement for the final Restaurant under the Development Schedule in Exhibit B. Subject to receipt of such notice and so long as this Agreement is in effect, and Developer is not and has not been in default under this Agreement or any Franchise Agreement, license agreement or other agreement with Franchisor or its affiliates, Franchisor then will negotiate for a period not to exceed 60 days with Developer with respect to a new development agreement to be effective at the expiration of this Agreement.

18. GOVERNING LAW; MEDIATION; FORUM SELECTION

18.1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et. seq.), this Agreement shall for all purposes be governed by and interpreted and enforced in accordance with the laws of the state where Franchisor's principal executive office is located, without reference to choice of law and conflict of law provisions.

18.2 Mediation.

- (a) Except for actions which Franchisor may bring in any court of competent jurisdiction (i) for monies owed, (ii) for injunctive or other extraordinary relief, or (iii) involving the trademarks or confidential information, the parties agree to promptly submit any claim, controversy, issue or dispute (hereafter "Dispute") arising out of or relating to this Agreement and any exhibits hereto or guarantees hereof, to non-binding mediation prior to commencing litigation. The initiating party must give written notice to the other party, describing the Dispute and identifying one or more individuals with authority to resolve the Dispute. The other party will have 10 days after receipt of the notice to designate in writing one or more individuals with authority to resolve the Dispute.
- (b) The mediation shall be conducted by either an individual mediator selected by the parties hereto, or if the parties are unable to agree, a mediator appointed by the International Institute for Conflict Prevention and Resolution, Inc. ("CPR"), or if CPR does not then exist, through the American Arbitration Association in accordance with its rules governing mediation. The parties shall use good faith efforts to select a mediator or have a mediator selected in accordance with any of the foregoing within 15 days after notice of a Dispute.
- (c) The mediation shall be held in the city where Franchisor's principal executive office is located.

- (d) The costs and expenses of mediation, including compensation and expenses of the mediator, shall be borne by the parties equally.
- (e) If the parties are unable to resolve the claim, controversy or dispute within 60 days after the written notice of the Dispute, Developer and Franchisor shall file any suit exclusively in the appropriate federal or state court in the state and county in which Franchisor has its principal executive office, however, with respect to any action (i) for monies owed, (ii) for injunctive relief or other extraordinary relief, or (iii) involving the possession or disposition of, or other relief relating to the trademarks or the confidential information, Franchisor may bring such action in any court of competent jurisdiction. The parties irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction of or venue in such courts. Service of process of process in any such suit or action may be made in the manner in this Agreement set forth for the giving of notices and the same shall constitute valid personal service for all purposes, each party hereby waiving personal service by other means.
- (f) Franchisor shall not be required to post a bond to obtain injunctive relief, Developer's only remedy if an injunction is entered against Developer shall be the dissolution of that injunction, and Developer shall not have any right to recover damages from Franchisor for wrongful entry of an injunction.

19. CONSTRUCTION

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Developer shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Developer, if more than one person is so named.

20. HEADINGS

The table of contents and captions of this Agreement are inserted only as a matter of convenience and for reference, and in no way define, affect, limit or describe the scope or intent of this Agreement.

21. NOTICES

(a) Any and all notices, demands or communications required to be given by Franchisor to Developer hereunder, shall be in writing and sent by first class, certified or registered mail, or delivered by a recognized overnight courier service (e.g., UPS or Federal Express), receipt acknowledged, to Developer at the address in the preamble of this Agreement, or to such other address as Developer may hereafter provide to Franchisor in writing. Any such notice, demand or

communication shall be deemed to be given three days after mailing, or on the date of receipt, whichever is earlier.

(b) Any and all notices, demands or communications required to be given by Developer to Franchisor hereunder shall be in writing and sent by first class, certified or registered mail, or delivered by a recognized overnight courier service (e.g., UPS or Federal Express), receipt acknowledged, to Franchisor at the address set forth below, or to such other addresses as Franchisor may hereafter provide to Developer in writing:

Lee's Franchisor LLC
Attention: Franchise Administration
1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579

22. COSTS; ATTORNEYS' FEES; INDEMNIFICATION

22.1 Should Franchisor institute an action that in any way arises out of this Agreement or any alleged default thereof, Franchisor, if it prevails, shall recover from Developer, in addition to any other relief, its costs and reasonable attorneys' fees incurred in pursuing such action. Should Developer institute an action against Franchisor (or its members, affiliates, agents or employees), Franchisor, if it prevails, shall recover from Developer, its costs and reasonable attorneys' fees incurred in defending such action.

22.2 Developer shall protect, defend, indemnify and save and hold Franchisor, and any of its affiliates and their respective directors, members, managers, officers, affiliates, subsidiaries, agents, insurers, attorneys and shareholders, harmless from and against any and all fines, claims, costs, losses, expenses (including attorneys' and accountants' fees and court costs), demands, damages, actions, causes of action, and other liabilities of every kind and nature arising or resulting, directly or indirectly from the construction of restaurants, the use or operation of any fixtures, equipment or motor vehicle, and the breach by Developer of this Agreement.

23. WAIVER; WAIVER OF DAMAGES; WAIVER OF JURY TRIAL AND CLASS ACTION BAR

(a) No waiver, delay, omission, or forbearance on the part of the Franchisor to exercise any right, option, duty or power arising from any default or breach by Developer shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default.

(b) TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES MUTUALLY AND WILLINGLY WAIVE ANY RIGHT TO, OR CLAIM FOR, ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER. IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, EACH IS LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES IT SUSTAINS.

NOTHING IN THIS SECTION LIMITS FRANCHISOR'S RIGHT OR THE RIGHT OF AN INDEMNIFIED PARTY TO BE INDEMNIFIED AGAINST THE PAYMENT OF PUNITIVE OR EXEMPLARY DAMAGES TO A THIRD PARTY.

- (c) THE PARTIES MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSS-CLAIMS, THIRD PARTY CLAIMS AND INTERVENER'S CLAIMS, WHETHER ARISING FROM OR RELATED TO THE SALE, NEGOTIATION, EXECUTION OR PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS AGREEMENT RELATES.
- (d) THE PARTIES AGREE THAT CLAIMS OF ANY OTHER PARTY OR PARTIES SHALL NOT BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN FRANCHISOR AND DEVELOPER.

24. SEVERABILITY

The provisions of this Agreement are severable, and if any provision is held illegal, invalid or unenforceable, the holding shall not affect the legality, validity or enforceability of any other provision. Any illegal, invalid or unenforceable provision shall be reformed to the minimum extent necessary to render it legal, valid and enforceable and, as so reformed, shall continue in full force and effect.

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument. This Agreement and all other documents related to this Agreement may be executed with full legal force and effect by manual or electronic signatures. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

25. ENTIRE AGREEMENT; SURVIVAL

This Agreement contains the entire agreement between the parties hereto and there are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties that have been relied upon by either party other than those set forth herein. No agreement of any kind relating to the matters covered by this Agreement shall be binding upon either party unless and until the same is made in writing and executed by both Developer and Franchisor. Notwithstanding the foregoing, this Agreement and any addendum to this Agreement shall not operate to disclaim any representation made in the franchise disclosure document provided to Developer. Article 15 and Articles 18 through 26 shall survive the expiration or termination of this Agreement.

26. DEVELOPER'S ACKNOWLEDGMENTS

DEVELOPER REAFFIRMS THE PROVISIONS OF ARTICLE 7. DISCLAIMER AND UNDERSTANDS AND ACKNOWLEDGES THAT THERE ARE SIGNIFICANT RISKS IN ANY BUSINESS VENTURE AND THAT THE PRIMARY FACTOR IN DEVELOPER'S SUCCESS OR FAILURE WILL BE DEVELOPER'S OWN EFFORTS. IN ADDITION, DEVELOPER ACKNOWLEDGES AND AGREES:

(a) FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER ACKNOWLEDGES THAT DEVELOPER HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT, OR AS TO THE SUITABILITY OF A SITE FOR A RESTAURANT, AND THAT FRANCHISOR AND ITS REPRESENTATIVES HAVE MADE NO REPRESENTATIONS TO DEVELOPER OTHER THAN OR INCONSISTENT WITH THE MATTERS SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO DEVELOPER, AND THAT DEVELOPER HAS UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH IN THE FRANCHISE DISCLOSURE DOCUMENT AND DEVELOPER'S OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

_____ [DEVELOPER'S INITIALS]

(b) DEVELOPER HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS OFFICERS, DIRECTORS, MEMBERS, SHAREHOLDERS, EMPLOYEES, OR AGENTS, ABOUT THE FRANCHISED BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE FRANCHISE DISCLOSURE DOCUMENT, THE TERMS OF THIS AGREEMENT, OR THE DOCUMENTS INCORPORATED HEREIN. DEVELOPER REPRESENTS, AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT, THAT DEVELOPER HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

_____ [DEVELOPER'S INITIALS]

(c) FRANCHISOR'S APPROVAL OF A SITE FOR A RESTAURANT DOES NOT CONSTITUTE RECOMMENDATION OR ENDORSEMENT OF THE PREMISES, NOR ANY ASSURANCE BY FRANCHISOR THAT THE OPERATION OF A RESTAURANT AT THE PREMISES WILL BE SUCCESSFUL OR PROFITABLE.

_____ [DEVELOPER'S INITIALS]

(d) FRANCHISOR OR ITS AGENT HAS PROVIDED DEVELOPER WITH THE MOST CURRENT FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN DAYS PRIOR TO DEVELOPER'S EXECUTION OF THIS AGREEMENT OR DEVELOPER'S PAYMENT OF ANY MONIES TO FRANCHISOR. DEVELOPER FURTHER ACKNOWLEDGES THAT DEVELOPER HAS READ SUCH FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTANDS THE CONTENTS THEREIN.

_____ [DEVELOPER'S INITIALS]

(e) FRANCHISOR OR ITS AGENT HAS PROVIDED DEVELOPER WITH THIS AGREEMENT AT LEAST SEVEN DAYS PRIOR TO DEVELOPER'S EXECUTION OF THIS AGREEMENT.

_____ [DEVELOPER'S INITIALS]

(f) DEVELOPER HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH DEVELOPER'S OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS, AND HAS TAKEN SUCH OPPORTUNITY, AND THAT ANY ATTORNEYS FOR FRANCHISOR HAVE NOT ADVISED OR REPRESENTED DEVELOPER WITH RESPECT TO THIS AGREEMENT OR THE RELATIONSHIP THEREBY CREATED.

