

## FRANCHISE DISCLOSURE DOCUMENT



Legacy Franchise Group, LLC  
d/b/a Country Kitchen International  
A Tennessee Limited Liability Company  
6405 Century Avenue, Ste. 001  
Middleton, Wisconsin 53562  
Phone: (608) 203-7602

[www.countrykitchenrestaurants.com](http://www.countrykitchenrestaurants.com)  
[www.cafebyck.com](http://www.cafebyck.com)

As a franchisee you will own and operate a Country Kitchen restaurant (a “Country Kitchen”), specializing in family dining, hand-made food cooked to order and related dine-in, carry-out and beverage service in an atmosphere resembling a farmhouse country kitchen.

The total investment necessary to begin operation of a Country Kitchen ranges from \$575,000 to \$1,685,000 for a standard Country Kitchen and \$425,000 to 895,000 for a limited service café style Country Kitchen, exclusive of the cost of real estate. These totals include \$40,000 that must be paid to the franchisor. The amount paid to the franchisor will increase if you also sign an Area Development Agreement because that agreement requires that in addition to payment of the \$40,000 initial franchise fee for the first Country Kitchen you also are required to pay us a deposit of \$20,000 for each additional Country Kitchen to be opened under the Area Development Agreement.

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 us, or make any payment to us in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship with us. Don’t rely on the disclosure document alone to understand your franchise agreement. Read all of your franchise agreement carefully. Show your franchise agreement and this disclosure document to an advisor, like a lawyer or 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 (“FTC”). 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

DECEMBER 16, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit J includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Country Kitchen business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Country Kitchen franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 A.

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 Wisconsin. 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 Wisconsin than in your own state.

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

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Exhibits are listed on the next page.

## EXHIBITS

- A. List of State Franchise Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement
  - Appendix A-1 Franchise Information
  - Appendix A-2 Amendment to Franchise Agreement Regarding Café by Country Kitchen
  - Appendix B-1 Personal Guaranty and Personal Covenants of Principal Owner
  - Appendix B-2 Personal Covenants of Principal Owner(s)
  - Appendix B-3 Personal Covenants of Approved Operator
  - Appendix B-4 Confidentiality and Non-Disclosure Agreement for Execution by Franchisee's Owners, Managers and Employees
  - Appendix C Addendum to Lease Agreement and Collateral Assignment of Lease, and Exhibit A Attached Thereto (Confidentiality and Non-Disclosure Agreement)
  - Appendix D Declaration of Franchise Agreement
  - Appendix E Pre-Authorization Bank Transfer
  - Rider 1 SBA Addendum to Franchise Agreement
- D. Area Development Agreement
  - Appendix A Area Development Agreement Term Sheet
  - Appendix B Personal Covenants of Principal Owner(s)
  - Appendix C Confidentiality and Non-Disclosure Agreement
- E. List of Franchise Outlets
  - Appendix A List of Former Franchisees
- F. Sample Release
- G. State-Specific Disclosures and State-Specific Amendments to Agreements
- H. Table of Contents for Current Operating Manual
- I. Franchisee Compliance Certification
- J. Financial Statements
- K. State Effective Dates
- L. Receipts

APPLICABLE STATE LAWS MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE AN ADDENDUM TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND AMENDMENTS, IF ANY, APPEAR IN EXHIBIT G.

## **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### The Franchisor, and Any Parents, Predecessors and Affiliates

To simplify the language in this disclosure document, “we” or “us” refers to Legacy Franchise Group, LLC, a Tennessee limited liability company, located at 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562. We also operate under the name Country Kitchen International. “You” refers to the individual or entity who buys the franchise and/or area development rights, as the case may be. If you form a corporation, limited liability company, partnership or other business entity, the reference to “you” may include the owners of the entity. Those individuals or entities owning ten percent (10%) or more in your business are referred to as “Principal Owners”.

We are a Tennessee limited liability company. We were organized on August 24, 2011 and currently offer franchises for the operation of a family-casual themed restaurant under the names “Country Kitchen International”, “Country Kitchen®”, “Country Kitchen Restaurant®” or “Café by Country Kitchen®”. We currently do not operate, nor have we operated in the past, any company-owned Country Kitchens. We currently do not offer, nor have we offered in the past, franchises in any other line of business. We have no parent company and no affiliates that offer franchises in any line of business or provide products or services to our franchisees.

### Our Predecessors and Affiliates

We acquired the major portion of our assets on September 1, 2011 when we purchased the assets of Country Kitchen Franchise Marketing Group, LLC (“CKFMG”). CKFMG was a single member, single purpose, limited liability company formed at the direction of Community First Bank (“CFB”) of Reedsburg, WI on December 23, 2010 for the purpose of acquiring, organizing, managing and selling the assets of Kitchen Investment Group, Inc. (“KIGI”) under a state receivership action commenced by CFB against KIGI in July 2010. CFB was the court appointed receiver in the action. On September 1, 2011 CKFMG sold all of its assets (i.e., the assets formerly owned by KIGI) to us consistent with the court ordered sale of the assets.

KIGI’s principal address was 801 Deming Way, Madison, WI 53717. KIGI acquired the assets of Country Kitchen International, Inc., a Minnesota corporation, on July 22, 1997, including the exclusive right to its corporate name and the exclusive right to offer Country Kitchen® franchises throughout the United States and most areas worldwide.

KIGI offered and sold franchises for the operation of Country Kitchen® Restaurants from July 22, 1997 until the receivership action was commenced in July, 2010. A limited number of company-owned Country Kitchen restaurants were also operated during this time. KIGI did not offer franchises in any other line of business. CKFMG maintained the franchise system during the receivership proceeding, but no additional franchises were sold during the pendency of the receivership proceeding.

### Agents for Service of Process

Our agents for service of process in each state are listed in Exhibit B.

### Our Business

Country Kitchens are full service, family dining restaurants that specialize in hand-made food cooked to order and feature our signature skillet breakfasts, pancakes, hamburgers, salads, traditional grille and dinner entrées made with fresh, quality ingredients. and related dine-in, carry-out and specialty beverage service in an atmosphere resembling a farmhouse country kitchen. We have developed and own a comprehensive system

for developing and operating Country Kitchens (the “System”). The System includes distinctive exterior and interior design, décor, color schemes, and furnishings; special recipes and menu items; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory and management control; training and assistance; and advertising and promotional programs. We will provide new information and techniques to you through the Operating Manuals (the “Manual” or “Manuals”) as we consider necessary and appropriate. We identify the System by means of certain designated trademarks (a “Mark” or “Marks”) and may designate in the future additional or other marks for use with part or all of the System. We may modify the Marks used to identify the System from time to time. As part of the full-service brand, we have introduced other components to the business model which include online ordering for customer pick-up.

We also offer a breakfast and lunch variation of the standard Country Kitchen. The variation is known as a Café by Country Kitchen (a “Café”). The Café may be distinguished from a standard Country Kitchen by having limited hours, a unique and modified menu, different uniforms, POP (point-of-purchase, or in-store, marketing materials) specific to the concept, trade dress, brand representation and signs. The Café may appear as a standalone location or in a nontraditional location.

Except as set forth herein, we do not operate and are not involved in any other business activities.

Unless specifically herein provided otherwise, discussion of rights and obligations applicable to a standard Country Kitchen apply equally to a Café.

### The Franchise Agreement

Pursuant to our standard unit franchise agreement (the “Franchise Agreement”), attached as Exhibit C, we grant you the right to develop and operate a single Country Kitchen designated in the Franchise Agreement at a specified location using the Marks and System. In exchange, you agree to operate the Country Kitchen in strict compliance with our standards and procedures and pay royalty and other fees.

### Area Development Agreement

Pursuant to our standard area development agreement (the “ADA”), attached as Exhibit D, we grant to certain developers the right to develop a designated form of Country Kitchen in a defined geographical area over an agreed upon time period. You must sign a separate then current Franchise Agreement for each Country Kitchen you open under the ADA, subject to our consent to each Country Kitchen location. Each separate Franchise Agreement will be on our then current form of Franchise Agreement and that form may vary from the form included in this disclosure document

### Competition

The restaurant business is highly competitive with respect to price, service, location, food quality, and quality of service. It is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. You should anticipate competing with numerous other restaurants offering a wide range of comparably priced food and beverage items and a wide variety of service formats. The businesses with which you should expect to compete include national or regional franchise systems and other chains, and independently owned local restaurants located in the area of your Country Kitchen which offer similar facilities to the same customers. Your business will be affected by its location, the locations of competing restaurants and other businesses, your financial and managerial capabilities, availability of labor, interest rates, changes in traffic patterns, demographic or cultural conditions, and other factors. There is active competition for management and service personnel, as well as for attractive commercial real estate sites suitable for restaurants.



## Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Country Kitchen. A variety of laws govern the operation of a food service business. Examples include laws relating to food safety, health and sanitation codes, laws, rules and regulations concerning “Truth in Menu” (concerning menu item names and product labeling), laws requiring nutritional information on menus and menu boards, laws concerning nutritional claims, the Federal Americans with Disabilities Act of 1990 (“**ADA**”), data protection (such as credit card protection under the U.S. Fair and Accurate Credit Card Transactions Act, or “**FACTA**”) and privacy laws. There may be other laws applicable to your business and we urge you to make further inquiries about these laws. In addition, laws that apply to business in general will affect you. You must also comply with all provisions of the USA Patriot Act and Executive Order 13224.

If you operate a Country Kitchen that sells liquor you will need to obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws addressing injuries directly and indirectly related to the sale of liquor and its consumption. You will need to understand and comply with those laws in operating your Country Kitchen.

You should investigate whether there are regulations or requirements that apply in the geographic area in which you are interested in locating your Country Kitchen and should consider their effects and the cost of compliance with those requirements.

## Item 2

### **BUSINESS EXPERIENCE**

#### Chairman: Brent Ray

Mr. Ray has been our Chairman, sole Director, Manager and Member since our inception on August 24, 2011.

#### Chief Executive Officer: Charles Mocco

Mr. Mocco has served as our Chief Executive Officer since our inception on August 24, 2011. He also served as the Chief Executive Officer for CKFMG from December 2010 until our inception.

#### Director of Marketing: Carolina Hill

Ms. Hill has served as our Director of Marketing since January 2018. From January 2016 to November 2017 Ms. Hill was the Director of Marketing for Lee Enterprises and from March 2010 to December 2015 Ms. Hill was the Director of Marketing for Premium Restaurants of America for the brands Wendy’s and KFC.

#### Director of Operations and Education: Craig Jansen

Mr. Jansen has served as our Director of Operations and Education since October of 2018. Since December 2012 Mr. Jansen serves in the capacity as a Franchise Business Consultant overseeing our Training Store located in Dodgeville Wisconsin.

#### Controller: David Semrad

Mr. Semrad has served as our Controller since our inception on August 24, 2011. Prior to that, he served as the Controller for CKFMG.

Item 3

### **LITIGATION**

No litigation is required to be disclosed in this Item.

Item 4

### **BANKRUPTCY**

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

Item 5

### **INITIAL FEE**

#### Franchise Agreement

You must pay us an initial fee of \$40,000 upon execution of the Franchise Agreement (the “Franchise Fee”). See the discussion immediately below for the Franchise Fee to be paid in connection with the second and subsequent Country Kitchens to be opened under an effective ADA. The Franchise Fee is non-refundable.

#### Area Development Agreement

If you sign an ADA, you must pay us a fee equal to \$40,000 for the Franchise Fee for the first Country Kitchen you will open plus a deposit of \$20,000 for each additional Country Kitchen you are obligated to open under the ADA (the “ADA Fee”). The entire ADA Fee is due at the time you sign the ADA. \$40,000 of the ADA Fee will be credited against the Franchise Fee due for the first Country Kitchen and \$20,000 will be credited against the Franchise Fee due for the second and subsequent Country Kitchens to be opened pursuant to the ADA.

The current form of ADA provides that during the first 5 years of the ADA, and provided you are not in default under any agreement with us, the Franchise Fee is reduced for the second and subsequent Franchise Agreements signed during the term of the ADA. Specifically, the Franchise Fee is \$35,000 for the second Country Kitchen developed under the ADA and \$25,000 for the third and subsequent Country Kitchens developed during the term of the ADA. The ADA Fee is non-refundable.

The Franchise Fee and computation of the ADA Fee are uniform as to prospects currently acquiring franchise rights. We may provide a credit against the Franchise Fee and/or ADA Fee for the perceived value of services provided by the franchisee or developer to us in connection with the establishment or opening of the franchised Country Kitchen. For example, we have provided credit for lodging provided to our staff that was on-site establishing a new franchised Country Kitchen where the Country Kitchen was in or adjacent to a lodging facility also owned by the new franchisee. The amount of any such credits are transaction specific depending upon the services provided and therefore negotiated.

Item 6

**OTHER FEES**

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Continuing Fee	4% - 5% <sup>2</sup> of Gross Receipts	Payable to us via electronic transfer on the 10 <sup>th</sup> day of the next month	“Gross Receipts” is defined in Article 1 of the Franchise Agreement and generally includes all revenue from the franchised Country Kitchen but excludes sales or use taxes and discounts.
Advertising Production Fee	1% of Gross Receipts	Payable to us via electronic transfer on the 10 <sup>th</sup> day of the next month	The Advertising Production Fee is paid to us for the advertising production costs (including all costs relating to production of television, radio, newspaper, gift card, direct mail, social media, Facebook, and point of purchase advertising and all accompanying materials), all costs and expenses for this production (including salaries, office supplies, trade publications and related general and administrative expenses), and to promote the brand name and other national advertising promotions (including the Birthday Club).
Regional and National Ad Fund Contribution	3% of Gross Receipts	Payable to us via electronic transfer on the 10 <sup>th</sup> day of the next month	In addition to participation in the Regional and National Ad Fund, we reserve the right to require you to participate in a cooperative advertising association in your marketing area, as designated by us; provided, however, that your total contribution to the cooperative combined with any required payments to us for Regional Ad fund and/or National Ad Fund participation shall not exceed 3% of the Country Kitchen’s Gross Receipts. The franchisees within each marketing area will administer the cooperative advertising associations.
Operating Assistance	\$100 - \$300 per day plus travel, lodging and food expenses	30 days after billing	Applies to extraordinary assistance due to your failure to follow system standards, or at your request. Range depends upon the level of expertise required. These charges may increase over time.
Transfer Fee	\$5,000	Before or at time of approval	Payment of this Transfer Fee is one of the conditions of our consent to a Transfer.
Audit	Our actual costs (including, without limitation, travel expenses and legal fees)	30 days after billing	Applies only if audit shows an understatement of 2% or more of Gross Receipts.
Interest on late payments	Lesser of 1 ½ % per month or maximum rate permitted by law up to a maximum of 18%	Upon demand	Applies to all overdue payments to us.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Taxes	Varies	Upon demand	You must reimburse us for the amount of any tax, other than federal or state income tax, imposed upon us by a governmental agency due to our receipt of fees paid by you to us. Examples of such taxes include sales, use, excise gross receipts and property taxes.
Product and Services Purchases	Actual amount incurred	As incurred	You must buy products and services from our designated and approved vendors whose items meet our standards and specifications. We reserve the right to be the sole supplier of products and services.
Late Reporting Fee	\$100 per day	Immediately following assessment	If you do not timely submit financial statements we require on a monthly and annual basis as set forth in Section 8.1 of the Franchise Agreement, we impose a \$100 per day fee until the required information is submitted.
Default Fee	\$100 per day per violation of the Franchise Agreement terms	Upon demand	If you violate the terms of the Franchise Agreement, in addition to all other rights and remedies we have under the Franchise Agreement, we may assess a \$100 per day Default Fee.
Additional Training Fee	Actual amount incurred	As incurred	If we provide additional services or training to you, you must pay all of salary, travel, lodging, living and other related expenses of our representatives providing the service and additional training.
Additional Training Materials	\$30 to \$50	30 days after billing	We will provide one set of training materials per Country Kitchen. If you would like additional copies, you may obtain them through us.
Annual Service Agreement from Preferred POS Provider	\$2,300 annually	As per terms of contract	Includes the cost of a single integrated credit card processing module.
Insurance	Amount of premiums paid to obtain insurance meeting the then current coverage limits required under the Franchise Agreement.	Upon demand	Payable to us only if we elect to obtain coverage on your behalf after you fail to do so.
Management Fee	Varies. Currently estimated to be at least \$2,000 per week plus our operating losses (if applicable)	As incurred	If you abandon or otherwise fail to operate the Country Kitchen in accordance with the Franchise Agreement, we may elect to operate the Country Kitchen. Section 5.6 of the Franchise Agreement permits us to charge a reasonable fee for the service.
Removal of Trade Dress Upon Country Kitchen Closure	Our actual costs, including travel	Upon demand	If you cease operating the Country Kitchen and fail to remove all trade dress (including signage and awnings, if applicable) from the Country Kitchen within 10 days of closure, we may perform such removal and you must reimburse us for our actual expenses.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Indemnification	Our actual costs (no estimates available)	As incurred by us	Applies to costs of defending actions against us because of your Country Kitchen operation.
Reimbursement for Expenses Related to Approval Requests	\$100 - \$400 per request	As incurred	We may ask that you reimburse us for the costs and expense relating to the testing, research and investigation of proposed products, brands or suppliers. Those costs and expenses will vary depending upon the type and amount of necessary testing, research and investigation.
Annual Meeting Expense	Varies	As incurred	Amount varies depending upon several factors including distance traveled, mode of travel, location and number of days. The estimated typical expense would be between approximately \$500 and \$1,500.

**Footnote to Item 6:**

1. We expect that fees payable under Franchise Agreements described in this Disclosure Document will generally be uniform or within the designated parameters and nonrefundable. We reserve the right, however, to vary fees as a result of negotiations and to waive or refund fees as we deem appropriate in our sole discretion. Also, the Continuing Fee and Regional and National Ad Fund Contributions have been increased in recent years over the corresponding amounts due under past, but still effective, franchise agreements. The Franchise Agreement requires monthly payments by electronic funds transfer whereby we automatically withdraw the payments from your bank account.

2. The Continuing Fee for a Café by Country Kitchen is 5% of your monthly Gross Receipts.

Item 7

**YOUR ESTIMATED INITIAL INVESTMENT**

**FOR A RESTAURANT**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYEMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Franchise Fee <sup>(1)</sup>	\$40,000	\$40,000	Lump Sum	At signing of Franchise Agreement and, if applicable, Area Development Agreement	Us
Rent, Deposits, Licenses and Permits <sup>(2)</sup>	\$13,500	\$44,500	As Arranged (refundability depends upon negotiations)	Prior to Occupancy and/or at Signing of	Lessor, Government Agencies

			with third parties)	Lease; Payable Monthly	
Leasehold Improvements/ Construction Costs <sup>(3)</sup>	\$195,000	\$840,000	As Arranged	As Arranged	Contractor
Utility Deposits <sup>(4)</sup>	\$2,500	\$5,000	Lump Sum	As arranged; Prior to Opening	Utility Companies, Lessors
Furniture, Fixtures and Equipment <sup>(5)</sup>	\$165,500	\$385,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Point of Sale System, Software, Training and Installation <sup>(6)</sup>	\$15,000	\$21,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Signage	\$12,000	\$75,000	As Arranged	Prior to Opening	Approved Vendors
Initial Inventory <sup>(7)</sup>	\$15,000	\$20,000	As Arranged	Prior to Opening	Approved Vendors
Interior Décor	\$5,000	\$15,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Travel, Living and Salary Expenses While Training <sup>(8)</sup>	\$20,000	\$50,000	As Incurred	Prior to Opening	Airlines, Hotels, Restaurants
Insurance <sup>(9)</sup>	\$8,000	\$20,000	As Arranged	Prior to Opening	Insurance Companies
Grand Opening Advertising <sup>(10)</sup>	\$5,000	\$5,000	As Incurred	Prior to Opening	Approved Third Parties
Legal & Accounting <sup>(11)</sup>	\$2,000	\$12,000	As Arranged	As Incurred	Third Parties
Start-Up Supplies	\$1,500	\$2,500	As Incurred	Prior to Opening	Third Parties
Additional Funds – 3 months <sup>(12)</sup>	\$75,000	\$150,000	As Arranged	As Incurred	Approved Vendors, Third Parties
<b>Total Franchise Business Cost (Excluding Real Estate) <sup>(13), (14)</sup></b>	<b>\$575,000</b>	<b>\$1,685,000</b>			

**FOR A CAFÉ**

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYEMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Franchise Fee <sup>(1)</sup>	\$40,000	\$40,000	Lump Sum	At signing of Franchise Agreement and, if applicable, Area	Us

				Development Agreement	
Rent, Deposits, Licenses and Permits <sup>(2)</sup>	\$13,500	\$44,500	As Arranged (refundability depends upon negotiations with third parties)	Prior to Occupancy and/or at Signing of Lease; Payable Monthly	Lessor, Government Agencies
Leasehold Improvements/ Construction Costs <sup>(3)</sup>	\$75,000	\$150,000	As Arranged	As Arranged	Contractor
Utility Deposits <sup>(4)</sup>	\$2,500	\$5,000	Lump Sum	As arranged; Prior to Opening	Utility Companies, Lessors
Furniture, Fixtures and Equipment <sup>(5)</sup>	\$165,500	\$345,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Point of Sale System, Software, Training and Installation <sup>(6)</sup>	\$15,000	\$21,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Signage	\$12,000	\$75,000	As Arranged	Prior to Opening	Approved Vendors
Initial Inventory <sup>(7)</sup>	\$10,000	\$15,000	As Arranged	Prior to Opening	Approved Vendors
Interior Décor	\$5,000	\$15,000	As Arranged	As arranged; Prior to Opening	Approved Vendors
Travel, Living and Salary Expenses While Training <sup>(8)</sup>	\$20,000	\$50,000	As Incurred	Prior to Opening	Airlines, Hotels, Restaurants
Insurance <sup>(9)</sup>	\$8,000	\$20,000	As Arranged	Prior to Opening	Insurance Companies
Grand Opening Advertising <sup>(10)</sup>	\$5,000	\$5,000	As Incurred	Prior to Opening	Approved Third Parties
Legal & Accounting <sup>(11)</sup>	\$2,000	\$12,000	As Arranged	As Incurred	Third Parties
Start-Up Supplies	\$1,500	\$2,500	As Incurred	Prior to Opening	Third Parties
Additional Funds – 3 months <sup>(12)</sup>	\$50,000	\$100,000	As Arranged	As Incurred	Approved Vendors, Third Parties
<b>Total Franchise Business Cost (Excluding Real Estate) <sup>(13), (14)</sup></b>	<b>\$425,000</b>	<b>\$895,000</b>			

#### Footnotes to Item 7:

1. **Initial Franchise Fee.** The initial franchise fee and any fee payable under an ADA are also discussed in Item 5. The ADA required you to pay a deposit equal to the full Franchise Fee of \$40,000 for the first Country Kitchen plus an amount equal to \$20,000 for each additional Country Kitchen you are obligated to open under the ADA. These fees are paid to us when the ADA is executed and are not refundable. We will credit \$20,000 towards the Franchise Fee for each

Country Kitchen opened under the ADA after the first Country Kitchen. If you sign an ADA, we offer a reduced Franchise Fee for the second and subsequent Country Kitchens opened during the Term of the ADA. If you are a party to our ADA and develop a second Country Kitchen the Franchise Fee is \$35,000 and for third and additional Country Kitchens the Franchise Fee is \$25,000.

2. **Rent, Deposits, Licenses and Permits.** We estimate the rent, deposits, licenses and permits to be \$13,500 to \$44,500 for the initial month. Various permits may be required and may include building inspection fees and occupational license fees. If you do not already own adequate space, you will have to purchase or lease land and a building. Typical locations are shopping centers, urban commercial areas and suburban shopping areas. These locations vary in size from 2,500 to 5,000 square feet with seating capacities of 75 to 200 guests. Freestanding locations in suburban areas will require 1 to 1.25 acres of land and adequate parking facilities. The cost of commercial land or space, whether you lease or buy, varies considerably depending on the location and conditions affecting the local market for commercial property.

You will usually be required to pay a security deposit for leased premises. Typically, the security deposit will be equal to one month's lease payment, but this amount will vary depending upon negotiations with the landlord. Security deposits should not exceed an average of two months' rent on the property.

Local, municipal, parish/county, state and/or federal regulations vary on what licenses and permits are required by you to operate your Country Kitchen. Such license and permit fees are paid to these respective governmental authorities. The figures included in the chart above include the estimated cost of these licenses, including the ServSafe certification.

3. **Leasehold Improvements.** The cost of converting a leased facility to use as a Country Kitchen may vary widely depending upon the location, previous use and condition of the property. Freestanding Country Kitchens are ordinarily of masonry or frame construction. Construction costs will vary depending upon the availability and prices of labor and materials and whether certain costs will be borne by the landlord. The cost of land, if purchased, and site work vary depending upon the location and condition of the property. We cannot estimate the cost of purchasing land or site work, which will vary considerably from location to location. The figures in the chart above include the estimated cost for you to retain and employ an architect, engineer or other licensed and professionally qualified individual to assist with the improvements.
4. **Utility Deposits.** You may be required to pay deposits for certain utilities. The amount of these deposits and other utility costs may vary depending on the size and location of the Country Kitchen.
5. **Furniture, Fixtures and Equipment.** Our Manual contains a complete list of the required furniture, fixtures, equipment and smallwares that you will need to open and operate your Country Kitchen. As the above chart indicates, the cost of these items will vary depending on the size and location of your Country Kitchen. We have estimated the cost of these items for a typical Country Kitchen to be from \$165,500 to \$345,000.
6. **Point of Sale System, Training and Installation.** You must obtain at your expense specific computer hardware, software and training in its use. The figures in the chart above include the estimated cost of the hardware, ChowNow and credit card integration, and high-speed internet. This includes the estimated costs for network configuration and initial PCI/EMV compliance.



7. **Initial Inventory.** You must purchase initial inventory for the operation of your Country Kitchen. The estimated range covers a supply of food and paper products for one to two weeks of operations.
8. **Travel, Living and Salary Expenses While Training.** You are responsible for all transportation, lodging, meals, salaries and other expenses associated with the initial training program for you and/or your co-owner, managers and employees. Total costs for the 6 to 8 weeks training period are estimated at \$20,000 to \$50,000.
9. **Insurance.** During the term of the Franchise Agreement and any renewal term, you are responsible for all insurance premiums set forth and specified in the Franchise Agreement. You must name us as an additional insured at your expense and furnish us with certificates showing that the insurance is not cancellable without 30 days prior notice to us, along with evidence that the premiums have been paid. You are liable for any expense, including attorneys' fees, which we incur in connection with the insurance required under the Franchise Agreement. Required insurance includes general liability, employer's liability, workers compensation, auto liability, and property insurance. Your costs will vary according to the risks associated with our business and your location. The cost of workers compensation insurance will vary according to the number of employees and the requirements of state law. The figures included in the chart above reflect the approximate total cost of the estimated annual premiums.
10. **Grand Opening Advertising.** During the period from 15 days before to 30 days after the opening of the Country Kitchen, we will assist you in the arrangement of a Grand Opening promotion, which may include a direct mail campaign, a public relations program, distribution of advertising novelties, specialty items, food and drinks, newspaper advertising and social media campaigns. You are obligated to spend a minimum of \$5,000 for your Grand Opening promotion although we may recommend that you spend more. You will pay the \$5,000 directly to approved third parties.
11. **Legal and Accounting.** This item is the estimated cost of basic legal and accounting services provided to you by legal and accounting firms.
12. **Additional Funds.** This entry estimates additional funds you may need for the first 3 months of operation, including payroll costs and working capital for other expenses that could exceed receipts. These estimated amounts are based on our existing franchised locations that have opened in the past three years. These figures are estimates only and therefore we cannot guarantee that you will not have additional expenses starting the franchised business. Your costs will depend on factors such as: to what extent you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period. This amount does not represent a "break even" estimate or a representation that you will attain any level of profitability by a certain stage of your operation.
13. **Total.** This total assumes that the real property and building will be leased. Amounts for the lease depend on factors such as rental rates and land and building costs in the franchisee's area, and whether or not the landlord requires the franchisee to pay first and last month's rent in advance.
14. **General Note.** The various amounts in this table are estimates. We have relied upon our experience in the restaurant business to compile these estimates. It is impossible to calculate the exact investment required of each franchisee for a franchised business due to the many factors that influence the total project cost, such as location, amount of space leased, cost of land and building and other costs peculiar to a specific site. The initial investment will also vary considerably depending on the method and amount of financing. The equipment and other items are shown in full, although they may be financed. You should review these figures carefully with a business

advisor, accountant or attorney before making a decision regarding the purchase of a franchised business. We do not offer, either directly or indirectly, financing to you as a Developer/Franchisee in connection with the initial investment. In general, none of the expense listed in the above chart are refundable, except security deposits may be refundable.

No part of the Developer's or Franchisee's initial investment which is payable to us is refundable under any circumstances. We do not offer, either directly or indirectly, financing to you as a Developer/Franchisee in connection with the initial investment.

Developers should expect to incur the estimated initial investment above for each Country Kitchen that is developed.

## Item 8

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Equipment and Furnishings

You must install and use in the Country Kitchen only equipment (including, food and beverage preparation equipment, fixtures, furnishings, interior and/or exterior signage and air handling equipment) and other personal property which strictly conforms to our appearance requirements, uniform standards, specifications and procedures and the System, including any corresponding revisions. You must purchase and install all equipment and furnishings from only those suppliers that we designate or approve. We have the right to inspect and approve all equipment and furnishings and their installation to ensure your compliance with our standards and specifications.