_____ [DEVELOPER'S INITIALS]

(g) DEVELOPER, TOGETHER WITH DEVELOPER'S ADVISORS, HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE DEVELOPMENT AGREEMENT.

_____ [DEVELOPER'S INITIALS]

(h) DEVELOPER IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE DEVELOPERS, LICENSEES AND FRANCHISEES OF FRANCHISOR CURRENTLY OPERATE AND MAY OPERATE UNDER SUBSTANTIALLY DIFFERENT FORMS OF AGREEMENTS, AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS DEVELOPERS, LICENSEES AND FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES AND CONTAIN PROVISIONS THAT ARE MATERIALLY DIFFERENT FROM THE PROVISIONS OF THIS AGREEMENT, AND DEVELOPER IS NOT ENTITLED TO RELY ON ANY OTHER PROVISIONS OF ANY OTHER AGREEMENTS OF OTHER DEVELOPERS, FRANCHISEES OR LICENSEES, WHETHER TO ESTABLISH COURSE OF DEALING, WAIVER, ESTOPPEL OR FOR ANY OTHER PURPOSE.

_____ [DEVELOPER'S INITIALS]

(i) DEVELOPER (AND ITS OWNERS IF DEVELOPER IS AN ENTITY) REPRESENT AND WARRANT TO FRANCHISOR THAT NEITHER DEVELOPER, NOR ANY OWNER, NOR ANY OF THEIR AFFILIATES IS IDENTIFIED, EITHER BY NAME OR AN ALIAS, PSEUDONYM OR NICKNAME, ON THE LISTS OF "SPECIALLY DESIGNATED NATIONALS" OR "BLOCKED PERSONS" MAINTAINED BY THE U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL. FURTHER, DEVELOPER (AND ITS OWNERS IF DEVELOPER IS AN ENTITY) REPRESENT AND WARRANT THAT NEITHER THEY NOR ANY OF THEIR AFFILIATES HAS VIOLATED, AND EACH OF THEM AGREES NOT TO VIOLATE, ANY LAW PROHIBITING CORRUPT BUSINESS PRACTICES, MONEY LAUNDERING OR THE AID OR SUPPORT OF PERSONS WHO CONSPIRE TO COMMIT ACTS OF TERROR AGAINST ANY PERSON OR GOVERNMENT, INCLUDING ACTS PROHIBITED BY THE USA PATRIOT ACT, U.S.

EXECUTIVE ORDER 13224, OR ANY SIMILAR LAW. THE FOREGOING CONSTITUTE CONTINUING REPRESENTATIONS AND WARRANTIES, AND DEVELOPER (AND ITS OWNERS IF DEVELOPER IS AN ENTITY) SHALL IMMEDIATELY NOTIFY FRANCHISOR IN WRITING OF THE OCCURRENCE OF ANY EVENT OR THE DEVELOPMENT OF ANY CIRCUMSTANCE THAT MIGHT RENDER ANY OF THE FOREGOING REPRESENTATIONS AND WARRANTIES FALSE, INACCURATE OR MISLEADING.

_____ [DEVELOPER'S INITIALS]

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the Effective Date set forth above.

FRANCHISOR:

DEVELOPER:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

By: _____

Printed: Ryan Weaver

Printed: _____

Title: Chief Executive Officer

Title: _____

Date: _____

Date: _____

EXHIBIT A TO THE MARKET DEVELOPMENT AGREEMENT

TERRITORY

EXHIBIT B TO THE MARKET DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

EXHIBIT C TO THE MARKET DEVELOPMENT AGREEMENT

DESCRIPTION OF TRADITIONAL STAND-ALONE, STREAMLINED AND/OR NON-TRADITIONAL LOCATION(S)

EXHIBIT D TO THE MARKET DEVELOPMENT AGREEMENT

ADDENDUM TO MARKET DEVELOPMENT AGREEMENT
FOR DEVELOPMENT INCENTIVE PROGRAM

These provisions are an amendment to the Market Development Agreement and are hereby incorporated into and made a part of the Market Development Agreement:

1. The second sentence of Section 11 is modified to read as follows:

The then current Franchise Fee, less the applicable discount marked below, must be paid and the then current form of Franchise Agreement for each location must be executed at least 60 days prior to the scheduled opening of a Restaurant.

- _____ 3-4 Restaurants, a reduction of \$2,500 per Franchise Fee
- _____ 5-9 Restaurants, a reduction of \$5,000 per Franchise Fee
- _____ 10-15 Restaurants, a reduction of \$7,500 per Franchise Fee
- _____ 16 or more Restaurants, a reduction of \$10,000 per Franchise Fee

2. All other provisions of the Market Development Agreement remain in effect.

IN WITNESS WHEREOF, the parties have executed this agreement effective as of the Effective Date.

FRANCHISOR:

LEE'S FRANCHISOR LLC,
a Delaware limited liability company

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

DEVELOPER:

By: _____

Printed: _____

Title: _____

Date: _____

EXHIBIT C
FINANCIAL STATEMENTS

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

LFR CHICKEN LLC

SHALIMAR, FLORIDA

CONSOLIDATED BALANCE SHEET

JUNE 21, 2021

LFR CHICKEN LLC
SHALIMAR, FLORIDA
CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members
LFR Chicken LLC
Shalimar, Florida

We have audited the accompanying consolidated balance sheet of LFR Chicken LLC as of June 21, 2021, and the related notes to the consolidated balance sheet.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Members
LFR Chicken LLC

Opinion

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of LFR Chicken LLC as of June 21, 2021 in accordance with accounting principles generally accepted in the United States of America.

Saltmarsh Cleveland & Dend

Fort Walton Beach, Florida
September 10, 2021

**LFR CHICKEN LLC
CONSOLIDATED BALANCE SHEET
JUNE 21, 2021**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,143,004
Royalties receivable	280,830
Proprietary product sales and allowances receivable	762,142
Due from Famous Recipe Group, LLC	107,956
Inventory	25,310
Prepaid expenses	5,537
Notes receivable - current portion	5,341
Total current assets	2,330,120

Property and Equipment, net

79,510

Other Assets:

Notes receivable - long-term portion	10,155
Goodwill	15,805,445
Total other assets	15,815,600

Total Assets

\$ 18,225,230

LIABILITIES AND MEMBER'S EQUITY

Current Liabilities:

Accounts payable	\$ 329,978
Notes payable, current portion	327,536
Accrued compensated absences	61,621
Current portion of deferred revenue	53,906
Total current liabilities	773,041

Long-Term Liabilities:

Notes payable, less current portion	8,172,464
Deferred revenue	259,864
Total long-term liabilities	8,432,328

Total liabilities 9,205,369

Member's Equity

9,019,861

Total Liabilities and Members' Equity

\$ 18,225,230

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

NOTES TO CONSOLIDATED BALANCE SHEET

LFR CHICKEN LLC
NOTES TO CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

LFR Chicken LLC (“LFR Chicken”) was organized on May 28, 2021 as a limited liability company. On June 21, 2021, the Company purchased certain assets and assumed certain liabilities of Famous Recipe Group, LLC (“Famous Recipe Group”). The consolidated balance sheet of the Company includes the accounts of the three wholly-owned subsidiaries: Lee’s Distribution LLC, Lee’s Franchisor LLC, and Lee’s 4 Wall, LLC. LFR Chicken and its subsidiaries are primarily involved in the business of licensing franchisees to use the trademark of Lee’s Famous Recipe Chicken in order to operate restaurants serving the trademarked food. As of June 21, 2021, there were 130 restaurant locations. LFR Chicken and its subsidiaries also sell proprietary products to franchisees. Members are limited in their exposure to liabilities of the Company. The licensing office is in Shalimar, Florida. Franchises are located throughout the United States and Canada.

Principles of Consolidation:

The consolidated balance sheet includes the accounts of LFR Chicken and subsidiaries (collectively, the “Company”). All significant inter-company balances and transactions have been eliminated in consolidation.

Estimates:

Management uses estimates and assumptions in preparing this consolidated balance sheet in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable:

Trade accounts receivable consist of royalties plus receivables resulting from the sales of proprietary products and from providing administrative services. Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences, if any, between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to an allowance for doubtful accounts for trade accounts receivable. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to trade accounts receivable. Management considers all current receivables collectible and, therefore, has not recorded an allowance for doubtful accounts as of June 21, 2021.

LFR CHICKEN LLC
NOTES TO CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory:

Inventory is valued at cost and consists of training materials that are sold to franchisees.

Notes Receivable:

The Company finances franchise fees and, on occasion, other charges for franchisees. The interest rates and repayment terms vary with each agreement. The collectability of the notes is reviewed periodically and are carried at their estimated collectible amount. As of June 21, 2021, management determined the amounts to be fully collectible and no allowance is considered necessary.

Goodwill:

Goodwill represents the excess of the cost of acquiring certain assets and liabilities over the fair value of those assets and liabilities at the date of acquisition. The Company amortizes goodwill on the straight-line basis over ten years.

Income Taxes:

The Company is a single member LLC. Under the provisions of the Internal Revenue Code, the Company does not pay federal income taxes on its taxable income. Instead, the member is liable for federal income taxes on its respective share of the Company's taxable income.

Uncertain Tax Positions:

The Company follows accounting requirements associated with uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns for all open tax years based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

LFR CHICKEN LLC
NOTES TO CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events:

Management has evaluated subsequent events through September 10, 2021, which is the date which the financial statements were available to be issued.

NOTE 2 - DUE FROM FAMOUS RECIPE GROUP, LLC

Amount due from Famous Recipe Group, LLC is summarized as follows:

Excess working capital adjustment	\$ 113,493
Prepaid expenses paid by Famous Recipe Group, LLC	<u>(5,537)</u>
	<u>\$ 107,956</u>

NOTE 3 - NOTES RECEIVABLE

As of June 21, 2021, the Company holds two promissory notes related to amounts due from franchisees payable in installments. As of June 21, 2021, the total amount due on the notes was \$15,496. The notes have maturity dates ranging from November 2022 to May 2023 and interest rates ranging from 0% to 5.125%.