If you wish to purchase or install any item that we have not specifically approved, or to purchase an item of equipment manufactured to our specifications from a supplier that we have not pre-approved, you must submit to us a written request for approval of the item or supplier. We have the right to require, among other things, that a sample of the item to be delivered or manufactured be made available in a manner acceptable to us or to an independent certified laboratory designated by us for testing prior to acting on the request for approval. We may ask that you reimburse us for the costs and expense relating to the testing, research and investigation of proposed products, brands or suppliers. Those costs and expenses will vary depending upon the type and amount of necessary testing, research and investigation. To date, we have not asked for reimbursement of these costs and expenses, but reserve the right to do so in the future. We currently estimate that such reimbursement could range between \$100 and \$400 per request. Unless we deliver an approval notice to you within thirty (30) days after we receive a written request for approval of an alternate supplier or item, the request shall be deemed denied. Under no circumstances will used equipment or smallwares be allowed, unless approved by us in our sole discretion. We reserve the right to reject your request for approval of a new item or supplier without conducting any investigation if we already have an approved item or have already designated a supplier for the item.

We formulate our specifications and standards based on our experience with the product and changes in manufacturers' products. The standards and specifications for equipment and furnishings and the identity of any approved suppliers are published in the Manual or otherwise made available to you. We reserve the right to, and expect to, supplement or modify the Manual and our standards, specifications and other publications we issue in our sole discretion at any time. We will provide notice in the Manual or by other methods (such as by email) of any changes. We are not required to make available to you, or to any supplier, our criteria for product or supplier approval. We evaluate and approve or disapprove suppliers based upon input and/or testing by our personnel.

We may revoke our approval of a particular item or supplier when we determine that an item or supplier no longer meets our standards. Upon receipt of written notice of such revocation, you must cease purchasing the item and/or using supplier.

### Food and Other Items

We have developed standards and specifications for food and beverage products used in the preparation, cooking and serving of food products authorized for sale at Country Kitchen. We have and will periodically approve suppliers and distributors of the products that meet our standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations.

You must purchase approved food products and other items only from sources that we approve. We may periodically modify the list of approved items, brands, suppliers, and distributors, and you may not, after receipt in writing of such modification, reorder any item or brand or reorder from any supplier or distributor which is no longer approved.

If you wish to use or serve any food or beverage item or other ingredient or wish to use any item, brand or supplier which is not approved at that time, you must first notify us and submit sufficient information, specifications and samples concerning the item, brand or supplier for a determination by us whether the item or brand complies with our specifications and standards and whether the supplier meets our approved supplier criteria. We may ask that you reimburse us for the costs and expense relating to the testing, research and investigation of proposed products, brands or suppliers. Those costs and expenses will vary depending upon the type and amount of necessary testing, research and investigation. To date, we have not asked for reimbursement of these costs and expenses, but reserve the right to do so in the future. We currently estimate that such reimbursement could range between \$100 and \$400 per request. Unless we deliver an approval notice to you within thirty (30) days after our receipt of a written request for approval of an alternate supplier or item, the request shall be deemed denied. Our approval of any such proposed item or supplier may be based on not only whether the item or supplier meets our standards and specifications, but may also take into account the uniformity, efficiency, and quality of operation we deem necessary or desirable in the System as a whole. We may concentrate purchases with one or more distributors or suppliers as we determine in our sole discretion to obtain lower prices and/or the best support and/or services. We reserve the right to reject your request for a new supplier or distributor without conducting any investigation if we already have a designated supplier or distributor for the product or material to be offered by the proposed distributor or supplier.

We formulate our specifications and standards based on our experience with the product and changes in manufacturers' products. The standards and specifications for food and related products and the identity of any approved suppliers are published in the Manual or otherwise made available to you. We reserve the right to, and expect to, supplement or modify the Manual and our standards, specifications, and other publications we issue in our sole discretion at any time. We will provide notice in the Manual or other methods (such as by email) of any changes. We are not required to make available to you, or to any supplier, our criteria for product or supplier approval. We evaluate and approve or disapprove suppliers based upon input and/or testing by our personnel.

We may revoke our approval of particular products or suppliers when we determine at any time in our sole discretion that the product or supplier no longer meets our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier.

### Purchasing Arrangements, Rebates and Other Contributions

We derive revenue, compensation, payments and other material benefits in consideration of purchases by you or other Country Kitchens in the System and on account of suppliers' dealings with us, you, and/or other Country Kitchens in the System. These benefits may include, by way of example, rebates, commission and/or

other forms of compensation. We are not obligated to remit any such benefits to you and reserve the right to retain all such benefits.

During our last fiscal year ended August 31, 2021, we received \$107,639 in connection with purchases by franchisees of these items from approved suppliers or 9.36% of our total revenue of \$1,150,079. Our rebate programs vary depending on the supplier and the nature of the product or service. Not every supplier pays rebates to us.

Some suppliers make contributions to advertising programs, promotions or our convention/regional meeting, which all franchisees were invited to attend at no additional cost except for transportation and hotel expenses. During our last fiscal year, we received \$29,290 from suppliers that engaged in transactions with our franchisees which we used to defray expenses for our annual convention/regional meeting (after convention/regional meeting expenses we credited the balance of \$15,120 to operating income). We may negotiate purchase agreements with suppliers (including price terms), for the benefit of the franchise System. If we establish these types of programs or arrangements, we may limit the number of suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers to the System.

We negotiate national purchasing and regional distribution arrangements with suppliers of food, dining room supplies, uniforms, office supplies, cleaning products and other products for your benefit in order to obtain volume discounts based upon purchases by those participating in the program. The availability of these programs to you varies with the number of licensees in a given geographic area.

We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers; however, we may consider your compliance with purchasing standards among many other factors when determining whether to renew or grant additional franchises.

Estimated Percentage of Required Purchases and Leases as a Total of Your Total Purchases and Leases in Operating the Country Kitchen. We estimate that approximately 80% to 90% of your expenditures for purchases and leases in establishing your franchised Country Kitchen and approximately 30% to 40% of your expenditures on an ongoing basis will be for goods and services which must be purchased from approved or designated sources or in accordance with our specifications.

Required Purchases from Us; Officer Ownership of Suppliers. There are currently no goods, services, supplies, equipment, computer hardware and software or real estate which you must purchase or lease from us, but we reserve the right to impose such a requirement in the future. As of the issuance of this disclosure document there are no approved suppliers in which any of our officers owns an interest.

Purchasing Cooperatives. We have the right, in our discretion, to designate any geographical area for purposes of establishing a purchasing program ("Purchasing Program"). If a Purchasing Program is established in the area encompassing your Country Kitchen at the time you open for business or is established during the term of your Franchise Agreement, you must immediately participate in the Purchasing Program.

## 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.**

**FRANCHISE AGREEMENT**

	<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a.	Site selection and acquisition/lease	1 & 3 and Appendices C & D	6,7 & 11
b.	Pre-opening purchases/leases	3 & 4	5, 6, 7 & 8
c.	Site development and other pre-opening requirements	3 & 4	7, 8 & 11
d.	Initial and Ongoing Training	1 & 5	6 & 11
e.	Opening	3 & 5	7 & 11
f.	Fees	6 and 8.1	5, 6, & 7
g.	Compliance with Standards and Policies/Operating Manuals	3,4,5,9,10 & 11	8, 11, 15,16 &17
h.	Trademarks and proprietary information	1, 10 & 11 and Appendices B-1, B-2 & B-3	13 & 14
i.	Restrictions on products/services offered	1, 4 & 5	8 & 16
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	1	12
l.	Ongoing product/service purchases	4	6, 7, 8 & 11
m.	Maintenance, appearance and remodeling requirements	3 & 5	8 & 11
n.	Insurance Obligation	9	7 & 8
o.	Advertising	6, 7, & 10	6 & 11
p.	Indemnification	9 & 16 and Appendices B-1 & C	6
q.	Owner's participation/management/staffing	1 & 5	15
r.	Records/reports	8	6 & 11
s.	Inspections/audits	5 and 8	6 & 11
t.	Transfer	12 and 13	6 & 17
u.	Renewal	2	17
v.	Post-termination obligations	11 & 12 and Appendix B-2, 3 and 4	17
w.	Non-competition covenants	1 & 12 and Appendices B-2, B-3	15 & 17
x.	Dispute Resolution	15	17
y.	Other – Operating Standards	5	11
z.	Other – Personal Guarantee of franchisee's obligations required from Owners	1 & 12 and Appendix B-1	15
aa.	Other – Personal Covenants required from Owners	1 & 12 and Appendix B-2, B-3	15
bb.	Other – Confidentiality Agreement required from managers & certain employees	1 & 12 and Appendix B-4	15

**ADA.** In some cases we may award a franchisee an ADA. An ADA allows you to develop multiple units in a territory. For each Country Kitchen you develop under an ADA, you would sign the then-current form of franchise agreement.

	<b>Obligation</b>	<b>Article in ADA</b>	<b>Item in Disclosure Document</b>
a.	Site selection and acquisition/lease	3 & 5	6 & 11
b.	Pre-opening purchases/leases	Not Applicable	Not Applicable
c.	Site development and other pre-opening requirements	3	11
d.	Initial and Ongoing Training	3	6 & 11
e.	Opening	Appendix A	Not Applicable
f.	Fees	3 & 4 & Appendix A	5, 6 & 7
g.	Compliance with Standards and Policies/Operating Manuals	5	11
h.	Trademarks and proprietary information	Not Applicable	Not Applicable
i.	Restrictions on products/services offered	Not Applicable	Not Applicable
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	1 & 3 & Appendix A	12
l.	Ongoing product/service purchases	Not Applicable	Not Applicable
m.	Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n.	Insurance Obligation	Not Applicable	Not Applicable
o.	Advertising	Not Applicable	Not Applicable
p.	Indemnification	11	6
q.	Owner's participation/management/staffing	3	15
r.	Records/reports	Not Applicable	Not Applicable
s.	Inspections/audits	Not Applicable	Not Applicable
t.	Transfer	6	17
u.	Renewal	2	17
v.	Post-termination obligations	2 & 7 & Appendix B	17
w.	Non-competition covenants	9 & Appendix B	17
x.	Dispute Resolution	10	17
y.	Other – Operating Standards	Not Applicable	Not Applicable
z.	Other – Personal Guarantee of franchisee's obligations required from Owners	3	15
aa.	Other – Personal Covenants required from Owners	3 & Appendix B	15

	<b>Obligation</b>	<b>Article in ADA</b>	<b>Item in Disclosure Document</b>
bb.	Other – Confidentiality Agreement required from managers & certain employees	3 & Appendix B	15

Item 10

### **FINANCING**

We do not offer direct or indirect financing to you. We do not guarantee your note, lease or other obligations.

Item 11

### **FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

#### **Franchisors Pre-Opening and Post-Opening Assistance.**

Before you open your Country Kitchen, we will provide the following:

1. Written criteria for site selection (if applicable) upon request (Franchise Agreement (“FA”) §1.7);
2. Typical site plans, standard construction plans, drawings and specifications for the Country Kitchen building and its related facilities (FA §1.7);
3. Standard layouts and specifications for fixtures, furnishings, interior design and décor, signs and equipment required as elements of the System (FA §1.7);
4. A procedure for obtaining our consent to your proposed site for operation of the Country Kitchen (Area Development Agreement (“ADA”) §3.02 and §3.03);
5. A preopening management training program and such other training at such locations and for such periods as we may periodically designate in the Manual or otherwise in written or electronic format (FA §1.7);
6. Other assistance as we may determine is required in connection with your Country Kitchen opening (FA §§1.7 and 5.3);
7. Access to 1 copy of the Manual (but only on a loaned basis), which we may elect to provide either in written or electronic format (FA §1.7);
8. An initial management training program (FA §5.3 and ADA §3.07);
9. Initial training materials and supplies (FA §5.3); and

10. A sample of our standardized chart of accounts, statement of earnings, balance sheet and other report formats to be used by you for purposes of reporting to us, which we may elect to provide either in written or electronic format (FA §1.7).

After you open your Country Kitchen, we will provide the following:

1. Periodically furnish updates to the Manual we consider necessary and appropriate. These updates will be made available electronically and posted on our franchisee portal. (FA §5.4);
2. Periodically provide written or verbal consultation relative to the operation of the Country Kitchen as we consider necessary and appropriate (FA §5.4);
3. Periodically, as we consider necessary and appropriate, inspect the premises of the Country Kitchen and the products served by you therein to determine the efficiency and quality of the operation and compliance with the System (FA §5.4);
4. On reasonable written request by you and as determined by us to be necessary and appropriate, furnish services to you addressing specific problems encountered by you. You must, however, reimburse us promptly for our actual time and actual expenses, including all labor related expenses, incurred in aiding you with such problems (FA §5.4); and
5. Review and approve advertising materials (FA §7.1).

#### **Site Selection and Related Matters.**

Site Section. Selection, procurement and development of a site for the Country Kitchen is solely your responsibility (FA §3.1 and ADA §3.01). You must, however, obtain our prior written consent for the proposed site before we will sign a Franchise Agreement. In evaluating a proposed site, we consider such factors as competition and market analysis, proximity to institutions and other potential sources of customers, building suitability, traffic counts, transportation availability, the nature and extent of adjacent businesses, the comparative advantages of a particular market, and other factors determined by us. Generally, we issue site approval or rejection within 30 days of your request for approval.

If the site will be leased or subleased by you, you must: (1) furnish us with a copy of the proposed lease or sublease prior to execution and (2) insert in the lease our required provisions contained in the Addendum to Lease and Collateral Assignment of Lease, a form of which is attached to the Franchise Agreement. We must approve any revisions to the Addendum to Lease and Collateral Assignment of Lease. (FA§3.1).

If the site is owned by you or any of your owners, the property shall be subject to a Declaration of Franchise Agreement in favor of us in the form attached to the Franchise Agreement stating that any transfer of ownership in the property (including but not limited to a sale leaseback to any of your affiliates) is subject to the terms and conditions set forth in this Agreement (FA §3.1).

Site Development. No later than 90 days after the effective date of the Franchise Agreement, your architect/engineer must develop a complete set of plans that are based on our standard building plans, conform such plans to local building and zoning codes, and submit such plans to us for our review and approval. In all instances, you must obtain our written approval of the final building and site plans prior to applying for a building permit or commencing construction.

You must begin the permitting process for the building and improvements for the Country Kitchen with the local governing body as soon as possible after you receive written notice from us of our approval of the final building and site plans and specifications. The building and improvements must be constructed in strict compliance with the final plans and specifications, as approved by the local governing body and us.



The length of time between the signing of the Franchise Agreement and the opening of a Country Kitchen varies depending on the time you take to complete your real estate acquisition and to permit and construct the building. Typically, the time necessary for the opening a ground up Country Kitchen after site-negotiations have been finalized is between six (6) to ten (10) months. If you have a current Area Development Agreement with us, the Country Kitchen must open for business in accordance with the development schedule in the ADA. Otherwise, you must open for business no later than 12 months after the effective date of the Franchise Agreement unless we agree with you in writing to a different timeline.

### **Advertising and Promotion.**

General Matters. We have the right to conduct, determine, maintain and administer all national, regional, local and other advertising and marketing as may be instituted periodically by us for the benefit of the System and to direct all such advertising and marketing with sole discretion over the concepts, materials, form, copy, layout and content used therein. We also have the sole exclusive right to print menus to be used in the Country Kitchen. You may not print menus without our prior written approval, which may be withheld in or sole discretion. We have no obligation to provide custom marketing materials for you. We have the right to charge a fee for any custom marketing or advertising services which you request from us. We may, at any time, enter your Country Kitchen and remove any unapproved signs or advertising and may keep or destroy such signs or advertising without paying for them and without being deemed guilty of trespass or any other tort.(FA§7.1)

Advertising Production Fund. You must pay an Advertising Production Fee at a rate of 1% of Gross Receipts on a monthly basis to us.(FA §6.3) We collect Advertising Production Fees for the production, research, creation and administration of advertising, menu testing and sales promotion programs for all Country Kitchen® Restaurants, and to produce television, radio, newspaper, social media, direct mail, Birthday Club, and point of purchase advertising and collateral materials. We use our in-house advertising department and may use a national or regional advertising agency. During the last fiscal year 15.88% of the amount collected for advertising production was spent on the production of advertisements and promotional materials, 7.11% was spent on materials and expenses associated with the sale of additional franchises, and 77.01% was spent for general and administrative expenses specifically relating to the production, research and creation of advertising, menu testing and sales promotional activities. Any fees not spent in the year in which they were paid may be spent in a future fiscal year. The Advertising Production Fund is audited as part of the annual audit of our financial statements conducted by our independent certified public accountants. Those financial statements are attached to this disclosure document as (Exhibit J). A copy of those financial statements will be made available to you upon request.

Contributions for the Advertising Production Fund are made by the franchisees via electronic transfer on the 10<sup>th</sup> day of the next month. Any locations that are owned or controlled by us, will contribute on the same basis as you.

Advertising expenditures are intended to maximize general public recognition and acceptance of all Country Kitchens and the System. However, we make no representation or warranty that any particular Country Kitchen, including your Country Kitchen, will benefit directly or pro rata from such advertising (FA Article 7).

Regional and National Ad Funds; Market Area Cooperative Advertising Association. We have the right in our sole discretion to establish a fund for the implementation of regional advertising programs intended to increase general public recognition and acceptance of Country Kitchens in a franchisee's regional area ("Regional Ad Fund"), and /or a national ad fund for the benefit of the System ("National Ad Fund").(FA §7.2) We may require you to contribute up to 3% of your Gross Receipts to the Regional Ad Fund and/or National Ad Fund. We reserve the right to require you to participate in a cooperative advertising association in your marketing area, as designated by us, provided, however, that your total contribution to the cooperative combined with any required payments to our Regional Ad fund and/or National Ad Fund will not exceed 3% of Gross Receipts. The franchisees within each marketing area will administer the cooperative advertising associations.

**Supplemental Advertising.** You are free to conduct, at your own separate expense, supplemental advertising to promote and increase the demand for the products and services of your own Country Kitchen.(FA§7.1) You may use only approved advertising materials for your advertising and promotions. You must obtain written approval from us prior to using any advertising or promotional materials not previously approved by us.

**Related Prohibitions.** You may not transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without our prior written consent. You are strictly prohibited from promoting the Country Kitchen and/or using the Marks on any social or networking Website, including Facebook, LinkedIn, MySpace and Twitter, or any similar sites, without our prior written consent.

### **Electronic Point of Sale and Computer Systems**

**Hardware.** We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by you, including without limitation: (a) back office and point-of-sale systems (including but not limited to food cost management, supply management and labor management systems), data, audio and video, systems for use at the Country Kitchen; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet access mode and speed; (e) physical, electronic and other security systems, including video surveillance; and (f) devices designed to enhance the efficiency of your Country Kitchen operations (collectively, the “Computer System”).(FA §3.6) We also require each site to provide gift card and credit card processing devices through Elavon or First Data. Currently, SilverWare POS, Inc. is the only approved supplier of many of the products and the estimated cost ranges from \$15,000 to \$18,000 depending on the size of your Country Kitchen and the number of terminals required.

**Software.** We also have the right, but not the obligation, to develop or to designate computer software programs (the “Required Software”), including updates, supplements, modifications, and enhancements to the Required Software that you must install at your expense and use in connection with the Computer System.(FA §3.6) SilverWare POS, Inc. is currently the only approved supplier of updates, supplements, modifications and enhancements to the Required Software. The annual cost of an annual service agreement is approximately \$2,300. This includes the cost of a single integrated credit card processing module.

**Upgrades, Updates and Modifications.** We have the right to establish reasonable new standards for the implementation of technology in the Computer System.(FA §3.6) You must abide by those reasonable new standards and pay the costs to purchase, lease or license new or modified computer hardware and software or obtain service and support for Computer Systems and/or Required Software during the term of this Agreement. There are no contractual limitations on either our right to require you to obtain updates and/or upgrades, or the cost of any updates and/or upgrades.

**Our Access to Data and Information on Your Computer System.** There are no contractual restrictions, and we have the unrestricted right, at any time to remotely retrieve and use data and information from the Computer System and Required Software that you are using.(FA §3.6) We reserve the unrestricted right to collect (via modem or otherwise) your point of sale data in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information as we deems appropriate, and we are permitted to distribute this data to other franchisees or third parties on a confidential basis.

**The Manual.** The current Table of Contents of our Manual is attached as Exhibit H.

### **The Training Program.**

**Background.** Our Training Program is designed to teach your management the fundamentals of operating a Country Kitchen, including restaurant operations, leadership development, restaurant management skills, food safety and overall business development. Approved Operators, Managers and Assistant Managers must complete the required training.(FA §5.3)

Our training program begins with hands-on technical training in which managers will be trained on every position in the Country Kitchen. The second phase of training focuses on supervision training to introduce the tools available for supervising the back and front of house operations. Approved Operators will receive additional training to introduce the tools available for supervising the back and front of house operations, including scheduling, inventory and ordering as well as daily operations of the Country Kitchen.

As part of our training program, your managers are required to demonstrate competency in their respective functions while under the supervision of our Training Team in a Certified Training Country Kitchen.

The following table summarizes our current training program which is subject to change at our discretion.

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
<b>Managers and Assistant Managers:</b>			
Basic Shift Management (Currently includes Orientation, Service, Production, Management and Administration)	10-40	120-440	Certified Training Country Kitchen
Cost Control (Currently includes Daily Checklists, Legal Requirements, Cash and Discount Management, Food Management and Labor Management)	20	40	Certified Training Country Kitchen
<b>Approved Operator and Principal Owner(s):</b>			
Basic Shift Management (Currently includes Orientation, Service, Production, Management and Administration)	10-50	110-500	Certified Training Country Kitchen
Cost Control (Currently includes Daily Checklists, Legal Requirements, Cash and Discount Management, Food Management and Labor Management)	20-30	40	Certified Training Country Kitchen
Business Management (Currently includes Coaching, Basic Vendor Management, Auditing Processes, Sales Forecasting, Effective Meetings, Managing Payroll and Progressive Discipline)	10-20	Varies	Certified Training Country Kitchen and Corporate Office
<b>Principal Owner and Approved Operator:</b>			
Business Leadership (Currently includes Effective Country Kitchen Visits, Control Audits, Succession Planning and Action Planning)	20	80	Certified Training Country Kitchen and Corporate Office

The training described in the table above must be successfully completed before your Country Kitchen may open for business. Subject to a different time agreed upon in any applicable Area Development Agreement, your Country Kitchen must be opened pursuant to our consent no later than 12 months from the Effective Date of the Franchise Agreement.(FA §3.2(C))

We do not maintain a dedicated staff of franchise training instructors. We rely on Training Country Kitchen Approved Operators at Certified Training Country Kitchen locations to teach the management training program. The Training Program is available to our franchisees on an as needed basis at our Training Country Kitchens and our Corporate Headquarters in Middleton, Wisconsin and is supervised, as may be necessary, by Craig Jansen, our Director of Operations and Education. Mr. Jansen's background is discussed in Item 2, above.

The Manual will be used as the principal instruction manual for the training we provide for new Country Kitchens. We make no separate charge for training. You will be responsible for all salary, travel and living expenses incurred by you, your Approved Operator, and your managers while attending training. We will supply initial instructional materials, which may include manuals, and/or DVD's, at no additional cost.

You may be obligated to replace any manager or Approved Operator who we determine is not qualified to manage the Country Kitchen. Failure to demonstrate competency in each of the training subject matters or failure to pass examinations for each of the subject matters covered in training is grounds for replacing a manager or Approved Operator. Moreover, if you fail to complete all phases of the training program to our satisfaction, we may terminate the Franchise Agreement.

You, your Approved Operator and your management will also be required to periodically attend and successfully complete additional training, refresher and retraining programs. We do not charge any additional fee for this training, but you must pay the salary, travel and living expenses for you and your employees.

Before you open any additional Country Kitchens, additional Managers hired to work in your new locations must complete our training program in a Certified Training Country Kitchen. If you do not operate a Certified Training Country Kitchen, your managers must be trained at a Certified Training Country Kitchen owned and operated by us or another franchisee. You must pay any travel and lodging expenses associated with this training, but we do not charge for the instructional time we provide.

## Item 12

### **TERRITORY**

#### The Franchise Agreement.

a. Your Marketing Area. Your franchise will be for a specific site approved by us within the area we designate (the "Marketing Area"). Typically, in a suburban or exurban area your Marketing Area will be set as a radius of three-miles around the Country Kitchen, and for dense urban areas, your Marketing Area will contain a minimum population of 40,000 persons.

b. Our Reservation of Rights. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We reserve the right to operate or license to others the right to operate a Country Kitchen in travel centers, airports, schools, railroad/railway or bus stations, government institutions, hospitals, military installations, stadiums, sports arenas, casinos, amusement parks, theaters, convention centers, "big box" retail stores, and other locations within institutional or public service operations (collectively, the "Captive Facilities"), which may be located within your Marketing Area. You will not be compensated for sales by and through these businesses. In addition to the right to operate or license to others the right to operate in Captive Facilities located in your Marketing Area, we, including our affiliates, retain the rights described below:

(i) The right to offer, sell, distribute or otherwise provide, directly or indirectly, or license to others the right to sell or distribute, directly or indirectly, within and outside your Marketing Area, any products or services, including those products or merchandise bearing the Country Kitchen trade name, from any location other than a restaurant, including but not limited to, sales made at or through retail

or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts or trailers, kiosks, catalogs, mail order or electronic means (for example, the Internet). You will not be compensated for sales by or through these businesses.

(ii) The right to sell and deliver food and beverage products of any type under any trademark, other than the Country Kitchen trademarks, at any location, including, but not limited to, locations within your Marketing Area. These businesses may compete directly with you. You will not be compensated for sales by or through these businesses.

(iii) The right to license to others the right to sell and deliver food and beverage products under any trademark, other than the Country Kitchen trademarks, at any location, including, but not limited to, locations within your Marketing Area. These businesses may compete directly with you. You will not be compensated for sales by or through these businesses.

(iv) The right to sell, solicit, and direct advertising or promotional materials to customers or prospective customers located in your Marketing Area.

(v) The right to establish and operate, or license to others the right to establish and operate a Country Kitchen under the System and the Marks at any location outside your Marketing Area (to the extent that such Country Kitchen is not located within any Development Area granted to you pursuant to an Area Development Agreement).

c. Site Location and Relocation. The Franchise Agreement allows you to operate a single Country Kitchen only at the approved location. You may relocate the Country Kitchen only with our prior written approval. Our approval will be determined by a variety of factors including the viability of the current location and demographics (including number of households, household income, and number of businesses) of the proposed location.

d. No Operation or Solicitation Outside of your Marketing Area. You do not have the right to establish other Country Kitchens within or beyond your Marketing Area without our approval and subject to an additional Franchise Agreement. Additionally, you may not use advertising or other methods for solicitation that are directed into areas granted to other franchisees, unless you obtain our prior written approval or the advertising is for the purpose of general brand awareness and does not attempt to solicit customers for a specific location.

e. Options, Rights of First Refusal and Similar Rights. The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises within your Marketing Area or areas contiguous to your Marketing Area.

f. Continuation of Rights to your Marketing Area. The continuation of the Marketing Area granted by your Franchise Agreement and the granting of any additional franchises is dependent upon your compliance with the terms of the Franchise Agreement. Continuation of your Marketing Area is not dependent upon achievement of certain sales volume or market penetration.

g. Alteration of your Marketing Area. Your Marketing Area may be altered at any time by mutual agreement between you and us. If you default on the terms of the Franchise Agreement, we may, in addition to our other available remedies, terminate the Franchise Agreement and your Marketing Area or modify your Marketing Area without your consent. Except for these two circumstances, there are no other circumstances under which your Marketing Area may be altered before the expiration or termination of the Franchise Agreement.

h. Competitive Business under Different Mark. Neither we nor any affiliate has established other franchised or company-owned restaurant businesses which provide similar products or services under a different trade name or trademark, but we reserve the right to do so.

### The Area Development Agreement.

a. **The Development Area.** If we enter into an ADA with you, you will be granted the right to develop additional Country Kitchens in a mutually agreed upon geographic area (the “Development Area”). The size of the Development Area may range from a portion or all of a city, county, metropolitan area, or marketing area, depending on a number of factors, including but not limited to demographics and your financial and management resources. The Development Area will be described in the ADA by specific geographic boundaries, specific counties, or a description of municipal boundaries.

b. **Our Reservation of Rights.** “You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We reserve the right to operate or license to others the right to operate a Country Kitchen in Captive Facilities which may be located within the Development Area. You will not be compensated for sales by and through these businesses. In addition to the right to operate or license to others the right to operate a Country Kitchen in Captive Facilities located in your Development Area, we, including our affiliates, retain the rights described below:

(i) The right to continue operating any Country Kitchen located within the Development Area (if applicable) which are in operation prior to the Effective Date of this Agreement. You will not be compensated for sales by or through these businesses.

(ii) Offer, sell, distribute or otherwise provide, directly or indirectly, or license to others the right to sell or distribute, directly or indirectly, within and outside your Development Area, any products or services, including those products or merchandise bearing the Country Kitchen trade name, from any location other than a restaurant, including but not limited to, sales made at or through retail or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts, kiosks or trailers, catalogs, mail order or electronic means (for example, the Internet). You will not be compensated for sales by or through these businesses.

(iii) Sell, solicit, and direct advertising or promotional materials to customers or prospective customers located in your Development Area.

(iv) Establish and operate, or license, to others the right to establish and operate, Country Kitchen restaurants under the System and Marks at any location outside your Development Area. You will not be compensated for sales by or through these businesses.

(v) Engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Development Area. You will not be compensated for sales by and through these businesses.


c. **Other Development Area Restrictions.** Regardless of your rights in the Development Area, you may not operate any Country Kitchen within twenty-five (25) miles of any existing Country Kitchen owned and operated by us or within the marketing area granted to an existing Country Kitchen franchisee pursuant to a franchise agreement currently in effect (if applicable).


d. **Continuation of Rights to Development Area.** The continuation of the Development Area granted by your ADA is dependent upon your compliance with the terms of the Franchise Agreement, including the development schedule in Appendix A of the ADA. Upon the occurrence of your default under ADA, we may, at our option, in addition to other remedies available under the ADA (i) modify, reduce, and/or accelerate the Development Schedule and/or terminate, modify, and/or reduce the Development Area.