NOTE 4 - NOTES PAYABLE

Notes payable are summarized as follows:

Note payable to Small Business Administration, monthly payments of \$53,989 including interest at PRIME plus 2% (5.25% at June 21, 2021), maturing July 2031, unsecured	\$ 5,000,000
Note payable to Famous Recipe Group, LLC, annual principal payments of \$700,000 starting in June 2024, interest at 5%, maturing June 2028, unsecured	<u>3,500,000</u>
	<u>8,500,000</u>
Less current maturities	<u>327,536</u>
Notes payable, less current maturities	<u>\$ 8,172,464</u>

LFR CHICKEN LLC
NOTES TO CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

NOTE 4 - NOTES PAYABLE (Continued)

Scheduled maturities on long-term debt are as follows:

2022	\$ 327,536
2023	412,392
2024	1,134,571
2025	1,157,943
2026	1,182,572
Thereafter	<u>4,284,986</u>
	<u><u>\$ 8,500,000</u></u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk:

The Company's cash balances held at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. At December 31, 2021, the Company had cash balances of \$893,004 held by financial institutions in excess of insured limits.

Contractual Earnout Amount:

The Company entered into an agreement with Famous Recipe Group under which Famous Recipe Group is entitled to additional consideration if the Company meets criteria as specified in the agreement. The earnout period commences on June 21, 2021 and ends on June 21, 2026. The maximum earnout amount cannot exceed \$1,500,000.

Operating Lease:

The Company assumed the office space lease entered into by Florida Chicken Enterprises, LLC and assigned to Famous Recipe Group. The lease qualifies as an operating lease and expires in December 2023. Future minimum lease payments under the lease at June 21, 2021 are as follows:

2022	\$ 46,694
2023	48,149
2024	<u>24,447</u>
	<u><u>\$ 119,290</u></u>

LFR CHICKEN LLC
NOTES TO CONSOLIDATED BALANCE SHEET
JUNE 21, 2021

NOTE 6 - IMPACT OF CORONAVIRUS DISEASE 2019

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of the report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company. Management is actively monitoring its financial condition, liquidity, operations, and workforce. Given the evolution of the COVID-19 outbreak, the Company is not able to estimate the effects, if any, of the outbreak on its results of operations, financial condition, or liquidity.

NOTE 7 - ACQUISITION OF FAMOUS RECIPE GROUP, LLC

On June 21, 2021, the Company acquired substantially all assets and liabilities from Famous Recipe Group, LLC. The goodwill of \$15,805,445 arising from the acquisition consists largely of future earnings potential. The Company paid \$12,938,478 in cash to Famous Recipe Group and financed the remaining purchase price with a seller take back note totaling \$3,500,000 (see also Note 4). The purchase contract also included a clause under which the Company owes Famous Recipe Group an amount in excess of \$600,000 of net working capital at the date of the purchase. The initial amount included in the contract was based on estimated amounts on May 31, 2021 and totaled \$253,978. Subsequent adjustments to the excess working capital amount resulted in a receivable due from Famous Recipe Group totaling \$113,493 (see also Note 2).

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date.

Acquisition-related costs and expenses recognized	<u>\$ 18,518</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Royalties receivable	\$ 280,830
Proprietary product sales and allowances receivable	762,142
Inventory	25,310
Notes receivable	15,496
Property and equipment	79,510
Accounts payable	(329,978)
Deferred revenue	<u>(313,770)</u>
Total identifiable net assets	519,540
Goodwill	15,805,445
Excess deferred revenue	315,500
Excess working capital	<u>(140,485)</u>
Purchase price	<u>\$ 16,500,000</u>

EXHIBIT D
FRANCHISEES AS OF DECEMBER 31, 2020

ALABAMA

Address	City	State	Zip	Type	Franchisee Contact	Phone
511 Highway 78 West	Jasper	AL	35501	Licensed	Hixen, Timothy	205-384-4206

FLORIDA

Address	City	State	Zip	Type	Franchisee Contact	Phone
2303 East Silver Springs Blvd	Ocala	FL	34470	Licensed	Stilwell, John & Susie	352-368-7097
9548 - 001 S.W. SR 200	Ocala	FL	34481	Licensed	Stilwell, John & Susie	352-368-7097
1905 South French Avenue	Sanford	FL	32771	Licensed	Sobik, Izabela	407-302-1100

ILLINOIS

Address	City	State	Zip	Type	Franchisee Contact	Phone
1652 Carlyle Ave	Belleville	IL	62221	Licensed	Gamache, Emmett & Jenny	314-209-0055
501 North Gilbert Street	Danville	IL	61832	Licensed	Diveley, Steve	217-446-6999
3516 Nameoki Road	Granite City	IL	62040	Licensed	Gamache, Emmett & Jenny	314-209-0055
800 Charleston Avenue	Mattoon	IL	61938	Franchised	Lawson, Larry	217-235-3731

INDIANA

Address	City	State	Zip	Type	Franchisee Contact	Phone
20 East 29th Street	Anderson	IN	46016	Licensed	Tellman, Mike & Sue	765-425-0158
1012 Grand Avenue	Connersville	IN	47331	Licensed	Bell, Van	765-966-7615
2350 Landmark Avenue	Corydon	IN	47112	Licensed	Smith, Mark	502-648-8620
411 North St. Joseph	Evansville	IN	47714	Franchised	Hupfer, Thomas	270-929-2664
220 East Rudisill Boulevard	Fort Wayne	IN	46806	Licensed	Hagan, Tim & Carol	260-637-0636
6316 Stellhorn Road	Fort Wayne	IN	46815	Licensed	Hagan, Tim & Carol	260-637-0636
404 West Dupont Road	Fort Wayne	IN	46818	Licensed	Hagan, Tim & Carol	260-637-0636
404 West State Street	Fort Wayne	IN	46808	Licensed	Hagan, Tim & Carol	260-637-0636
2710 N. Wheeling Avenue	Muncie	IN	47303	Licensed	Bell, Van	765-966-7615
728 Rolling Creek Drive	New Albany	IN	47150	Licensed	Smith, Mark	502-648-8620
341 Trojan Lane	New Castle	IN	47362	Licensed	Fort, Mike	765-529-2779
1801 East Main Street	Richmond	IN	47374	Licensed	Bell, Van	765-966-7615
2410 National Road West	Richmond	IN	47374	Licensed	Bell, Van	765-966-7615

KENTUCKY

Address	City	State	Zip	Type	Franchisee Contact	Phone
706 Tennessee Road	Albany	KY	42602	Franchised	Hubbs, Lamon	606-387-8639
108 West John Rowan Blvd.	Bardstown	KY	40004	Licensed	Newton, B. J.	502-331-8249
33 Donner Meyer Drive	Bellevue	KY	41073	Licensed	Cummins, Tom	513-272-4100
339 Paint Lick Road	Berea	KY	40403	Licensed	Carter, Steve	859-986-4522
301 Mayde Road	Berea	KY	40403	Franchised	Carter, Steve & Gary Whitney	859-302-3070
501 E Broadway Street	Campbellsville	KY	42718	Licensed	Newton, David	270-465-3542
211 Dohoney Trace	Columbia	KY	42728	Franchised	Hupfer, Thomas	270-789-3967

1420 Masters Street	Corbin	KY	40701	Licensed	Newnham, Chuck & Mindy	606-528-4612
602 Scott Street	Covington	KY	41011	Licensed	Cummins, Tom	513-272-4100
762 US Hwy. 275.	Cynthiana	KY	41031	Franchised	Whitney, Michael	859-234-1067
610 South Fourth Street	Danville	KY	40422	Licensed	Newton, Justin	270-465-5698
1210 Ridgeway Avenue	Falmouth	KY	41040	Franchised	Phuyal, Sumitra	859-654-2800
6805 Burlington Pike	Florence	KY	41042	Licensed	Cummins, Tom	513-272-4100
214 South Main Street	Greensburg	KY	42743	Licensed	Wise, Brad & Angie	270-932-3060
313 South College Street	Harrodsburg	KY	40330	Licensed	Claycomb, Jeff	859-734-7535
1079 Morton Boulevard	Hazard	KY	41701	Licensed	Moore, Bill	606-439-1971
803 South Lincoln Boulevard	Hodgenville	KY	42748	Licensed	Rogers, Dana	247-469-5872
674 North Main	Jamestown	KY	42629	Licensed	Helton, Tresa	270-866-1671
830 Stanford Road	Lancaster	KY	40444	Franchised	Shearer, Elaine	859-792-2240
3719 Winston Avenue	Latonía	KY	41015	Licensed	Cummins, Tom	513-272-4100
101 West Park Shopping Ctr	Lawrenceburg	KY	40342	Licensed	Freeman, Chris	859-613-2658
740 West Main Street	Lebanon	KY	40033	Licensed	Milby, Lori Jo	270-692-6120
410 N. Wallace Wilkinson Blvd.	Liberty	KY	42539	Franchised	Hoskins, Todd	606-787-5399
5059 Poplar Level Road	Louisville	KY	40219	Licensed	Hiestand, Leslie & Kay Alfir	502-897-9152
2925 Brownsboro Road	Louisville	KY	40206	Licensed	Hiestand, Leslie & Kay Alfir	502-897-9152
9813 Old Third Street	Louisville	KY	40272	Licensed	Hiestand, Leslie & Kay Alfir	502-897-9152
1400 Route 68	Maysville	KY	41056	Licensed	Cummins, Tom	513-272-4100
25 East North 12th Street	Middlesboro	KY	40965	Licensed	Stewart, Leland	606-248-8773
296 Cumberland Crossing	Monticello	KY	42633	Franchised	Newnham, Chuck & Mindy	606-878-2398
411 Fraley Drive	Morehead	KY	40351	Licensed	Ball, Pete	606-784-3314
205 Evans Avenue	Mt. Sterling	KY	40353	Licensed	Graul, Ken	859-498-4483
1001 Burlew Boulevard	Owensboro	KY	42301	Licensed	Wathen, Bill	270-929-2664
1800 Carter Road	Owensboro	KY	42301	Licensed	Wathen, Bill	270-929-2664
178 South Dixie Boulevard	Radcliff	KY	40160	Licensed	Dennis, Kimberly & Lonnie	270-304-6071
1007 Center Drive	Richmond	KY	40475	Licensed	Newnham, Chuck & Mindy	859-623-0253
114 East Mt Parkway	Salyersville	KY	41465	Franchised	Mortimer, Doug & Mike Prater	606-349-3626
101 US Hwy 150 Bypass, #127	Stanford	KY	40484	Franchised	Lane, Rhonda	606-365-9490
789 Jenkins Road	Whitesburg	KY	41858	Licensed	Moore, Bill	606-439-1971

MICHIGAN

Address	City	State	Zip	Type	Franchisee Contact	Phone
14301 Beadle Lake Road	Battle Creek	MI	49014	Franchised	Hattar, Fares	Not yet opened
820 Riverview Drive	Kalamazoo	MI	49001	Licensed	Baldwin, Rob & Julie	269-929-2730
4441 South Westnedge Ave.	Kalamazoo	MI	49008	Licensed	Baldwin, Rob & Julie	269-929-2730
1317 Apple Avenue	Muskegon	MI	49442	Licensed	Puthoff, Rick & Sherry	231-726-2888
856 West Sherman Blvd	Muskegon	MI	49441	Licensed	Puthoff, Rick & Sherry	231-726-2888
200 North Causeway	North Muskegon	MI	49445	Licensed	Puthoff, Rick & Sherry	231-726-2888
1122 West Ann Arbor Road	Plymouth	MI	48170	Licensed	Langkabel, Brian	734-453-6767

MISSOURI

Address	City	State	Zip	Type	Franchisee Contact	Phone
820 Jeffco Boulevard	Arnold	MO	63010	Licensed	Gamache, Emmett & Jenny	314-209-0055
2316 Paris Road	Columbia	MO	65202	Licensed	Fisher, Jim & John Fisher	573-230-8812
10090 West Florissant	Dellwood	MO	63136	Licensed	Gamache, Emmett & Jenny	314-209-0055
15602 Manchester Road	Ellisville	MO	63021	Licensed	Gamache, Emmett & Jenny	314-209-0055
2825 North Highway 67	Florissant	MO	63033	Licensed	Gamache, Emmett & Jenny	314-209-0055
1550 Missouri Boulevard	Jefferson City	MO	65109	Licensed	Fisher, Jim & John Fisher	573-230-8812
7232 Natural Bridge	Normandy	MO	63121	Licensed	Gamache, Emmett & Jenny	314-209-0055
1902 North Bishop	Rolla	MO	65401	Licensed	Fisher, Jason	573-364-9330
10645 St. Charles Rock Rd	St. Ann	MO	63074	Licensed	Gamache, Emmett & Jenny	314-209-0055
1012 South Fifth Street	St. Charles	MO	63301	Licensed	Gamache, Emmett & Jenny	314-209-0055
2629 South Jefferson	St. Louis	MO	63118	Licensed	Gamache, Emmett & Jenny	314-209-0055
5023 Natural Bridge	St. Louis	MO	63115	Licensed	Gamache, Emmett & Jenny	314-209-0055
3449 S Kingshighway Blvd	St. Louis	MO	63139	Licensed	Gamache, Emmett & Jenny	314-209-0055
6210 West Florissant	St. Louis	MO	63136	Licensed	Gamache, Emmett & Jenny	314-209-0055
690 Starwood Drive	St. Peters	MO	63376	Licensed	Gamache, Emmett & Jenny	314-209-0055
6221 Vernon Avenue	University City	MO	63130	Licensed	Gamache, Emmett & Jenny	314-209-0055

OHIO

Address	City	State	Zip	Type	Franchisee Contact	Phone
1179 West Ohio Pike	Amelia	OH	45102	Licensed	Cummins, Tom	513-272-4100
101 Stockyard Road	Bellefontaine	OH	43311	Licensed	Griffith, Scott	937-845-2142
620 Arlington Road	Brookville	OH	45309	Franchised	Riddle, Ken & Chuck Doran	937-252-9510
5030 Montgomery Road	Cincinnati	OH	45212	Licensed	Cummins, Tom	513-272-4100
5251 Glenway Avenue	Cincinnati	OH	45238	Licensed	Cummins, Tom	513-272-4100
8319 Vine Street	Cincinnati	OH	45216	Licensed	Cummins, Tom	513-272-4100
3225 Linden Avenue	Dayton	OH	45410	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
1415 Troy Street	Dayton	OH	45404	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
4140 North Main	Dayton	OH	45405	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
6056 North Dixie Drive	Dayton	OH	45414	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
5940 Far Hills Avenue	Dayton	OH	45429	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
527 South Main Street	Englewood	OH	45322	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
427 Tiffin Avenue	Findlay	OH	45840	Licensed	Jolliff, James	419-422-3770
1031 East Second Street	Franklin	OH	45005	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
322 East State Street	Fremont	OH	43420	Licensed	Collins, Ken & Bob Hower	419-656-3645
6315 Chambersburg Road	Huber Heights	OH	45424	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
4030 Wilmington Pike	Kettering	OH	45429	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
1425 Allentown Road	Lima	OH	45805	Licensed	Yohe, David	419-227-4877
959 Bellefontaine Avenue	Lima	OH	45804	Licensed	Yohe, David	419-227-4877
571 East Center Street	Marion	OH	43302	Licensed	Boyd, Ray	740-387-3277
201 North Main Street	Miamisburg	OH	45342	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
604 South Breiel Blvd	Middletown	OH	45044	Franchised	McCullough, Jeannie & Kristy Gilkerson	513-424-0264
2011 N. Verity Parkway	Middletown	OH	45042	Franchised	McCullough, Jeannie & Kristy Gilkerson	513-423-2999

103 Glover Drive	Mt. Orab	OH	45154	Licensed	Wallace, Gary	937-444-2601
303 North Main Street	New Carlisle	OH	45344	Licensed	Griffith, Scott	937-845-2142
119 Commercial Avenue SW	New Philadelphia	OH	44663	Licensed	Dotts, Rich & Greg Anderson	330-339-1848
1635 North 21st Street	Newark	OH	43055	Licensed	Salome, Todd	740-349-0290
1005 West Main Street	Newark	OH	43055	Licensed	Salome, Todd	740-349-0290
102 South Sunset	Piqua	OH	45356	Licensed	Griffith, Scott	937-845-2142
4205 Milan Road	Sandusky	OH	44870	Licensed	Collins, Ken & Bob Hower	419-656-3645
1230 Wapakoneta Road	Sidney	OH	45365	Licensed	Griffith, Scott	937-845-2142
1902 South Limestone	Springfield	OH	45505	Licensed	Griffith, Scott	937-845-2142
301 East Home Road	Springfield	OH	45503	Licensed	Griffith, Scott	937-845-2142
410 West Columbia	Springfield	OH	45504	Licensed	Griffith, Scott	937-845-2142
1456 Celina Road	St. Mary's	OH	45885	Licensed	Burden, Bob	419-394-8449
115 North Washington St.	Tiffin	OH	44883	Franchised	Shuff, Jeff	419-448-4676
815 W State Street	Trenton	OH	45067	Franchised	McCullough, Jeannie & Kristy Gilkerson	513-988-5118
885 East Main Street	Trotwood	OH	45426	Licensed	Riddle, Ken & Chuck Doran	937-252-9510
311 West Harrison Street	Wapakoneta	OH	45869	Licensed	Hoehn, Ryan & Wanda	419-738-4910
550 West Main Street	Xenia	OH	45385	Licensed	Riddle, Ken & Chuck Doran	937-252-9510

SOUTH CAROLINA

Address	City	State	Zip	Type	Franchisee Contact	Phone
738 Cherry Road	Rockhill	SC	29730	Franchised	Mullis, Harris	803-366-5337

TENNESSEE

Address	City	State	Zip	Type	Franchisee Contact	Phone
523 Louisville Road	Alcoa	TN	37701	Franchised	Fesmire, Tom & Sharon	865-984-3880
3099 South First Street	Milan	TN	38358	Licensed	Erdmann, John	731-686-3226
19570 Alberta Street	Oneida	TN	37841	Franchised	Jeffers, Jan	423-569-5227

VIRGINIA

Address	City	State	Zip	Type	Franchisee Contact	Phone
2200 West Broad Street	Richmond	VA	23220	Licensed	Loving, Henry	804-338-1676

WISCONSIN

Address	City	State	Zip	Type	Franchisee Contact	Phone
2412 Grand Avenue	Wausau	WI	54403	Licensed	Hall, Don & Carol Ann	715-845-7206

EXHIBIT E

LIST OF FORMER FRANCHISEES

List of franchisees and licensees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or license agreement during the 12 month period ending December 31, 2020 or who has not communicated with Lee's within 10 weeks of the date of this Franchise Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

VOLUNTARILY CEASED TO DO BUSINESS

Ken Riddle and Chuck Doran
1200 Brown Street
Dayton, Ohio
937-252-9510

Bob Burick
604 South Breiel Blvd
Middletown, OH 45044
(513) 423-2999

2011 N Verity Parkway
Middletown, OH 45042
(513) 423-2999

815 W State Street
Trenton, OH 45067
(513) 423-2999

Robert Brashear
296 Cumberland Crossing
Monticello, KY 42633
(859) 986-9288

Gary Whitney
762 US Highway 27 South
Cynthiana, KY 41031
(859) 245-6393

INVOLUNTARILY TERMINATED

Rob and Hollie Westbrook
105 Hudson St
Columbia, KY 42728

(859) 245-6393

TRANSFERRED

Bob Burden
311 West Harrison St
Wapakoneta, OH 45895
(419) 394-3233

Janet Taylor and Kara Westermann
738 Cherry Road
Rock Hill, SC 29732
(803) 366-5337

EXHIBIT F-1
STATE AGENCIES

EXHIBIT F-1

STATE AGENCIES

<u>State</u>	<u>Address</u>	<u>Telephone Number</u>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West Fourth Street Suite 750 Los Angeles, CA 90013	213-576-7500 866-275-2677
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203 Honolulu, HI 96813	808-586-2722
Illinois	Illinois Attorney General Securities Division 500 South Second Street Springfield, IL 62706	217-782-4465
Indiana	Indiana Securities Commissioner 302 West Washington Street Room E018 Indianapolis, IN 46204	317-232-6681
Maryland	Office of the Attorney General Division of Securities 200 Saint Paul Place Baltimore, MD 21202-2020	410-576-6360
Michigan	Department of Attorney General Consumer Protection Division Attn: Franchise Section G Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933	517-373-7117
Minnesota	Department of Commerce 85 East 7th Place East, Suite 280 St. Paul, MN 55101	651-296-4973

<u>State</u>	<u>Address</u>	<u>Telephone Number</u>
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005	212-416-8236
North Dakota	Securities Department 600 East Boulevard Avenue State Capitol, 5th Floor, Dept. 414 Bismarck, ND 58505-0510	701-328-4712
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Ave., Bldg. 68-2 Cranston, RI 02920	401-462-9500
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501	605-773-4823
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street 1 st Floor Richmond, VA 23219	804-371-9051
Washington	Department of Financial Institutions Securities Division 150 Israel Road SW Turnwater, WA 98501	360-902-8760
Wisconsin	Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705	608-266-1004

EXHIBIT F-2

AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Florida	CT Corporation System	1200 South Pine Island Road Plantation, FL 33324 954-627-1299
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, New York 10005 212-416-8236 Phone 212-416-6042 Fax
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia (State Administrator)	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 th Floor Richmond, VA 23219-3630
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760 Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98507

Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705
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EXHIBIT G

**STATE SPECIFIC ADDENDA TO FRANCHISE
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

Addendum to Franchise Disclosure Document for Illinois Franchisees

These provisions are an amendment to the Franchise Disclosure Document. This Amendment is hereby incorporated into and made a part of the Franchise Disclosure Document:

1. Notwithstanding anything different in the Franchise Disclosure Document, Illinois law governs the franchise agreement(s).