**TRADEMARKS**

The Franchise Agreement grants you the right to use the Marks designated by us only in the manner we authorize and only for the operation of the Country Kitchen at the location specified in the Franchise Agreement (Appendix A). You must operate the Country Kitchen under the trademark “Country Kitchen Restaurant®” or “Café by Country Kitchen®” and associated trade names, logos, symbols, designs and trade dress.

The following principal trademarks are registered on the Principal Register of the United States Patent and Trademark Office (“Trademark Office”) and are owned by us. We intend to renew the registrations and to file all appropriate affidavits at the times required by law. As of the issuance date, all appropriate affidavits for the Marks required by law have been timely filed.

<b>TRADEMARK</b>	<b>REGISTRATION OR APPLICATION DATE</b>	<b>REGISTRATION OR SERIAL NUMBER</b>
COUNTRY KITCHEN	March 22, 1977 Most recent renewal: April 14, 2017	1,061,887
COUNTRY KITCHEN 	March 2, 2004 Most recent renewal: March 12, 2014	2,819,434
COUNTRY KITCHEN RESTAURANT 	June 8, 2004 Most recent renewal: June 23, 2014	2,850,464
COUNTRY KITCHEN RESTAURANT (New Logo) 	February 2, 2012	4,325,522
CAFÉ BY COUNTRY KITCHEN 	August 1, 2018	88,061,091
OLD-FASHIONED CALICO BEAN SOUP	September 13, 1988 Most recent renewal: August 8, 2018	1,504,425
THE FARM SKILLET	December 22, 1987 Most recent renewal: December 2, 2017	1,469,899
SKILLET BREAKFASTS	December 6, 1988 Most recent renewal: December 8, 2018	1,516,076
COUNTRY BOY	December 18, 1962 Most recent renewal: January 8, 2013	0742,443

TRADEMARK	REGISTRATION OR APPLICATION DATE	REGISTRATION OR SERIAL NUMBER
COUNTRY BOY (Design Only) 	October 12, 1971 Most recent renewal September 27, 2011	0922,045
SKILLET SCRAMBLE	May 3, 1988 Most recent renewal: April 8, 2018	1,487,002
FIESTA SKILLET	July 9, 1991 Most recent renewal: February 2, 2011	1,650,247
BARN BUSTER	July 20, 1999 Most recent renewal: February 19, 2019	2,263,265
MR. CHIPPY	July 6, 1999 Most recent renewal: February 19, 2019	2,259,649
DOUBLE-UP SKILLET	September 22, 2015	4,819,512

There currently is no effective material determination of the United States Patent and Trademark Office (USPTO), the Trademark Trial and Appeal board, or the trademark administrator of any state or court; no pending infringement, opposition, or cancellation proceeding; and no pending material litigation involving our principal trademarks.

Pursuant to an agreement dated February 16, 1976, with a party claiming common law rights to the name “Country Kitchen” based on prior use, Former CKI agreed not to operate or grant a franchise or license to operate a Country Kitchen® Restaurant in the counties of Multnomah, Clackamas and Washington in the State of Oregon. We are still subject to that agreement.

The Marks are our sole property. You may not directly or indirectly contest the validity or ownership of the Marks or our right to license the Marks. Any and all uses of the Marks by you and the corresponding goodwill inures exclusively to us. Your right to use the Marks is limited to your use of the Marks in the operation of the Country Kitchen at the Authorized Location and as expressly provided in the Franchise Agreement and the Manual. You may not modify the Marks in any manner in connection with your display of, or creation or duplication of materials bearing, the Marks. You may not use the Marks or any variations of the Marks or marks or names confusingly similar to any of the Marks in any manner not authorized by us or in any corporate, partnership or other business entity name. You may not use any other trade names, service marks or trademarks in conjunction with your Country Kitchen.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Marks, and/or use one or more additional, substitute Marks, you must comply with the modification or discontinuation at your expense within a reasonable time after notice of the modification or discontinuation.

You must notify us immediately of any apparent infringement of or challenge to your use of any Marks, or claim by any person of any right in any Marks. You may not communicate with any person other than us, and your counsel and our counsel in connection with the infringement, challenge or claim. We have the sole discretion to take such action as we consider appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office or Copyright Office proceeding or other administrative proceeding arising



out of any infringement, challenge or claim or otherwise relating to the Marks. You must sign and deliver any and all instruments and documents which, in our opinion is necessary or advisable to protect and maintain our interests in any such litigation or administrative proceeding or to otherwise protect and maintain our interests in the Marks.

You may not use the Marks or any abbreviation or other name associated with us and/or the System as part of your e-mail address, domain name, and/or other identification in any electronic medium without our prior written consent. You may not transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without our prior written consent. You are strictly prohibited from promoting your Country Kitchen and/or using the Marks on any social or networking Website, including Facebook, LinkedIn, MySpace and Twitter, or any similar sites, without our prior written consent.

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks.

We do not know of any superior rights or infringing uses that could materially affect your use of our Marks. There are no effective determinations of the USPTO or of any court, nor any pending material litigation, including infringement, opposition or cancellation proceedings, that could materially affect your use of our marks.

#### Item 14

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents or patent applications that are material to your Country Kitchen or the System. We claim copyright protection in the Manual and certain forms, architectural, engineering and construction plans, advertising materials, product recipes, formulas, specifications, ingredients, processes, techniques and methodologies, supplier information, customer lists, site information, equipment specifications, computer programs, newsletters, training materials, and operations and accounting materials. We have not registered those materials with the United States Registrar of Copyrights.

The Manual and these other materials contain our detailed standards and specifications for developing, managing and operating your Country Kitchen, including mandatory specifications and standards relating to the construction of Country Kitchens. The Manual and other proprietary information also may discuss the selection, purchase, storage, preparation, packaging, ingredients, recipes, cooking methods, service and sale of the products and beverages you will sell at your Country Kitchen. The Manual also contains information on management and employee training, marketing, advertising and sales promotions, signs, fixtures and furnishings, employee dress attire and appearance standards, menu concept, and business practices and procedures, such as bookkeeping, accounting, records retention and other business systems.

The Manual and all other materials and information provided or disclosed to you regarding the System are disclosed in confidence. You may not disclose any part of this information to anyone who is not your employee, and you will disclose to your employees only those parts of the System that an employee needs to know. You also must agree not to contest our interest in the trade secrets and confidential and proprietary information that comprises the System.

We are not required by any agreement to protect or defend copyrights or confidential information, although we intend to do so as appropriate.

#### Item 15

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You must designate and retain at least one individual to serve as the “Approved Operator” of the Country Kitchen. If all of the following criteria are met, the Managing Owner may serve as the Approved Operator. The Approved Operator (i) must have a track record of successfully owning or managing restaurants similar to Country Kitchen, as determined by us, and if the Approved Operator will manage more than one Country Kitchen, shall have experience in operating multi-unit restaurants similar to Country Kitchens; (ii) must possess good moral character, and have the aptitude and ability to conduct the business contemplated by the Franchise Agreement; (iii) must be authorized by you to direct any actions necessary to ensure compliance with the Franchise Agreement; (iv) must devote his or her full time and best efforts to satisfying your obligations under the Franchise Agreement and the daily operations of the Country Kitchen (along with other Country Kitchens operated by you if you operate more than one Country Kitchen); (v) must complete our then-current training program; and (vi) must live within the general area of the Country Kitchen.

You may not change an Approved Operator without our prior written consent. Any new Approved Operator must satisfy all of the requirements described in the preceding paragraph.

The Approved Operator must refrain from operational or management commitments in other businesses (except other Country Kitchens operated under franchises granted by us) which would in any way affect the management duties required hereunder.

At all times during the Term of the Franchise Agreement, you must maintain a managerial staff in accordance with our policies and procedures. At all times during the term of the Franchise Agreement, all of your managers must attend and successfully complete our prescribed manager training program and all subsequent manager training, refresher and retraining programs offered from time to time by us (as revised from time to time) and Section 5.3 of this Agreement.

The Managing Owner of a business entity franchisee and a business entity developer must be the Principal Owner of the business entity with the largest share of equity ownership in the business entity and who is authorized by the business entity to bind it in any dealings with us.

Each Principal Owner of a business entity franchisee must personally guaranty the full payment and performance of your obligations and individually undertake to be bound, jointly and severally, by all terms of the Franchise Agreement, including non-compete and confidentiality provisions. Unless a Principal Owner’s spouse is also a Principal Owner, the spouse is not required to provide a personal guaranty.

Each of your Approved Operators must individually undertake to be bound by all non-compete and confidentiality provisions of the Franchise Agreement.

Other management personnel, and owners of up to but not including a 10% interest in you if you are a business entity franchisee, must individually undertake to be bound by all confidentiality provisions of the Franchise Agreement.

Each Principal Owner of a business entity developer must individually undertake to be bound, jointly and severally, by all terms of the ADA, including non-compete and confidentiality provisions.

Other management personnel, and owners of up to but not including a 10% interest in you if you are a business entity developer, must individually undertake to be bound by all confidentiality provisions of the ADA.

#### Item 16

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must serve, sell or offer for sale all of the food and beverage products and merchandise that (i) are listed in the then-current standard menu or menus specified by us, (ii) meet our uniform standards of quality and

portions, (iii) have been prepared in accordance with the recipes and food handling and preparations methods and procedures designated from time to time in the Manual or otherwise in writing, and (iv) are supplied only by our approved vendors and/or suppliers;

You must maintain sufficient supply of all food, beverage, limited time offers and promotional items necessary to maintain service of all items during hours of operation. You may not deviate from our standards, specifications and procedures for serving or selling our products and services without our prior written approval.

If you wish to use or serve any food or beverage item or other ingredient or propose to use any item, brand or supplier which is not approved at that time, you must first notify us and submit sufficient information, specifications and samples concerning such item, brand or supplier for a determination by us whether such item or brand complies with our specifications and standards and whether such supplier meets our approved supplier criteria.

Our approval is required for any vending machines located in the Country Kitchen and for any music played in the Country Kitchen whether through a satellite service or jukebox. We may require you to install certain vending machines provided by third parties or us which determination will be made solely in our discretion as part of any system-wide requirement.

You must comply with our entire System, as periodically revised by us. Due to the competitive nature of the restaurant business, presently unforeseen changes in consumer preferences, and/or presently unforeseen technological innovations, the System must not remain static, and in order to best serve the interests of the System, including us and our franchisees, we may periodically change the components of the System, including, but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those programs, products and services which your Country Kitchen is authorized to offer; and changing, improving or modifying the Marks. You must, at your expense, abide by these modifications, changes, additions, deletions and alterations, which may apply to the entire System, or may be limited to a particular building prototype, and may include new or additional menu items, recipes, computer hardware, software, equipment, inventory, supplies or techniques.

Item 17

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP  
FRANCHISE AGREEMENT**

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

<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	2	Term of Franchise Agreement is 20 years.
b.	Renewal or extension of the term	2	If you are in good standing under your Franchise Agreement and fulfill our requirements for renewal you will have 2 options to renew of 5 years each on our then current form of renewal franchise agreement.

<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
c.	Requirements for franchisee to renew or extend	2	<p>i. You must give us written notice of your intention to renew not less than 6 months, nor more than 12 months, prior to the end of the then-current term.</p> <p>ii. At the time notice is given to us and at the time of renewal, you may not be in material default of any provision of the Franchise Agreement or any other agreement with us, and you must have complied with the terms of the Franchise Agreement and other agreements during their respective terms.</p> <p>iii. You must be current on all monetary obligations owed to us.</p> <p>iv. All training and retraining required by us must have been satisfactorily completed.</p> <p>v. You must have completed all required modifications to the Country Kitchen and adopted and implement any new methods, programs, modifications, techniques or operational systems required by us no later than 1 month prior to expiration of the Franchise Agreement.</p> <p>vi. To the extent permitted by applicable law, you must execute an agreement releasing us from any claims, known or unknown, you may have against us at the time of renewal.</p> <p>vii. You must sign our then current form of franchise agreement which may contain terms that vary materially from the terms of your then current Franchise Agreement.</p>
d.	Termination by franchisee	11.1 (C)	You may terminate only if we breach the Franchise Agreement and fail to cure the breach.
e.	Termination by franchisor without cause	None	Not Applicable
f.	Termination by franchisor with cause.	11.1	We may terminate the Franchise Agreement only if you default.
g.	“Cause” defined – curable defaults	11.1 (B)	<p>i. Failure to operate the Country Kitchen in compliance with our standards.</p> <p>ii. Failure to maintain the Country Kitchen in good condition and repair.</p> <p>iii. Failure to make all improvements or alterations as required by the Franchise Agreement.</p> <p>iv. Failure to conduct the Country Kitchen business in compliance with all applicable laws and regulations</p> <p>v. Failure to complete all phases of any required training program to our satisfaction.</p>

<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
			<p>vi. Default (not designated in the Franchise Agreement as incurable) in the performance of any term, condition or covenant of the Franchise Agreement which is not corrected within the time and under the conditions provided in the Franchise Agreement.</p> <p>vii. You or any person controlling you, controlled by you, or under common control with you is in default of any other agreement with us or any of our Affiliates. (for purposes of this clause control means the ownership by a person or entity, directly or indirectly, of ten percent (10%) or more of another person or entity or the power to affect the policies of another person or entity).</p>
h.	“Cause” defined – non-curable defaults	11.1 (A)	<p>i. Knowingly selling food or beverage products other than those designated by us or which fail to conform to our specifications or standards, or which were acquired from a non-approved supplier or not prepared in accordance with our methods.</p> <p>ii. Failure to sell required products designated by us.</p> <p>iii. Failure to offer a mandatory promotion.</p> <p>iv. Bankruptcy, insolvency and various creditor actions against you or any of your Principal Owners as more fully described in Section 11.1(A) of the Franchise Agreement.</p> <p>v. Conviction of you or any of your Owners of a felony or any other crime that is reasonably likely to adversely affect the System, Country Kitchen or the goodwill associated with the Marks. This includes a plea of no contest.</p> <p>vi. Unauthorized use or disclosure of Confidential Information by you or any of your Owners contrary to the Franchise Agreement.</p> <p>vii. Your refusal to allow us to inspect your Country Kitchen or to examine its books and records and other business documents.</p> <p>viii. Submission to us of any reports, financial statements, tax returns or schedules or other information or supporting records which intentionally understate Gross Receipts by 2% or more.</p> <p>ix. Failure to timely pay us any amounts due under the Franchise Agreement or for products and/or services provided by us.</p> <p>x. Failure on three or more separate occasions within any 12 consecutive months to submit when due fees, financial statements, reports or data,</p>