2. Notwithstanding anything different in the Franchise Disclosure Document, in conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Notwithstanding anything different in the Franchise Disclosure Document, Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. Notwithstanding anything different in the Franchise Disclosure Document, in conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Addendum to Franchise Agreement for Illinois Franchisees

The Attorney General of Illinois requires the following specific disclosures to be made to prospective Illinois franchisees. These provisions are an amendment to the Franchise Agreement. This Amendment is hereby incorporated into and made a part of the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as set forth below:

1. Illinois law governs the Franchise Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Franchise Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a Franchise Agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchisee to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Franchise Disclosure Act of the State of Illinois are met independently without reference to this Addendum.
6. Franchisee acknowledges receipt of this Addendum to Franchise Agreement.

FRANCHISOR:

FRANCHISEE:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

By: _____

Printed: Ryan Weaver

Printed: _____

Title: Chief Executive Officer

Title: _____

Date: _____

Date: _____

Addendum to Market Development Agreement for Illinois Franchisees

The Attorney General of Illinois requires the following specific disclosures to be made to prospective Illinois franchisees. These provisions are an amendment to the Franchise Agreement. This Amendment is hereby incorporated into and made a part of the Franchise Agreement to the extent the following paragraphs amend the respective sections of the Franchise Agreement as set forth below:

1. Illinois law governs the Market Development Agreement(s).
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a Market Development Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees’ rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any developer to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, the jurisdictional requirements of the Franchise Disclosure Act of the State of Illinois are met independently without reference to this Addendum.
6. Franchisee acknowledges receipt of this Addendum to Market Development Agreement.

FRANCHISOR:

**LEE’S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

FRANCHISEE:

By: _____

Printed: _____

Title: _____

Date: _____

Addendum to Franchise Agreement for Indiana Franchisees

This Addendum to Franchise Agreement is made in recognition of the requirements of the Indiana Franchise Act and Indiana Deceptive Franchise Practices Act (“Practices Act”) (collectively, the “Acts”). To the extent the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. The Practices Act provides rights to Franchisee concerning nonrenewal and termination of the Franchise Agreement. To the extent the Franchise Agreement contains a provision that is inconsistent with the Practices Act, the Practices Act will control.
2. If the Franchisee is required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Acts, or a rule or order under the Acts, such release shall exclude claims arising under the Acts, and such acknowledgments shall be void with respect to claims under the Acts.
3. If the Franchise Agreement contains covenants not to compete upon expiration or termination of the Franchise Agreement that are inconsistent with the Practices Act, the requirements of the Practices Act will control.
4. The Practices Act provides that substantial modification of the Franchise Agreement by Franchisor requires written consent of the Franchisee. If the Franchise Agreement contains provisions that are inconsistent with this requirement, the Practices Act will control.
5. If the Franchise Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Practices Act.
6. If the Franchise Agreement requires that it be governed by a state’s law, other than the State of Indiana, to the extent that such law conflicts with the Acts, the Acts will control.
7. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

8. Franchisee acknowledges receipt of this Addendum to Franchise Agreement.

FRANCHISOR:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

FRANCHISEE:

By: _____

Printed: _____

Title: _____

Date: _____

Addendum to Market Development Agreement for Indiana Franchisees

This Addendum to Market Development Agreement is made in recognition of the requirements of the Indiana Franchise Act and Indiana Deceptive Franchise Practices Act (“Practices Act”) (collectively, the “Acts”). To the extent the Market Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. The Practices Act provides rights to Developer concerning nonrenewal and termination of the Market Development Agreement. To the extent the Market Development Agreement contains a provision that is inconsistent with the Practices Act, the Practices Act will control.
2. If the Developer is required in the Market Development Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Acts, or a rule or order under the Acts, such release shall exclude claims arising under the Acts, and such acknowledgments shall be void with respect to claims under the Acts.
3. If the Market Development Agreement contains covenants not to compete upon expiration or termination of the Market Development Agreement that are inconsistent with the Practices Act, the requirements of the Practices Act will control.
4. The Practices Act provides that substantial modification of the Market Development Agreement by Franchisor requires written consent of the Developer. If the Market Development Agreement contains provisions that are inconsistent with this requirement, the Practices Act will control.
5. If the Market Development Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Practices Act.
6. If the Market Development Agreement requires that it be governed by a state’s law, other than the State of Indiana, to the extent that such law conflicts with the Acts, the Acts will control.
7. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Acts applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

8. Developer acknowledges receipt of this Addendum to Market Development Agreement.

FRANCHISOR:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

DEVELOPER:

By: _____

Printed: _____

Title: _____

Date: _____

Addendum to Franchise Agreement for Wisconsin Franchisees

This Addendum to Franchise Agreement is made in recognition of the requirements of the Wisconsin Fair Dealership Law. To the extent the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. With respect to franchises governed by Wisconsin law, Franchisor will comply with the Wisconsin Fair Dealership Law which requires, except in certain specific cases, (i) that a franchisee be given 90 days' prior written notice of termination, with 60 days to cure any deficiency; and (ii) that Franchisor may not terminate, cancel, refuse to renew, or substantially change the competitive circumstances of the Franchise Agreement without good cause.
2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.
3. Franchisee acknowledges receipt of this Addendum to Franchise Agreement.

FRANCHISOR:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

FRANCHISEE:

By: _____

Printed: _____

Title: _____

Date: _____

Addendum to Market Development Agreement for Wisconsin Franchisees

This Addendum to Market Development Agreement is made in recognition of the requirements of the Wisconsin Fair Dealership Law. To the extent the Market Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. With respect to franchises governed by Wisconsin law, Franchisor will comply with the Wisconsin Fair Dealership Law which requires, except in certain specific cases, (i) that a franchisee be given 90 days' prior written notice of termination, with 60 days to cure any deficiency; and (ii) that Franchisor may not terminate, cancel, refuse to renew, or substantially change the competitive circumstances of the Market Development Agreement without good cause.
2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provision are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.
3. Franchisee acknowledges receipt of this Addendum to Market Development Agreement.

FRANCHISOR:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: Ryan Weaver

Title: Chief Executive Officer

Date: _____

DEVELOPER:

By: _____

Printed: _____

Title: _____

Date: _____

EXHIBIT H
STATEMENT OF PROSPECTIVE FRANCHISEE

EXHIBIT H

STATEMENT OF PROSPECTIVE FRANCHISEE

Please review each of the following questions carefully and provide honest and complete responses to each question:

1. Have you received and reviewed the Lee’s Franchisor LLC Franchise Disclosure Document (the “**FDD**”)?

Yes _____ No _____

2. Did you receive the FDD at least 14 days prior to today and give us a signed receipt from your copy of the FDD indicating the actual date you received the FDD?

Yes _____ No _____

3. Which Lee’s Franchisor LLC representative(s) have you been dealing with?

Name(s): _____

4. Have the Lee’s Franchisor LLC representative(s) answered all of your questions regarding the FDD, Market Development Agreement and Franchise Agreement?

Yes _____ No _____

If “No”, what parts of the FDD, Market Development Agreement and/or Franchise Agreement do you not understand?

(Attach additional pages if necessary.)

5. Have you discussed the FDD, Franchise Agreement, and Market Development Agreement with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If “No”, do you wish to have more time to do so?

Yes _____ No _____

6. Have any Lee’s Franchisor LLC representative(s) made any statement or promise concerning the revenues, profits, the amount of money you may earn or the likelihood of success in operating a Lee’s Famous Recipe Restaurant that is contrary to, or different from, the information contained in the FDD you received?

Yes _____ No _____

7. Have any Lee's Franchisor LLC representative(s) made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD you received?

Yes _____ No _____

8. Have you entered into any binding agreement with us concerning the purchase of this franchise prior to today (other than an existing Market Development Agreement, if applicable)?

Yes _____ No _____

9. Have you paid any money to us related to this Franchise Agreement and franchise sale before today (other than prior development fees paid under an existing Market Development Agreement, if applicable)?

Yes _____ No _____

10. If you have answered "Yes" to any one of questions 6-9, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages if necessary.)

11. Did you receive your Franchise Agreement and/or Market Development Agreement with all the blanks filled in and exhibits completed at least 7 days prior to today?

Yes _____ No _____

12. In what state do you reside? _____

13. In what state(s) do you intend to operate the Lee's Famous Recipe Restaurant(s)?

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

FRANCHISEE/DEVELOPER APPLICANT

Signature: _____

Printed: _____

Title: _____

Date: _____, 20____

EXHIBIT I
FORM OF ADVERTISING COOPERATIVE BYLAWS

LEE'S FAMOUS RECIPE ADVERTISING COOPERATIVE, INC.

By-Laws

ARTICLE 1

NAME, LOCATION AND PURPOSE

- A. **Name and Locations.** The name of this non-profit corporation will be Lee's Famous Recipe Advertising Cooperative, Inc. (the "Co-Op") and the offices of the Co-op shall be located at 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579 and/or may also have offices at such other places as its Board of Directors ("Board") may from time to time designate by written notice to the members.
- B. **Purpose.** The Co-op's purpose will be to develop or arrange for the development of advertising and marketing materials for use on television, radio, outdoor, print and/or other media employing advertising agencies it deems appropriate, including agencies affiliated with any of the franchise or licensee systems represented herein, to assist therewith, and to develop promotional and marketing materials from time to time for all the quick service restaurant units in the U.S. and/or abroad ("Units") featuring chicken which operate under systems affiliated with Famous Recipes Group, LLC ("Franchisor/Licensor") using the Franchisor/Licensor owned trade names, trademarks, service marks and/or indicia of origin (collectively the "Trademarks"), and which contribute to the Co-op managed by the Board. Without limiting the foregoing, the Units shall include franchised/licensed restaurants of Lee's Famous Recipe Chicken ("Lee's"), as well as restaurants complying with these By-Laws which are operated by Franchisor/Licensor or any affiliate of Franchisor/Licensor, including Lee's ("Company Units"), as determined by the Chairman. All advertising and promotional materials will be designed for local, regional or national use, consistent with the products and services offered to customers by the Lee's Systems, as well as by Company Units. The Co-op will endeavor to utilize advertising and promotions designed to benefit all of the members of the Co-op; provided, however, that the Co-op will have no obligation to ensure Co-op expenditures in or affecting any geographic area within a market area are proportionate or equal to the contributions of members operating in that geographic area or that any Unit will benefit directly or in proportion to its Co-op contribution. It is understood that advertising and marketing materials may be identical, except for use of trademarks. This Co-op is for the cooperative benefit of its members and it will take no action inconsistent with the provisions and terms of these By-Laws or any other agreements signed by the members and the Franchisor/Licensor, except with the express prior written permission of the Franchisor/Licensor.