**THE FRANCHISE RELATIONSHIP**

	Provision	Article or Section in Franchise Agreement	Summary
			<p>information or supporting records required under the Franchise Agreement.</p> <p>xi. Any unauthorized assignment of the Franchise Agreement or, if you are a corporation, limited liability company, partnership, limited partnership or other entity, any nonexempt sale, assignment, pledge, encumbrance or other Transfer of any ownership interest causing a loss or addition of a Principal Owner or a change in the controlling interest of you, or there occurs any Transfer of your assets (other than sales in the ordinary course of business) without our prior written consent.</p> <p>xii. A violation of any health or safety laws, rules, or regulations which poses a significant public health and safety concern, or if Country Kitchen is closed as a result of a failed inspection by the health department.</p> <p>xiii. Any act or conduct which materially impairs or is otherwise prejudicial to the goodwill associated with the Marks or the System.</p> <p>xiv. Failure to operate or abandonment of the Country Kitchen for a period of 3 consecutive days or failure to operate the Country Kitchen during required business hours, unless such closure or limited hours are approved in writing by us.</p> <p>xv. Failure to make or repeated delays in making prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by the Franchise Agreement.</p> <p>xvi. Failure by you, any of your Principal Owners and/or the Approved Operator to comply with any in-term non-competition covenants contained in Article 12 of this Franchise Agreement or any personal covenants.</p> <p>xvii. You or any of your Owners (i) violate any "Anti-Terrorism Laws", as defined in the Franchise Agreement, (ii) is listed under any such Anti-Terrorism Laws, (iii) have any dealings with any person listed under any such Anti-Terrorism Laws, and/or (iv) have assets blocked under any such Anti-Terrorism Laws.</p> <p>xviii. Failure to operate and maintain the Computer System/Point of Sale System and/or Required Software (as defined in the Franchise Agreement) in accordance with our requirements and guidelines.</p> <p>xix. Failure to continuously employ an Approved Operator.</p> <p>xx. You (including your Owners or employees) posts, contributes, or authors any content on any</p>

<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
			<p>website or social media or communicate with any media outlet or organization in a manner that:</p> <p>(a) makes any statement which disparages, ridicules or is derogatory of the System, the Country Kitchen brand or Marks, us, or any of our owners or associated persons;</p> <p>(b) pertains in any way to health or safety conditions at a Country Kitchen; or</p> <p>(c) pertains to any litigation pending or threatened against a Country Kitchen franchisee or developer or us, or any of our affiliates, or any of their owners, officers, employees, agents, consultants, attorneys or representatives.</p> <p>xxi. Repeated breaches of provisions of the Franchise Agreement.</p>
i.	Franchisee's obligations on termination/non-renewal	11.3 and 11.4	<p>i. Promptly pay any and all sums owed to us and our affiliates.</p> <p>ii. Remove from the premises all signs, emblems and displays identifying it as associated with us and surrender or destroy all written materials bearing the Marks.</p> <p>iii. Cease using and destroy or return to us all copies of the Manual and all other manuals, instructions or materials delivered to you.</p> <p>iv. Relinquish the Country Kitchen telephone number and web address and assign them to us.</p> <p>v. Change the exterior and interior design, color scheme, décor and trade dress of the Country Kitchen premises from that unique to Country Kitchens, and make or cause to be made such changes in signs, building and structure we reasonably direct. All such modifications must be completed within ten (10) days after the Country Kitchen ceases to operate.</p> <p>vi. Cease to hold yourself out as our former franchisee or do anything which would indicate any relationship between you and us.</p> <p>If termination is by us for cause you also must pay us any liquidated damages.</p>
j.	Assignment of contract by franchisor	13.1	There are no restrictions on our right to assign
k.	"Transfer" by franchisee - defined	13.2	Any voluntary, involuntary, direct or indirect assignment, sale, subdivision, subfranchise, or other transfer of: (i) the Franchise or the rights granted pursuant to the Franchise Agreement; (ii) your

<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
			Country Kitchen; (iii) an ownership interest resulting in an addition or loss of a Principal Owner or a change in the Managing Owner; or (iv) substantially all of the assets of your Country Kitchen
i.	Franchisor approval of transfer by Franchisee	13.2	Any transfer by you requires our approval which we cannot unreasonably withhold, provided the transfer meets certain conditions.
m.	Conditions for our approval of transfer	13.2	<p>i. All of your obligations and those of your Owners must be assumed by the transferee(s).</p> <p>ii. You pay all amounts owed to us which are then due and unpaid.</p> <p>iii. The transferee and any new Approved Operator must have completed the training program.</p> <p>iv. The transferee(s) and its owner(s) must sign an Acknowledgement of Receipt of our then-current franchise disclosure document and must execute our then existing form of franchise agreement and such ancillary agreements, including but not limited to the personal guaranty and personal covenant.</p> <p>v. You or the transferee(s) must pay a transfer fee to us in the amount of \$5,000.00.</p> <p>vi. We must approve the material terms and conditions of the assignment;</p> <p>vii. You and your Owners must enter into an agreement with us agreeing to release any claims, known or unknown, you may have against us at the time of Transfer.</p>
n.	Franchisor's right of first refusal	13.3	We have the right to match any offer for your business you receive from a third party
o.	Franchisor's option to purchase Franchisee's business	None	Not applicable
p.	Your death or disability	13.4	In the event of the death or disability of your Managing Owner, your representative must within 6 months following such event, transfer the interest of the Managing Owner to a third party we approve. If the transferee is not a spouse or child of the Managing Owner, we have a right of first refusal as to such transfer.
q.	Non-competition covenants during the term of the franchise	1.1(F) and 12.1, 12.4	Neither you, your Approved Operator, nor your Principal Owners may be involved in a Competitive Business during the franchise term.



<b>THE FRANCHISE RELATIONSHIP</b>			
	<b>Provision</b>	<b>Article or Section in Franchise Agreement</b>	<b>Summary</b>
r.	Non-competition covenants after the franchise is terminated or expires	1.1(F), 12.2, 12.4	Neither you, your Approved Operator, nor your Principal Owners may be involved in a Competitive Business at or within five miles of the former Country Kitchen location or any then-existing Country Kitchen for at least two years after the franchise terminates, expires or is transferred.
s.	Modification of the agreement	16.7	No amendment, change or variance from the Franchise Agreement is binding on either party unless mutually agreed by the parties and executed in writing.
t.	Integration/merger clause	16.9	The recitals, appendices, riders, and state-specific addendum (if applicable) are a part of the Franchise Agreement, which, together with the System standards contained in the Manual (which may be periodically modified by us without your consent) constitute the entire agreement of the parties. The Franchise Agreement supersedes all prior negotiations, commitments and representations between us and you. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document. You are not entering into the Franchise Agreement as the result of any representations made by our officers, directors, employees, agents, representatives, shareholders, independent contractors, or franchisees which are contrary to the Franchise Agreement or any disclosure document provided to you. Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	15	Subject to state law, we reserve the right to institute a system of non-binding mediation, which we may require be conducted in Madison, WI.
v.	Choice of forum	15	Subject to state law, litigation may only be commenced by either party in Madison, Wisconsin.
w.	Choice of law	15	Subject to state law, Wisconsin law applies.

#### AREA DEVELOPMENT AGREEMENT

<b>AREA DEVELOPMENT AGREEMENT</b>			
	<b>Provision</b>	<b>Article or Section in ADA</b>	<b>Summary</b>
a.	Length of the term of the franchise	1	The term begins on the effective date of the ADA and expires on an agreed upon date specified in Appendix A to the ADA. The term of an ADA typically lasts between three to five years.

**AREA DEVELOPMENT AGREEMENT**

	<b>Provision</b>	<b>Article or Section in ADA</b>	<b>Summary</b>
b.	Renewal or extension of the term	2	We will engage in good faith negotiations for a renewal or extension of the ADA. If we cannot reach agreement during a 30day negotiation period, neither party will have any further obligation to negotiate.
c.	Requirements for franchisee to renew or extend	2	Subject to good faith negotiations between you and us, you must also be in compliance with all terms of the existing ADA, any existing Franchise Agreements with us and any other agreements with us.
d.	Termination by developer	Not applicable	The ADA does not provide for this, but you may seek to terminate on any grounds available to you at law.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	VII	We may terminate the ADA if you commit an event of default. See (h)
g.	“Cause” defined – curable defaults	7.03(j)	You or any person controlling you, controlled by you, or under common control with you is in default of any other agreement with us or any of our Affiliates.
h.	“Cause” defined – non-curable defaults	7	<p>The occurrence of any of the following is a default by you under the ADA:</p> <ul style="list-style-type: none"> <li>i. Failure to meet the Development Schedule.</li> <li>ii. Use of our Marks or other intellectual property, except pursuant to and in accordance with an effective Franchise Agreement between you and us.</li> <li>iii. Any failure to comply with the confidentiality requirements of the ADA</li> <li>iv. An assignment or attempted assignment other than as permitted under the ADA.</li> <li>v. Any material misrepresentation, or omission of any material information in connection with the purchase of the ADA or any Franchise Agreement.</li> <li>vi. Bankruptcy, insolvency or various creditor actions against you or any of your Principal Owners as more fully described in Section 7.03 of the ADA.</li> <li>vii. Conviction of you or any of your Owners of a felony or any other crime that is reasonably likely to adversely affect the System, the Country Kitchen brand or the goodwill associated with the Marks. This includes a plea of no contest.</li> <li>viii. You (including your Owners or employees) posts, contributes, or authors any content on any website or social media or communicate with any media outlet or organization in a manner that:</li> </ul>

**AREA DEVELOPMENT AGREEMENT**

	<b>Provision</b>	<b>Article or Section in ADA</b>	<b>Summary</b>
			<p>(a) makes any statement which disparages, ridicules or is derogatory of the System, the Country Kitchen brand or Marks, us, or any of our owners or associated persons;</p> <p>(b) pertains in any way to health or safety conditions at a Country Kitchen; or</p> <p>(c) pertains to any litigation pending or threatened against a Country Kitchen franchisee or developer or us, any of our affiliates, or any of their owners, officers, employees, agents, consultants, attorneys or representatives.</p> <p>ix. You or any of your Owners (i) violate any “Anti-Terrorism Laws”, as defined in the ADA, (ii) is listed under any such Anti-Terrorism Laws, (iii) has any dealings with any person listed under any such Anti-Terrorism Laws, and/or (iv) has assets blocked under any such Anti-Terrorism Laws.</p>
i.	Franchisee’s obligations on termination/non-renewal	7.06	Immediately cease any further attempts to select or develop sites, except any Country Kitchen site where a Franchise Agreement has been fully executed prior to termination. Additionally, cease any identification with us, except pursuant to the limited right included in any effective Franchise Agreement.
j.	Assignment of contract by franchisor	6.01	There are no restrictions on our right to assign.
k.	“Transfer” by developer - defined	6.02	Any voluntary, involuntary, direct or indirect assignment, sale, subdivision, subfranchise, or other transfer of: (i) the Franchise or the rights granted pursuant to the ADA; (ii) the rights granted by the ADA; or (iii) an ownership interest resulting in an addition or loss of a Principal Owner or a change in the Managing Owner.
l.	Franchisor approval of transfer by developer	6.02	Any transfer by you requires our approval which we cannot unreasonably withhold, provided the transfer meets certain conditions.

**AREA DEVELOPMENT AGREEMENT**

	<b>Provision</b>	<b>Article or Section in ADA</b>	<b>Summary</b>
m.	Conditions for our approval of transfer	6.02	<p>i. All of your obligations and those of your Owners must be assumed by the transferee(s).</p> <p>ii. You pay all amounts owed to us which are then due and unpaid.</p> <p>iii. The transferee must have completed the training program.</p> <p>iv. The transferee(s) and its owner(s) must sign an Acknowledgement of Receipt of our then-current franchise disclosure document and must execute our then existing form of area development agreement and such ancillary agreements, including but not limited to the personal guaranty and personal covenant.</p> <p>v. You or the transferee(s) must pay a transfer fee to us in the amount of \$5,000.00.</p> <p>vi. We must approve the material terms and conditions of the assignment;</p> <p>vii. You and your Owners must enter into an agreement with us agreeing to release any claims, known or unknown, you may have against us at the time of Transfer.</p>
n.	Franchisor's right of first refusal	6.03	We have the right to match any offer for your business you receive from a third party
o.	Franchisor's option to purchase franchisee's business	None	Not Applicable
p.	Death or disability of franchisee	6.04	In the event of the death or disability of your Managing Owner, your representative must within 6 months following such event, transfer the interest of your Managing Owner to a third party we approve. If the transferee is not a spouse or child of the Managing Owner, we have a right of first refusal as to such transfer.
q.	Non-competition covenants during the term of the franchise	8.1 and 8.3	Neither you nor your Principal Owners may be involved in a Competitive Business during the term of the ADA.
r.	Non-competition covenants after the franchise is terminated or	8.2 and 8.3	Neither you nor your Principal Owners may be involved in a Competitive Business located within the Development Area for at least two years after the ADA terminates, expires or is transferred.
s.	Modification of the agreement	11.07	No amendment, change or variance from the ADA is binding on either party unless mutually agreed by the parties and executed in writing.

AREA DEVELOPMENT AGREEMENT			
	Provision	Article or Section in ADA	Summary
t.	Integration/merger clause	11.09	The recitals, appendices, riders, and state-specific addendum (if applicable) are a part of the ADA, which, together with the System standards contained in the Manual (which may be periodically modified by us without your consent) constitute the entire agreement of the parties. The ADA supersedes all prior negotiations, commitments and representations between us and you. Nothing in the ADA or any related agreement is intended to disclaim the representations we made in the franchise disclosure document. You are not entering into the ADA as the result of any representations made by our officers, directors, employees, agents, representatives, shareholders, independent contractors, or franchisees which are contrary to the Development Agreement or any disclosure document provided to you. Only the terms of the ADA are binding (subject to state law). Any representations or promises outside of the disclosure document and ADA may not be enforceable.
u.	Dispute resolution by arbitration or mediation	10	Subject to state law, we reserve the right to institute a system of non-binding mediation, which we may require be conducted in Madison, WI.
v.	Choice of forum	10	Subject to state law, litigation may only be commenced by either party in Madison, Wisconsin.
w.	Choice of law	10	Subject to state law, Wisconsin law applies.

Item 18

### PUBLIC FIGURES

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

Item 19

### FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering on 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 do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial

performance information or projections of your future income, you should report it to our management by contacting Chuck Mocco, 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

**System Wide Outlet Summary For fiscal years 2019 to 2021**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2019	35	31	-4
	2020	31	27	-4
	2021	27	27	0
Company-Owned	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
<b>Total Outlets</b>	2019	35	31	-4
	2020	31	27	-4
	2021	27	27	0

**TABLE NO. 2**

**Transfers of Outlets from Franchisees to New Owners  
(other than US)**

**FOR FISCAL YEARS 2019 TO 2021**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Oregon	2019	0
	2020	1
	2021	0
Wisconsin	2019	1
	2020	0
	2021	0
<b>Total</b>	2019	1
	2020	1
	2021	0

Note: Only the states in which transfers were made are included in the above Table No. 2.