ARTICLE II

MEMBERS

- A. **Membership.** The members of the Co-op will consist of the Franchisor/Licensor, and such persons or entities that now or hereafter own Units that are franchised, licensed or sub-licensed by Franchisor/Licensor, or its affiliates. Membership for such persons and entities operating Units will automatically commence when the Unit opens for business. In addition, when a person or entity acquires ownership of a Unit or when a person or entity opens a Unit which is franchised, licensed or sublicensed by a Franchisor, or its affiliates, after the date hereof, each such entity or person shall be bound by these By-Laws. Membership shall continue until the Co-op is dissolved or the member ceases to operate its unit, as provided in Article II, Section G of these By-Laws.
- B. **Voting Rights.** Each member who owns a Unit and who is also in good standing is entitled to one vote for each and every such Unit on all matters coming before the membership of the Co-op. Franchisor/Licensor will also have one vote for each and every Company Unit operating under its authority. If the partners of a joint venture or partnership-owned Unit disagree on a particular matter, the vote for the member will be decided by the partner who is authorized to act for the partnership on the records of the Franchisor/Licensor. In order for a member to be in good standing, such member's contributions must not be past due in any amount and such member must be in substantial compliance with these By-Laws, the rules and policies of the Co-op and any agreements with Franchisor/Licensor. If the member is past due for any amount, his voting rights will automatically be suspended and such rights will not be reinstated until all past due contributions are fully paid with interest thereon as provided in Article II, Section D of these By-Laws. All references in these By-Laws to "entire membership" mean all members in good standing whether or not present at a meeting.
- C. **Voting and Policies.** Each member of the Co-op is bound by any action, which has received the required vote for adoption (see Article IV, Section H) even though such member voted against the action. If a particular proposal receives a tie vote, then such proposal will not be adopted. Each member agrees to coordinate his individual advertising and promotion efforts with the Co-op's advertising so as to avoid any conflicts or inconsistencies and to maximize the effect of the Co-op's advertising. If any member conducts a promotion or advertisement on his own behalf, the advertisements for such promotion or advertisement must clearly identify the address of his Unit(s).
- D. **Suspension for Cause.** In the event a member of the Co-op materially or repeatedly breaches the terms of these By-Laws or the rules of the Co-op, or acts in a manner prejudicial to the interests of the Co-op, including failure to pay its required contributions, the membership of such member may be suspended. The Board will review the actions of such member and, within thirty (30) days after completion by

the Board of such review, the Board will determine whether to recommend the member in question be suspended. The member under scrutiny will be informed of the Board's recommendation of suspension, and the member will be entitled to an opportunity for a hearing before the Board on the reasons for his possible suspension, except that no hearing will be required if such member is subject to suspension for failure to make any of its contributions. If the member does not attend the hearing after receiving the five (5) day notice (served by US Mail and Email) described above, he will be deemed to have waived his right to a hearing. After the hearing, if any, a vote of the Board will be taken. A majority vote of the voting power of the entire Board (exclusive of the member who is under scrutiny, if applicable) is required to suspend the membership of a member.

- E. **Effect of Suspension.** Until reinstated by a majority vote of the voting power of the entire Board, a suspended member will be subject to such restrictions as the Board may determine are appropriate. Such restrictions may include but not be limited to the denial of the right to participate in Co-op meetings or activities. However, during the period of suspension, the suspended member must, nevertheless, continue to abide by these By-Laws and the policies and other rules of the Co-op and to pay the contributions required of members.

- F. **Transfer of Membership.** Membership is transferable only by reason of the transfer of member's Unit(s) to another person or entity. The transferee will automatically become a member of the Co-op entitled to one vote for each Unit owned by the member. Before the transfer or sale of a unit (whether by direct or indirect sale, changed ownership, merger or otherwise), a member or his designee or representative must give reasonable advance notice to the Board of the proposed transfer or sale. A member must become current in all obligations to its Franchisor/Licensor and/or Co-op, before the effective date of such transfer or sale, and such transfer or sale will not relieve the transferor-member from any then-accrued obligations, including without limitation the obligation to pay any accrued, but unpaid, contributions. In addition, the transferee will also be liable for and required to pay any such amounts owed by the transferor if they are not paid in full within sixty (60) days after the effective date of transfer or sale.

- G. **Cessation of Membership.** Any member, who ceases operation of his Unit under Lee's trademarks or any trademarks owned by the Franchisor/Licensor, thereupon ceases to be a member of the Co-op, but will remain liable to the Co-op for any obligation accrued at the time such membership ceased.

- H. **Enforcement of Co-op Rules.** The Board may formulate policies and the members may promulgate rules to govern Co-op members and activities. The Co-op rules and policies will be published from time to time and made available to the membership. The Co-op or the respective Franchisor/Licensor may, at its discretion, take legal action against a member to collect contributions and to enforce these By-Laws or the Co-op rules and policies. No member shall be deemed to be a third party beneficiary of the Co-op. Even though a member discontinues its participation in Co-op

meetings or activities or resigns its membership in the Co-op, such member must continue to pay the contributions required of members and to abide by these By-Laws and the policies and other rules of the Co-op. The prevailing party to any enforcement action shall be entitled to an award of reasonable attorney's fees and costs.

ARTICLE III

FINANCIAL PROVISIONS

- A. **Fiscal Year.** The fiscal year of the Co-op will be a 52 week year ending on the 31st of December.
- B. **Amount**
- (a) Subject to a contrary definition in agreements between Franchisor/Licensor and member, which agreements may include, but not necessarily be limited to Franchise Agreement, License Agreement, or Advertising Royalty Agreement (collectively the "Agreements"), as used in these By-Laws, the term "gross sales" shall mean the total amount of all revenues derived (whether in the form of cash, credit, insurance proceeds for lost sales covered by business interruption insurance, agreements to pay or other consideration, and whether or not payment is received at the time of sale or any such amounts prove uncollectible) which arise from or are derived by member or any other person from business conducted or which originated in, on, from or through the Unit, or from the sale of any products or services associated with the use of Trademarks licensed by either Franchisor/Licensor, or its affiliates, including sales from vending machines and catering sales, but excluding sales tax or any similar taxes which are required by law to be computed separately and paid by the customer.
- (b) The contribution of each member will be a percentage of the member's gross sales as defined in the members Agreements. The contribution shall be payable at such time and place as set forth in each member's respective Agreements. Each Company Unit shall pay the percentage of gross sales as is required to be paid by a franchisee/licensee under the current form Agreements in effect at the time such Company Unit opened for business. Contributions will be past due if not received on or before the tenth (10th) day following the due date.
- C. **Use of Funds.** All contributions of members and Company Units and other income (the "Advertising Fund") will be received and held in a separate bank account by the Co-op and will be used in furthermore of the Co-op's not-for-profit purposes authorized by the Board. The Co-op may use contributions to pay for the costs of preparing and producing video, audio and written advertising materials; administering advertising programs, and employing advertising agencies to assist therewith; supporting public relations, market research and marketing activities; providing advertising and marketing materials to Units and Company units and

paying reasonable salaries, and administrative and overhead costs as Co-op employees and agents may incur in activities reasonably related to the administration of the Advertising Fund and its advertising programs (including, without limitation, conducting market research preparing advertising and marketing materials and collecting and accounting for contribution to the Co-op). The Advertising Fund may also pay all or part of the full cost, including salary, benefits and expenses of the senior marketing officer and staff of the Franchisor/Licensors. No part of the contributions of the members and other income will inure to the benefit of any one individual or member. It is not intended that the Advertising Fund constitute a trust or that any fiduciary relationship be established with respect to the Co-op or the Advertising Fund.

- D. **Collection of Funds.** The Treasurer will have authority to collect contributions for the Co-op. The Co-op may retain an independent public accountant, bank or other special agent to handle the collection of contributions, make disbursements, maintain the Co-op's books and handle other matters concerning the Co-op's funds. Each member will be furnished annually with a written report of the financial condition of the Co-op, including a statement of income and disbursements, a balance sheet, a breakdown of the members' contributions and a list of those members in default. The Co-op will make such adjustments in its use of the Advertising Fund as its independent public accountant may determine is appropriate. To facilitate the collection of contributions, the Treasurer may request that Franchisor/Licensors render bills for and collect the required percentage of gross sales, provided that all amounts so collected by the Franchisor/Licensors will be the property of the Co-op and will not be co-mingled with the funds of either Franchisor/Licensors or Franchisee/Licensee.
- E. **Nonpayment of Contributions.** Any member who fails to pay any contribution on the date due will be notified of such failure by the Treasurer. If payment is not made within the time period stated in such notice, interest shall accrue at the highest applicable legal rate permissible for the extension of such credit, which in no event shall exceed one and one-half (1.5%) per month. In addition, the member's voting rights will be automatically suspended as provided in Article II, Section B, and the member will be subject to suspension for cause, as provided in Article II, Section D.
- F. **Contractual Obligation to Contribute and to Report Sales.** Upon commencement of membership, each member is contractually obligated by virtue of these By-Laws to pay the Co-op contributions to the Co-op and to submit reports on the gross sales of the member's Unit. These obligations are in addition to any obligations the member may have to its Franchisor/Licensors or its affiliates under his license, franchise or other operative agreements with the Franchisor/Licensors or its affiliates.
- G. **Patronage Dividends.** Notwithstanding any above Section of Article III, the Co-op will distribute Patronage Dividends to the members of the Co-op based on the following Subsections of Article III, Section G.