**TABLE NO. 3****Status of Franchised Outlets for Fiscal Years 2019 to 2021**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations – Other Reasons</b>	<b>Outlets at End of Year</b>
California	2019	2	1	0	0	0	0	3
	2020	3	1	0	0	0	2	2
	2021	2	1	0	0	0	0	3
Colorado	2019	3	0	0	0	0	2	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Florida	2019	1	0	0	0	0	0	1
	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
Iowa	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Kansas	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Michigan	2019	2	0	0	0	0	1	1
	2020	1	0	0	1	0	0	0
	2021	0	0	0	0	0	0	0
Minnesota	2019	7	0	0	1	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
Missouri	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Nebraska	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New Jersey	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
New York	2019	1	0	0	0	0	0	1
	2020	1	1	0	1	0	0	1
	2021	1	0	0	0	0	0	1
North Dakota	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
Ohio	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Oregon	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Wisconsin	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	1	3
	2021	3	0	1	0	0	0	2
Wyoming	2019	1	0	0	1	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Canada	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
TOTALS	2019	35	1	0	2	0	3	31
	2020	31	2	0	3	0	3	27
	2021	27	1	1	0	0	0	27

**TABLE NO. 4**

**Status of Company-Owned Outlets**

**For Fiscal Years Ending 2019 to 2021**

State	Year	Outlets at Start of Year	Outlets Reopened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2019	We have had no company-owned outlets during the past 3 fiscal years.					
	2020						
	2021						

**TABLE NO. 5**

**Projected Openings as of August 31, 2021**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	1	1	0
Nebraska	0	1	0
<b>Total</b>	1	2	0

EXHIBIT E lists the names of all of our current franchisees and the addresses and telephone numbers of their stores as of August 31, 2021. Appendix A to Exhibit E lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recent fiscal year ended August 31, 2021 or who has not communicated with us within 10 weeks of the issuance date of this disclosure document.

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



In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the Country Kitchen System.

#### Item 21

### **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit J are our audited balance sheets as of and for our fiscal years ended August 31, 2021, August 31, 2020 and August 31, 2019 and our audited statement of operations, member's equity and cash flows for each of our fiscal years ended August 31, 2021, August 31, 2020 and August 31 2019.

#### Item 22

### **CONTRACTS**

The Franchise Agreement and Appendices thereto is attached as Exhibit C

Personal Guaranty and Personal Covenants to be signed by each Principal Owner is attached as Appendix B-1 to the Franchise Agreement.

Personal Covenants of Approved Operator to be signed by Approved Operator is attached as Appendix B-2 to the Franchise Agreement.

Confidentiality and Non-Disclosure Agreement for execution by franchisee's Owners, managers and employees is attached as Appendix B-3 to the Franchise Agreement.

Addendum to Lease Agreement and Collateral Assignment of Lease to be signed by Franchisee and its landlord is attached as Appendix C to the Franchise Agreement.

Declaration of Franchise Agreement is attached as Appendix D to the Franchise Agreement.

Pre-Authorization Bank Transfer is attached as Appendix E to the Franchise Agreement.

SBA Addendum to Franchise Agreement is attached to the Franchise Agreement.

The Area Development Agreement is attached as Exhibit D.

Area Development Agreement Term Sheet is attached as Appendix A to the Area Development Agreement.

Personal Covenants of Principal Owners and Approved Operator is attached as Appendix B to the Area Development Agreement.

Sample Release is attached as Exhibit F.

State-Specific Disclosures and State-Specific Amendments to Agreements are attached hereto as Exhibit G.

We also require you to fill out a Compliance Questionnaire before execution of a Franchise Agreement or ADA, which questionnaire is attached as Exhibit I.

#### Item 23

### **RECEIPTS**

Two copies of an acknowledgment of your receipt for this disclosure document appear as the last pages of the disclosure document (Exhibit L). Please date and sign each of them as the date you received this disclosure document, return one copy to us and keep the other with this disclosure document for your records.

## EXHIBIT A

### STATE FRANCHISE ADMINISTRATORS

<p><u><b>CALIFORNIA</b></u> Franchise Division California Department of Business Oversight 320 West 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 Toll Free # 1-866-275-2677</p>	<p><u><b>MARYLAND</b></u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020</p>	<p><u><b>RHODE ISLAND</b></u> Department of Business Regulation Securities Division – Franchise Section John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02910</p>
<p><u><b>CONNECTICUT</b></u> Department of Banking Securities and Business Investments Division 260 Constitution Plaza Harford, CT 06103-1800</p>	<p><u><b>MICHIGAN</b></u> Department of the Attorney General Consumer Protection Division Franchise Registration. Mennen Williams Bldg, 7<sup>th</sup> Floor 525 W. Ottawa Street Lansing, MI 48933</p>	<p><u><b>SOUTH DAKOTA</b></u> Department of Labor and Regulation Division of Securities 124 South Euclid Suite 104 Pierre, SD 57501</p>
<p><u><b>FLORIDA</b></u> Division of Consumer Services Attn: Business Opportunities Florida Department of Agriculture and Consumer Services 2005 Apalachee Parkway Terry Rhodes Building Tallahassee, FL 32399-6500</p>	<p><u><b>MINNESOTA</b></u> Minnesota Department of Commerce 85 7<sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600</p>	<p><u><b>TEXAS</b></u> Secretary of State Business Opportunity Section P O Box 13697 Austin, TX 78711</p>
<p><u><b>HAWAII</b></u> Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street Room 203, Honolulu, HI 96813</p>	<p><u><b>NEBRASKA</b></u> Department of Banking and Finance 1526 ‘K’ Street, Suite 300 P O Box 95006 Lincoln, NE 68508-2732</p>	<p><u><b>UTAH</b></u> Consumer Protection Division 160 East 300 South, SM Box 146704 Salt Lake City, UT 84114-6704</p>
<p><u><b>ILLINOIS</b></u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, IL 62706 Tel. # (217) 782-4465</p>	<p><u><b>NEW YORK</b></u> NYS Department of Law Investment Protection Bureau 28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 Tel. # (212)-416-8236</p>	<p><u><b>VIRGINIA</b></u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, VA 23219</p>
<p><u><b>INDIANA</b></u> Franchise Division Indiana Securities Division 302 West Washington Street Room E-111 Indianapolis, IN 46204</p>	<p><u><b>NORTH DAKOTA</b></u> North Dakota Securities Department 600 East Boulevard Avenue 5<sup>th</sup> Floor Bismarck, ND 58504</p>	<p><u><b>WASHINGTON</b></u> Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501</p>
<p><u><b>KENTUCKY</b></u> Office of the Attorney General Consumer Protection Division Capital Building, Suite 118 700 Capital Drive Frankfort, KY 40601-3449</p>	<p><u><b>OREGON</b></u> Division of Finance and Corporate Securities 350 Winter Street, NE Salem, OR 97301-3881</p>	<p><u><b>WISCONSIN</b></u> Wisconsin Department of Financial Institutions Division of Securities 101 East Wilson Street Madison, WI 53701-1768</p>

Exhibit A

## EXHIBIT B

### REGISTERED AGENTS

<u>CALIFORNIA</u> Commissioner of the Department of Business Oversight 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344	<u>MICHIGAN</u> CSC – Lawyers Incorporating Service (Company) 601 Abbot Road East Lansing, MI 48823	<u>NEW YORK</u> Secretary of State 99 Washington Avenue Albany, NY 12231
<u>ILLINOIS</u> Attorney General State of Illinois 500 South Second Street Springfield, IL 62706 Tel. # (217) 782-4465	<u>MINNESOTA</u> Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	<u>NORTH DAKOTA</u> Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue 5 <sup>th</sup> Floor Bismarck, ND 58504 701.328.2910
<u>WISCONSIN</u> Administrator, Division of Securities, Department of Financial Institutions 101 East Wilson Street Madison, WI 53701-1768		

If a state is not listed, Legacy Franchise Group, LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Legacy Franchise Group, LLC has appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**

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**THIS FRANCHISE AGREEMENT**, (the “Agreement”), made and effective this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, (“Effective Date”) by and between **Legacy Franchise Group, LLC. d/b/a Country Kitchen International**, a Tennessee limited liability company, with its principal office at 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562 (the “**Franchisor**”) and the franchisee identified on the signature page of this Agreement (“**Franchisee**”).

### **Recitals**

The Franchisor has developed a business system for providing the public with food and restaurant services of a distinctive character under the name “Country Kitchen®” and has publicized the name “**Country Kitchen®**” and other trademarks, trade names, service marks, logos and commercial symbols to the public as an organization of restaurants operating under a unique business system. Franchisor represents that it has the right and authority to license the right to use the name “Country Kitchen®” and certain trademarks, trade names, service marks, copyrights, interior and exterior building designs and specifications (including motif, decor and color combination), slogans, logos, commercial symbols and the business system to selected persons or entities who will comply with Franchisor’s uniform requirements and quality standards.

Franchisee has applied for a franchise to own and operate a Country Kitchen restaurant at the location identified in **Appendix A-1** hereof and such application has been approved by Franchisor in reliance upon all the representations, warranties, covenants and agreements made by the Franchisee and its owners.

Franchisee acknowledges that Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon the business abilities of Franchisee.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby agree as follows:

### ARTICLE 1 DEFINED TERMS AND GRANT OF FRANCHISE

**Section 1.1 Definitions.** For purposes of this Agreement, the following words shall have the following definitions:

- (A) “**Affiliate**” means an entity controlled by, controlling, or under common control with, another entity.
- (B) “**Approved Operator**” means the person identified in **Appendix A-1** attached hereto or later identified by Franchisee and who complies with the requirements set forth in Section 1.6 herein.
- (C) “**Authorized Location**” means the location of the Country Kitchen Restaurant identified in **Appendix A-1** attached hereto to be developed and operated by Franchisee pursuant to the terms of this Agreement.
- (D) “**Captive Facility**” means any of the following locations: airports, schools, railroad/railway or bus stations, government institutions, hospitals, military installations, stadiums, sports arenas, casinos, convention centers, amusement parks, theme parks, theaters, “big box” retail stores, and toll plazas/travel centers.

- (E) **“Certified Training Restaurant”** means a Country Kitchen Restaurant which meets Franchisor’s criteria for training Approved Operators, multi-unit managers, managers and restaurant managers, which criteria may be modified from time to time in Franchisor’s Manual or other publications.
- (F) **“Competitive Business”** means any business which looks like, copies, imitates, or operates in a manner similar to the Restaurant, including, but not limited to, a restaurant in the full service “family-casual” segment of the restaurant industry, which has a similar menu as the Restaurant or which has similar trade dress or décor as the Restaurant.
- (G) **“Confidential Information”** means any and all information relating to the Franchisor and/or the System that is not generally available to the public, including but not limited to: (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual; (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) Financial Information.
- (H) **“Financial Information”** means sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen Restaurants.
- (I) **“Franchise”** means the rights granted by this Agreement and any amendments hereto.
- (J) **“Gross Receipts”** means the gross total dollar income from all cash, credit and charge sales of every kind and nature made at or from the Restaurant including, but not limited to, sales and income from: (1) all food, food products, food items and beverages, beer, wine or liquor and room service; (2) vending machines and coin operated games; (3) approved novelty items; (4) cigars, cigarettes, candies and gum; (5) services; (6) any and all goods and products; (7) carry-out items which are prepared from the Country Kitchen Restaurant, and (8) catering and banquet sales. Gross Receipts shall not include any sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority, customer refunds, discounts and adjustments, the amount of refunds or allowances given to customers by franchisee in good faith and any amounts from coupon or discount programs (including reasonable employee discounts) approved by franchisor.
- (K) **“Lease”** means the lease or sublease agreement that the Franchisee has signed in connection with the renting and leasing of the Restaurant building and premises at the Authorized Location.
- (L) **“Managing Owner”** means the individual Franchisee or person identified in **Appendix A-1** attached hereto if Franchisee is a legal entity. If the Franchisee is a legal entity, then the Managing Owner shall be the Principal Owner of Franchisee with the largest share of equity ownership in Franchisee and who is authorized by the Franchisee to bind the Franchisee in any dealings with Franchisor.
- (M) **“Manual”** means, collectively, all books, pamphlets, guides, merchandising and operating aids, newsletters, bulletins, memoranda, letters, notices, computer media (i.e. computer software, CD-Rom), or other publications, documents or electronic media

prepared by or on behalf of the Franchisor for use by franchisees generally or for the Franchisee in particular, setting forth information, advice, standards, specifications, requirements, operating procedures, recipes, instructions or policies relating to the operation of Country Kitchen Restaurants, promotions, and policies, as the Franchisor may amend from time to time.

- (N) **“Marketing Area”** means a three (3) mile radius around the Authorized Location as outlined in Appendix A-1, but specifically excluding any Captive Facilities located within such Marketing Area.
- (O) **“Marks”** means the name “Country Kitchen®” and all other trademarks, trade names, service marks, copyrights, interior and exterior building designs and specifications (including motif, decor, and color combination), slogans, logos and commercial symbols designated by the Franchisor in this Agreement, including the Manual, (and as may be hereafter designated by Franchisor in writing) as part of the System.
- (P) **“Owner”** means those individuals or entities with a direct or indirect ownership interest in Franchisee, who are listed in **Appendix A-1** attached hereto, or such individuals or entities who may later acquire an ownership interest in Franchisee, subject to the restrictions and conditions set forth herein.
- (Q) **“Principal Owner(s)”** means any person or entity who presently owns or later acquires, directly or indirectly, a ten percent (10%) or greater ownership interest in Franchisee.
- (R) **“Restaurant” or “Country Kitchen Restaurant”** means a restaurant operated under the System and Marks and providing food and restaurant services to the public.
- (S) **“Standard Menu” or “Menu”** means the approved menu, including without limitation menu inserts, for use by all franchisees which sets forth and describes, both pictorially and in writing, the foods and food items which have been approved for sale at the Franchisee’s Restaurant. The Standard Menu may be revised, modified or supplemented by Franchisor at any time without notice to the Franchisee and all such revisions, modifications and supplements to the Menu shall then constitute the Standard Menu.
- (T) **“System”** means the business methods, designs, know-how and arrangements for developing and operating restaurants under the trade name “Country Kitchen”, which include the Marks, buildings with a distinctive interior and exterior architectural design and layout; decorative color scheme, equipment, fixtures, furniture, training, advertising and promotional programs; menu and merchandising; and standardized methods of preparing and serving certain food products and beverages for on-premises and off-premises consumption and certain uniform operating and business standards, specifications, and policies, all of which the Franchisor, in its sole discretion, may improve, further develop, supplement or otherwise modify from time to time.
- (U) **“Term”** is defined in Section 2.1(A) of this Agreement.

**Section 1.2 Representations by Franchisee.** This Franchise is being granted based on the franchise application, financial statements and other documents submitted by Franchisee and its Owners to the Franchisor prior to the execution hereof. Franchisee represents and warrants to the Franchisor that such submissions are accurate and complete as of the respective dates of the documents and the date of this

Agreement; and that such submissions do not omit to state any material fact necessary to make them not misleading.