- a. Distribution of net savings. The realized net savings of the Co-op, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners as Patronage Dividends in proportion to their patronage and in such a manner and at such a time as to constitute Patronage Dividends within the meaning of the Internal Revenue Code. The Co-op may set aside only such reserves as are authorized in this Section of Article III. To the extent permitted under the Internal Revenue Code, all of the operations of the Co-op shall be netted into a single allocation unit. Patronage Dividends shall be made 50% in cash and 50% to each individual Member Account as a written notice of allocation, unless different proportions are approved by the Board within eight-and-a-half months of the fiscal year's close—however, at least 20% of the Patronage Dividends must be distributed in cash. Patronage Dividends may be by qualified or non-qualified written notices of allocation or a combination of the two.
- b. Exceptions. Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other Members. Members shall retain the rights to waive in whole or in part, by action at a meeting of Members, any Patronage Dividends to which they may be entitled.
- c. Members' Covenant to Declare Income for Tax Purposes. Each Member shall take into account on their income tax return any Patronage Dividends which are made in qualified written notices of allocation as defined in I.R.C. § 1388 at their dollar amounts in the manner provided in I.R.C. § 1385(a) in the taxable year in which the Member receives such written notices of allocation.
- d. Deferred Amounts. Payment of a portion of Patronage Dividends, not to exceed 80% of the allocation, may be deferred for the reasonable capital needs of the Co-op, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient Members and shall accrue no monetary return on investment. They shall be redeemed when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions shall be made payable only to Members who are then in good standing or become so within a six-month period of time. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.
- e. Net Loss. In the event the Co-op shall incur a net loss in any fiscal year, such loss shall be allocated to Members in the same manner as for net savings, subject to the exclusion of nominal amounts as described in Article III, Section G, Subsection b. Any such allocated net loss shall be charged first against deferred Patronage Dividends of prior fiscal years and then against Patronage Dividend

allocations of subsequent fiscal years. Allocated net losses which are not offset may be charged against the carrying value of shares only upon termination of membership. Allocated net losses shall not otherwise be assessed to or collected from members.

ARTICLE IV

MEMBERSHIP MEETINGS

- A. **Annual Meeting.** The members will meet once each year typically in conjunction with the annual convention of Lee's franchisees, to elect directors, review the activities of the Co-op's advertising agency and public relations firm (collectively the "Agency") and to transact other appropriate business.
- B. **Special Meetings.** Special meetings may be called at the request of the majority of the Directors of the Board or at the request in writing of members controlling at least sixty-seven (67%) of the voting power of the entire membership.
- C. **Time and Place of Meetings.** Annual and special meetings such as retreats, conferences, and conventions will be held at such date and time as the Board may determine. Members and invited guests will not be reimbursed for expenses incurred in connection with attending meetings if meeting is held in conjunction with annual meeting.
- D. **Notice of Meetings.** Notice stating the date, time and place of any annual meeting will be given to each member by an officer of the Co-op at least thirty (30) days before the meeting date. Notice may be given in writing or by telephone. The purpose(s) of special meetings must be given in the notice. Mailed notice must be sent no less than thirty (30) days nor more than sixty (60) days before the date of a meeting, and such notice will be deemed sent when placed in the U.S. mail and addressed to the member's address shown on the Co-op's records. Attendance at a meeting will be a waiver of notice except when a member objects that the meeting is not lawfully called.
- E. **Informal Action.** The Directors may take action by written consent without a meeting, without prior notice and without a vote, provided that the vote of members consenting is not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all members having a right to vote thereon were presented and voted. The members may also have meetings and take action by a telephone conference at which all participants can hear and speak to each other.
- F. **Quorum.** The presence of a majority of the voting power of the entire membership is a quorum for all meetings. A quorum will not be lost by reason of members leaving the meeting before adjournment.
- G. **Proxies.** Unless the members decide otherwise, members may vote by proxy, and notices of meetings may contain ballots for voting on business to be conducted at the meeting.

H. **Majority Vote.** Unless otherwise required in these By-Laws, a majority vote of the voting power of the members where a quorum is present is required and will be sufficient for the adoption of any action by the members.

I. **Advertising and Public Relations Agency (“Agency”).** The Board may, from time to time, hire or fire the Agency by a majority vote of the voting power of the entire Board. The Agreement between the Agency and the Co-op will provide that any member of the Co-op in good standing may examine, at any time during the Agency’s regular business hours, billings to and payments by the Agency for the Co-op account, and that the Agency will comply with such member’s rights to review and approve advertising and promotional materials.

ARTICLE V

THE BOARD OF DIRECTORS

A. **Management of the Co-op.** The property and business affairs of the Co-op will be controlled and managed by the Board of Directors

B. **Powers.** The Board will have the power to:

- (a) establish budgets and invest and reinvest Co-op funds;
- (b) approve programs, promotions and advertising formats;
- (c) hire, fire, review and approve plans and proposals of the Agency;
- (d) recommend and implement suspension of members;
- (e) fix and approve expenditures for advertising and marketing materials; and
- (f) make and implement rules and policies for all advertising, marketing and other business of the Co-op consistent with these By-Laws; provided, that each member shall be free to adopt his own pricing policies and practices.

C. **Tenure and Qualification.** The number of directors of the Co-op Board will be nine (9) and such number may be increased or decreased by future action of the Board, but shall not be less than nine (9); three (3) will be appointees of Franchisor/Licensors or its designee, three (3) will be Class 1 directors, and three (3) will be Class 2 directors. All Class 1 and Class 2 directors must be franchisee/licensee members, or a partner, officer or director of a member operating a franchised/licensed Unit and, except as provided below, will serve a two-year staggered term from the date of their election unless sooner removed. However, (i) at least one Class 1 and one Class 2 director must represent a member operating three (3) or fewer Lee’s Units; and (ii) Franchisor/Licensors will designate a Class 1 and Class 2 member at the initial meeting. Co-Op directors’ election will be by a majority vote of voting power represented at a meeting at which a quorum is present, or by mail if so recommended by the Board. No elected director may serve more than two (2) consecutive terms.

D. **Nominations.** Nominations for elected positions to the Board shall be solicited by the Board from members in good standing at least 60 days in advance of the Annual Meeting. Nominations

may be submitted in writing before, or in person, at the voting deadline by any member entitled to vote. Each member entitled to vote may cast one vote for each elected Board position, but no cumulative voting is authorized. The nominee(s) receiving the highest numbers(s) of votes cast shall be deemed elected. All nominees shall be contacted by the Secretary before their names are placed on the ballot to explain the responsibilities of the position and to obtain their consent to be placed in nomination. In addition, the Board may develop and implement modified or additional policies and procedures for the nomination and election of Board members.

E. **Meetings.** Board meetings will be held at least quarterly, and at such other time(s) as considered necessary by a majority of the members of the Board or when called by the Chairman. Special meetings of the Board require five (5) days prior written notice of the purpose of the meeting. A quorum exists if a majority of the directors are present. Attendance at a meeting will constitute waiver of notice except when a director attends to object to the adequacy of the notice. The vote of a majority of the directors present constitutes the action of the Board if a quorum is present.

F. **Vacancies.** Board vacancies and newly created directorships resulting from any increase in the authorized number of directors will be filled by action of the Board for the time between the vacancy and the next meeting of membership; and for appointed directors a vacancy will be filled by Franchisor/Licensor or its designee. At any meeting of the membership, the members may remove any elected director from the Board, with or without cause, and fill the resulting vacancy. The position of any elected director who is absent from two consecutive meetings of the Board may be declared vacant by majority vote of the Board.

G. **Informal Action.** The Board may take any action by unanimous written consent without a meeting. The directors may conduct meetings and take action by a telephone conference at which the participants can hear and speak to each other.

H. **Election.** Election of the Board will take place at the annual meeting of the membership. Voting will be by secret ballot.

I. **Fiscal Policies.** The Board will adopt, and may amend, the annual budget for the operation of the Co-op. The Co-op budget will operate on a cash basis such that budgeted expenditures will not exceed budgeted revenues. Surplus funds, if any, will be retained in the accounts of the Co-op from year to year.

J. **Compensation.** Directors will serve without compensation, but may be reimbursed for reasonable expenses incurred by them to attend Board meetings or meetings of the membership.

ARTICLE VI

OFFICERS

A. **General.** The officers of the Co-op will be a Chairman, Vice Chairman, Secretary and Treasurer and such other officers as may be designated by the Board. Each officer must be a director. Franchisor/Licensor reserves the right to elect a franchisee/licensee as an officer of the Board.

B. Election; Term of Office; Compensation. The Chairman shall be appointed by Franchisor/Licensor or its designee. The Secretary and Treasurer shall be appointed by the Chairman. The Vice Chairman will be elected by the Board at the Board's first meeting. Unless otherwise provided upon election, each officer will serve for one year commencing on the date of appointment or election; provided that any officer may be removed from office at any time, with or without cause, by a majority vote of the Board with respect to the Vice Chairman and by the Chairman with respect to the Secretary and Treasurer. Officers will serve without compensation, except as provided in Article III, Section B, and Article V, Section J of these By-laws.

C. Chairman. The Chairman shall preside at all meetings of the Board and of the membership; will administer and direct the regular activities of the Co-op within its stated purpose, will carry out the decisions and directives of the Board and carry out the day-to-day business of the Co-op in communicating with and providing advertising and promotional materials, services, and counsel to the members of the Co-op. The Chairman shall report on a day-to-day basis to the Franchisor/Licensor or its designee, and shall be responsible for carrying out the directives of the Co-op. At his/her discretion, the Chairman may appoint a Marketing Director, who may or may not be a member of the Board, to carry out the day-to-day business of the Co-op as provided above.

D. Vice Chairman. The Vice Chairman will perform the duties of the Chairman in his absence or during any period of incapacity and to perform such other duties as may be assigned by the Chairman or directed by the Board.

E. Secretary. The Secretary, as required by these By-Laws will notify the membership and the Board of all meetings, keep minutes of all meetings of the membership and the Board and perform such other duties as may be required by the Board. The Secretary shall also maintain an alphabetical list of all the members in good standing, including the address of each member and the number of votes such member is entitled to cast. Such list shall be open to the examination of any member during ordinary business hours, for a period of at least ten (10) days prior to the annual meeting and two (2) days prior to any special meeting.

F. Treasurer. The Treasurer will maintain all accounting records for the Co-op, disburse all funds in accordance with the By-Laws and the directives of the Board, prepare monthly financial statements for the Board, and such other fiscal duties as may be required by the Co-op. At the request of the Board, the Controller of Franchisor/Licensor or his designee will provide such accounting, treasury, tax and reporting services as the Co-op may require. Such services, if requested, will be provided free of charge.

G. Delegation of Duties. The Treasurer may use the facilities of a bank or an independent public accountant selected by the Board to assist in collection and handling of Co-op contributions and other record keeping and accounting functions. In addition, if approved by the Board, the duties of other officers may be delegated to the Agency or to another entity or person.

ARTICLE VII

The Co-op will indemnify any present or former director, officer, employee or agent for expenses and costs (including attorney's fees) actually and necessarily incurred by him in connection with any claim asserted against him by action in court or otherwise, by reason of his relationship with the Co-op and service in the legitimate business interest thereof, unless it has been determined that he was guilty of gross negligence or intentional misconduct in respect to the matter in which indemnity is sought. Such indemnification will not be deemed exclusive of any other rights to which such person may be entitled under these By-Laws, any agreement, vote of the Board, or otherwise.

ARTICLE VIII

CONTRACTS, CHECKS AND FISCAL YEAR

A. **Contracts.** The Co-op will only enter into contracts whose subject matter is authorized by the Board. Such authority may be general or specific.

B. **Checks.** All checks, notes or contracts of the Co-op must be signed by the Treasurer, or by such other person(s) designated by the Board.

ARTICLE IX

MISCELLANEOUS

A. **Office and Records.** The Co-op will maintain an office for its records at a place, which may be the office of Franchisor/Licensor or its designee, a member, the Agency or the accountant of the Co-op. The records may be inspected by any member or his representative during reasonable business hours, upon reasonable prior notice.

B. **Conduct of Meetings.** Subject to these By-Laws, membership and Board meetings will be governed as necessary by parliamentary procedures, set forth in Roberts' Rules of Order.

C. **Amendments.** These By-Laws may be amended, repealed or new By-Laws may be adopted by the Board of Directors by both the written approval of Franchisor/Licensor or its designee, and a majority vote of the voting power of the entire membership. The Co-op will continue until dissolved as provided above. Upon termination of the Co-op for any reason, the funds on hand and uncommitted shall be distributed among Franchisor/Licensor or its designee, to Lee's, as allocated by the accountants for the Co-op, or any successor entity if the advertising functions of the Co-op are to be performed by each Franchisor/Licensor or any successor entity, and, in which event, all fees and other payments for advertising due under these By-Laws or under the Agreements shall be paid to the respective Franchisor/Licensor or such successor entity. If the advertising functions of the Co-op are not to be continued, then such funds shall be distributed among the members and the Company Units in good standing in the proportion that they contributed such funds during the immediately preceding twelve months.

D. **Construction.** Unless the context specifically requires otherwise, any reference in these By-Laws to the masculine gender will include the feminine and neuter genders; any reference to the singular will include the plural, and any reference to the plural will include the singular. These By-Laws shall be governed by the law of the State of Florida.

E. **Effect of By-Laws.** Neither the By-Laws, as amended from time to time, nor the participation of any member in the Co-op will act, operate or be construed to alter, modify, amend, expand, increase or reduce the rights or obligations of any member under his license, franchise or other operative agreement(s) with his Franchisor/Licensor or its affiliates. In the event of any inconsistency between these By-Laws, as amended from time to time, and the terms and conditions of the operative agreement(s) of any member with the Franchisor/Licensor or its affiliates, the operative agreements(s) will govern the rights and obligations of such member of the Co-op.

EXHIBIT J
GENERAL RELEASE

GENERAL RELEASE

This GENERAL RELEASE (the "Agreement") is entered into as of _____, 20____ (the "Effective Date") between Lee's Franchisor LLC, a Delaware limited liability company ("Franchisor") and _____ (a corporation, limited liability company, partnership or individual), whose principal address is _____ ("Franchisee").

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

1. General Release. Franchisee, for itself and for its heirs, executors, administrators and assigns, does hereby release and forever discharge Franchisor and all of its shareholders, directors, officers, employees, and agents, and their successors, heirs, executors, administrators and assigns, along with any affiliates or subsidiaries (collectively, the "Franchisor Released Parties") of and from any and all known or unknown claims that have been made, could have been made or might hereafter be made, against the Franchisor Released Parties, or that arise out of, are related to, or are in any manner connected to the Franchise Agreement, as well as from any and all known or unknown claims, demands, causes of action, suits and/or liabilities whatsoever, both at law and in equity, that Franchisee ever had, now have or that it or its heirs, executors, administrators or assigns hereafter can, shall or may have against the Franchisor Released Parties, or any one of them, jointly or severally, for or by reason of any matter, cause or thing whatsoever, from any time prior to the Effective Date of this Agreement, the intention of this provision being to release completely, absolutely, and finally the Franchisor Released Parties from all liabilities arising from any matter or thing arising out of, relating to or pertaining to the Franchise Agreement.

2. Survival of Rights. All rights and obligations created under this Agreement, including, without limitation, the releases contained in it, will survive the execution of this Agreement, as well as the execution of any other agreements that may be entered into between or among Franchisor or Franchisee.

3. Authority to Execute. Each person executing this Agreement on behalf of any of the parties to it represents and warrants that he or she has the authority to execute this Agreement, and that all necessary action for the execution of this Agreement has been taken. By signing below, each person and entity included as a part of "Franchisee" is signing not only on behalf of himself or herself but also as an authorized representative of any and all entities included within the definition of "Franchisee."

4. Successors and Assigns. The provisions of this Agreement shall inure to the benefit of and be binding upon the heirs, successors and assigns in interest of the parties to this Agreement. The release herein of claims against the Franchisor Released Parties is binding upon the principals, agents, representatives, successors and assigns of Franchisee, and will also inure to the benefit of all other persons, firms, corporations, agents, or principals against whom the claims released in this Agreement might be asserted.

5. Applicable Law, Jurisdiction and Venue. This Agreement, the rights granted and the relationship created hereunder shall be governed, interpreted and construed in all respects in accordance with the internal laws of the laws of the state where Franchisor's principal executive office is located without reference to its conflict of laws principles. Franchisee agrees that any legal action arising out of, relating to, or in any way connected with this Agreement shall be brought the appropriate federal or state court in the state and county in which Franchisor has its principal executive office. Franchisee hereby irrevocably submits to the jurisdiction of those courts to the exclusion of any others and waives any objections to the jurisdiction or to the venue of those courts.

6. Counterparts and Electronic Signatures. This Agreement may be executed in counterparts, each of which, when signed, shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument. This Agreement and all other documents related to this Agreement may be executed with full legal force and effect by manual or electronic signatures. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

FRANCHISEE:

By: _____

Printed: _____

Title: _____

Date: _____

ACCEPTED by:

FRANCHISOR:

**LEE'S FRANCHISOR LLC,
a Delaware limited liability company**

By: _____

Printed: _____

Title: _____

Date: _____

EXHIBIT K

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

State	Effective Date
Illinois	Pending
Indiana	Pending
Michigan	Pending
Wisconsin	Pending

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

EXHIBIT L
RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L

Receipt

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

If Lee's Franchisor LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law. Michigan requires that we provide you with this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever first occurs.

If Lee's Franchisor LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the applicable state agency listed in Exhibit F-1.

The issuance date of this Franchise Disclosure Document is November 1, 2021.

Ryan Weaver, President and CEO and William Sparks, Vice President of Operations are the franchise sellers in this transaction. Their address is 1270 N. Eglin Parkway, Suite C-14, Shalimar, Florida 32579 and telephone number is 850-344-1130. If any other franchise seller is involved in this transaction, his or her address will be the same, with the name and phone number provided here _____.

We authorize the applicable state agencies identified on Exhibit F-2 to receive service of process on it in the respective states.

I received a disclosure document dated November 1, 2021, that included the following Exhibits:

EXHIBIT A	FRANCHISE AGREEMENT
EXHIBIT B	MARKET DEVELOPMENT AGREEMENT
EXHIBIT C	FINANCIAL STATEMENTS
EXHIBIT D	LIST OF EXISTING FRANCHISEES
EXHIBIT E	LIST OF FORMER FRANCHISEES
EXHIBIT F-1	STATE AGENCIES
EXHIBIT F-2	AGENTS FOR SERVICE OF PROCESS
EXHIBIT G	STATE ADDENDA
EXHIBIT H	STATEMENT OF PROSPECTIVE FRANCHISEE
EXHIBIT I	FORM OF ADVERTISING COOPERATIVE BYLAWS
EXHIBIT J	GENERAL RELEASE
EXHIBIT K	STATE EFFECTIVE DATES
EXHIBIT L	RECEIPT

[Signature page follows]

FRANCHISEE (for an entity)

FRANCHISEE (for individual)

Date: _____

Date: _____

(Print name of entity)

Signed: _____

a _____
(Type of entity and state of formation)

Print Name: _____

By: _____
(Signature of person signing on behalf of entity)

Address _____

(Print name of person signing on behalf of entity)

City: _____ State: _____

Its: _____
(Title of person signing on behalf of entity)

Phone: (____) _____ Zip: _____

Address _____

City: _____ State: _____

Phone: (____) _____ Zip: _____

This receipt of the disclosure document may be returned to us using one of the following methods of delivery:

By U.S. Mail:
or any express
courier service

Ryan Weaver
Lee's Franchisor LLC
1270 N. Eglin Parkway, Suite C-14
Shalimar, Florida 32579

-or-

By Telecopy:

850-344-1131

-or-

By E-mail in pdf format:

leesfranchising@famousforchicken.com

KEEP THIS COPY OF THE RECEIPT FOR YOUR RECORDS

EXHIBIT L

Receipt

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

If Lee's Franchisor LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law. Michigan requires that we provide you with this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever first occurs.

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EXHIBIT L	RECEIPT

[Signature page follows]

FRANCHISEE (for an entity)

FRANCHISEE (for individual)

Date: _____

Date: _____

(Print name of entity)

Signed: _____

a _____
(Type of entity and state of formation)

Print Name: _____

By: _____
(Signature of person signing on behalf of entity)

Address _____

(Print name of person signing on behalf of entity)

City: _____ State: _____

Its: _____
(Title of person signing on behalf of entity)

Phone: (____) _____ Zip: _____

Address _____

City: _____ State: _____

Phone: (____) _____ Zip: _____

This receipt of the disclosure document may be returned to us using one of the following methods of delivery:

By U.S. Mail:
or any express
courier service

Ryan Weaver
Lee's Franchisor LLC
1270 N. Eglin Parkway, Suite C-14
Shalimar, Florida 32579

-or-

By Telecopy:

850-344-1131

-or-

By E-mail in pdf format:

leesfranchising@famousforchicken.com

RETURN THIS COPY OF THE RECEIPT TO US