### **Section 1.3 Grant of Franchise at Authorized Location.**

(A) Subject to the conditions of this Agreement and the continued performance by Franchisee hereunder, Franchisor grants to Franchisee, for and during the Term, the right, license and privilege: (1) to build and operate a Country Kitchen Restaurant at the Authorized Location; (2) to offer for sale all of the food and beverage products and merchandise designated by Franchisor to be sold in the Restaurant (as they may be changed, improved, and further developed by Franchisor from time to time); (3) to indicate to the public that Franchisee's Restaurant is operated as a part of the System; and (4) grant to Franchisee, for and during the Term, the non-exclusive right, license and privilege to use the Marks designated by the Franchisor in the operation of the Restaurant.

(B) During the term of this Agreement, Franchisor, or its Affiliates, shall not own or operate a Country Kitchen Restaurant and shall not grant to any third party a franchise to operate a Country Kitchen Restaurant at any location within the Marketing Area. Notwithstanding the foregoing, Franchisor and its Affiliates retain the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights thereto:

i. The right to operate Country Kitchen Restaurants at Captive Facilities located within the Marketing Area.

ii. The right to offer, sell, distribute or otherwise provide, directly or indirectly, or license to others the right to sell or distribute, directly or indirectly, within and outside the Marketing Area, any products or services, including those products or merchandise bearing the Country Kitchen Marks, from any location other than a restaurant, including but not limited to, sales made at or through retail or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts or trailers, kiosks, catalogs, mail order or electronic means (for example, the Internet). Franchisee will not be compensated for sales by or through these businesses.

iii. The right to sell and deliver food and beverage products of any type under any trademark, other than the Country Kitchen Marks, at any location, including, but not limited to, locations within Franchisee's Marketing Area. These businesses may compete directly with Franchisee. Franchisee will not be compensated for sales by or through these businesses.

iv. The right to license to others the right to sell and deliver food and beverage products under any trademark, other than the Country Kitchen trademarks, at any location, including, but not limited to, locations within Franchisee's Marketing Area. These businesses may compete directly with Franchisee. Franchisee will not be compensated for sales by or through these businesses.

v. The right to sell, solicit, and direct advertising or promotional materials to customers or prospective customers located in Franchisee's Marketing Area.

vi. The right to establish and operate, or license to others the right to establish and operate, Country Kitchen Restaurants under the System and the Marks at any location outside Franchisee's Marketing Area.

(C) Franchisee shall offer and sell products and services only from the Restaurant and only in accordance with the requirements of this Agreement and the procedures set forth in the Manual. Franchisee shall not offer or sell products or services through any other means or locations, including, without limitation, retail or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts, kiosks or trailers, catalogs, mail order or electronic media.

(D) Franchisee may not use advertising or other methods for solicitation that are directed into marketing areas or the equivalent granted to other franchisees, unless the advertising is for the purpose of general brand awareness and does not attempt to solicit customers for a specific location.

(E) Notwithstanding anything in this Agreement or any other agreement or manual to the contrary, Franchisee and Franchisor understand and agree that Franchisee may not use or otherwise associate the operation of the Authorized Location with the trademark Café, U.S. Serial Number 88061091, or any similar trademarks, trade names, service marks, copyrights, slogans, logos and commercial symbols without first entering into the mutual Amendment to Franchise Agreement Regarding Café by Country Kitchen, a form of which is attached hereto as Appendix A-2.

**Section 1.4 Additional Restaurants.** Franchisee further agrees that this Franchise relates solely to the operation of the Restaurant at the Authorized Location. Franchisee understands and agrees that this Agreement grants Franchisee no right, title or interest, directly or indirectly, in additional Country Kitchen or other franchises to be operated at any other location (subject to relocation of the Restaurant pursuant to the conditions and requirements in Section 3.1).

#### **Section 1.5 Franchisee Obligations.**

(A) Franchisee agrees to diligently use its best efforts to develop and operate the Restaurant, to protect the Marks, and to promote the interest of the System and the Country Kitchen® brand for the term of this Agreement and any renewal thereof.

(B) Franchisee agrees to construct, maintain and operate its Restaurant only at the Authorized Location in accordance with the Manual and other applicable publications of the Franchisor, as revised from time to time, and the terms of this Agreement. Franchisee agrees to use the Restaurant only for the purpose designated in this Agreement.

(C) Franchisee agrees to maintain uniformity in every component of the operation, including the designated menu, food and beverage products, preparation methods, quality and appearance, and facilities and service.

(D) Franchisee agrees to comply with the entire System, as revised from time to time by the Franchisor. Franchisee understands and agrees that due to the competitive nature of the restaurant business, presently unforeseen changes in consumer preferences, and/or presently unforeseen technological innovations, Franchisor may from time to time change the components of the System, including, but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of the System; adding to, deleting from or modifying those programs, products and services which the Restaurant is authorized to offer; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees, at Franchisee's expense, to abide by any such modifications, changes, additions, deletions and alterations which may apply to the entire System, or may be limited to a particular building prototype, and may include new or additional menu items, recipes, computer hardware, software, equipment, inventory, supplies or techniques.

(E) Franchisee (including its Owners and employees) shall at all times during the Term act with the utmost caution to protect Confidential Information, which is critical to promoting the interest of the System and the Marks. Franchisee understands and agrees that any failure (whether intentional or accidental) to comply with all obligations of this Agreement respecting Confidential Information as described in Article 10 or otherwise shall constitute a material event of default under Section 11.1(A).

### **Section 1.6 Approved Operator; Other Managers.**

(A) Franchisee shall designate and retain at least one individual to serve as the Approved Operator of the Restaurant. The Managing Owner may serve as the Approved Operator provided that such Managing Owner meets all of the criteria in this Section 1.6. The Approved Operator must (i) have a track record of successfully owning or managing restaurants similar to Country Kitchen Restaurants, and if the Approved Operator will manage more than one Country Kitchen Restaurant, shall have experience in operating multi-unit restaurants similar to Country Kitchen Restaurants; (ii) possess good moral character, and have the aptitude and ability to conduct the business contemplated by this Agreement; (iii) be authorized by the Franchisee to direct any actions necessary to ensure compliance with the Agreement; (iv) devote his or her full time and best efforts to satisfying Franchisee's obligations under this Agreement and the daily operations of the Restaurant (along with other Country Kitchen Restaurants operated by Franchisee if Franchisee operates more than one Country Kitchen Restaurant); (v) complete Franchisor's then-current training program and (vi) live within the general area of the Restaurant.

(B) Any replacement Approved Operator proposed by Franchisee shall satisfy all of the foregoing requirements and complete Franchisor's then-current training program. Any failure to comply with such requirements shall be deemed a material event of default by Franchisee.

(C) The Approved Operator shall refrain from operational or management commitments in other businesses (except other Country Kitchen Restaurants operated under franchises granted by the Franchisor) which would in any way affect the management duties required hereunder.

(D) At all times during the Term of this Agreement, Franchisee shall maintain a managerial staff in accordance with Franchisor's policies and procedures as set forth in the Manual. At all times during this Agreement, all of Franchisee's managers will have attended and successfully completed the prescribed manager training program of Franchisor and all subsequent manager training, refresher and retraining programs offered from time to time by Franchisor pursuant to the Manual (as revised from time to time) and Section 5.3 of this Agreement.

**Section 1.7 Franchisor Services.** The Franchisor agrees to provide, or to cause an Affiliate of the Franchisor to provide, to Franchisee the following materials, benefits and services:

(A) Written criteria for site selection (if applicable) upon request;

(B) Typical site plans, standard construction plans, drawings and specifications for the Country Kitchen Restaurant building and its related facilities; provided, however, Franchisee acknowledges that such plans and specifications shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Country Kitchen Restaurant;

(C) Standard layouts and specifications for fixtures, furnishings, interior design and décor, signs and equipment required as elements of the System.

(D) Subject to Section 5.3 of this Agreement, a preopening management training program and such other training may be designated by the Franchisor from time to time in the Manual or otherwise in written or electronic format, subject to Section 5.3 of this Agreement, at such locations and for such periods as are periodically designated by Franchisor;

(E) Such assistance as the Franchisor may determine is required in connection with the Restaurant opening by Franchisee;

(F) Loan Franchisee one (1) copy each of the Manual, which Franchisor may elect to provide either in written or electronic format. Franchisor, in its sole discretion, may periodically issue additions and modifications thereto to incorporate new developments or other changes in System standards, specifications, procedures, and techniques;

(G) A sample of the Franchisor's standardized form of chart of accounts, statement of earnings, balance sheet and other report forms to be used by Franchisee for purposes of reporting to the Franchisor, which Franchisor may elect to provide either in written or electronic format; and

(H) Periodic inspections and evaluations of Franchisee's operations as Franchisor may elect to provide in its sole discretion pursuant to Section 5.4.

Franchisor may, in its sole discretion, elect to outsource and/or subcontract certain of Franchisor's obligations set forth in this Agreement to its Affiliates, contract employees and/or third-party suppliers; provided (i) any such outsourcing and/or subcontracting shall not discharge Franchisor from its obligations under this Agreement, and (ii) any such outsourced or subcontracted obligations shall be performed in accordance with the terms of this Agreement.

### **Section 1.8 Franchisee Organization, Authority, Financial Condition and Owners.**

(A) Franchisee represents and warrants that: (i) unless Franchisee is an individual, Franchisee is a validly existing legal entity in good standing under the laws of the state of its incorporation or organization (as applicable); (ii) Franchisee is duly qualified and is authorized to do business and is in good standing in each jurisdiction in which its business activities or the nature of the properties owned by it requires such qualification; (iii) the execution and delivery of this Agreement and transactions contemplated hereby are within Franchisee's authority; (iv) the execution and delivery of this Agreement has been duly authorized by the Franchisee; (v) unless Franchisee is an individual, the articles of incorporation and by-laws or articles of organization (as applicable) of Franchisee delivered to Franchisor are true, complete and correct, and there have been no changes therein since the date thereof; (vi) the financial statement of Franchisee and, if applicable, the financial statements of each Owner previously delivered to Franchisor are true, complete and correct, and fairly present the financial positions of Franchisee and each Owner, respectively, as of the date thereof; (vii) such financial statements have been prepared in accordance with generally accepted accounting principles; (viii) there have been no materially adverse changes in the condition (financial or otherwise), assets or liabilities of Franchisee or its Owners since the date or dates of their respective financial statements.

(B) Franchisee covenants that during the Term: (i) if Franchisee is a legal entity, Franchisee shall do or cause to be done all things necessary to preserve and keep in full force its legal existence and shall be in good standing in each jurisdiction in which its business activities or the nature of the properties



owned by it require such qualifications; and (ii) Franchisee shall have the legally binding authority to carry out the terms of this Agreement.

(C) In addition to its obligations pursuant to subsection (A) hereof, Franchisee and its Owners, if applicable, shall provide Franchisor with such Financial Information as Franchisor may reasonably request from time to time.

(D) Franchisee represents warrants and covenants that all Owners in the Franchisee are set forth on **Appendix A-1** hereto, and that no loss or addition of a Principal Owner will be made other than as permitted by this Agreement, and consented to in writing by an officer of Franchisor. Franchisee agrees to furnish Franchisor with such evidence as Franchisor may request from time to time, for the purpose of assuring Franchisor that the ownership interests of Franchisee remain as represented herein.

(E) Each Principal Owner shall execute written agreements with the Franchisor personally guaranteeing the full payment and performance of Franchisee's obligations to the Franchisor and personally agreeing to be bound, jointly and severally, by all terms of this Agreement, including, without limitation, the restrictions on assignment in Article 13 and the restrictive covenants set forth in Article 12, the forms of which are attached hereto as Appendices B-1 and B-2.

## ARTICLE 2 TERM AND RENEWAL

### **Section 2.1 Term; Renewal**

(A) The term of this Agreement shall be for twenty (20) years commencing on the Effective Date, unless terminated or extended pursuant to the terms of this Agreement. Franchisee agrees to operate the Restaurant at the Authorized Location for the entire Term.

(B) Franchisee shall have two (2) options to extend the Term for periods of five (5) years each provided that at the end of the initial Term or the first five (5) year renewal term, as the case may be, (i) Franchisee meets all conditions for renewal set forth in Section 2.2 below; and (ii) executes Franchisor's then-current form of standard unit franchise agreement to reflect the five (5) year extension. The terms of any such standard unit franchise agreement may vary materially from the terms of this Agreement and shall supersede this Agreement in all respects.

**Section 2.2 Conditions for Renewal.** If all of the following criteria are satisfied, Franchisee may renew this Franchise:

(A) Franchisee gives the Franchisor written notice of its intention to renew this Franchise not less than six (6) months, nor more than twelve (12) months, prior to the end of the then-current term.

(B) Franchisee is not, when notice is given and at the time of renewal, in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement, including any other unit franchise agreement, with the Franchisor or its Affiliates and has complied with all such agreements during the term of this Agreement.

(C) All monetary obligations owed by Franchisee to the Franchisor are current.

(D) Franchisee, its managers and any other employees of the Franchisee attend and satisfactorily complete such retraining or refresher training program as the Franchisor may require, in its sole discretion, at such time and place as the Franchisor may reasonably designate.

(E) At least four (4) months prior to the expiration of the current Term, Franchisor will have the right to inspect the Restaurant and give notice of all required modifications, upgrades, renovations, remodeling, repairs and replacements to the Restaurant premises, décor, equipment and furnishings, signage, computer systems, and required software necessary to comply with Franchisor's then-current standards and specifications. If Franchisee elects to renew this Agreement, Franchisee shall complete, to Franchisor's satisfaction, all such required modifications and adopt and implement any new methods, programs, modifications, techniques or operational systems required by Franchisor's notice no later than one (1) month prior to expiration of the current term of this Agreement.

(F) To the extent permitted by applicable law, Franchisee executes an agreement with the Franchisor agreeing to release any claims, known or unknown, that Franchisee may have against the Franchisor or its Affiliates at the time of renewal.

### ARTICLE 3 AUTHORIZED LOCATION; CONSTRUCTION; MAINTENANCE

#### **Section 3.1 Identification; Location and Lease Restrictions; Relocation.**

(A) Authorized Location Identification. Franchisee desires to construct and operate a Country Kitchen Restaurant at the location identified in **Appendix A-1**. Franchisor must issue its prior written consent for the Authorized Location before construction may begin.

(B) No Guaranty of Success. Franchisee acknowledges that the selection, procurement and development of an Authorized Location is solely Franchisee's responsibility. Franchisee acknowledges that Franchisor's designation of an exclusive broker and/or Franchisor's consent to a prospective Authorized Location and any guidance or feedback provided for a particular location does not constitute a representation, promise, warranty or guaranty by Franchisor that the Restaurant operated at the Authorized Location will be profitable or otherwise successful.

(C) Lease Requirements. If the property at the Authorized location will be leased or subleased by Franchisee, Franchisee agrees: (1) to furnish the Franchisor with a copy of Franchisee's proposed Lease or sublease prior to execution and (2) to insert in said Lease those provisions contained in **Appendix C** attached hereto (the "Addendum to Lease and Collateral Assignment of Lease"), which terms, as applicable to Franchisee, are incorporated herein by reference. The Franchisor must approve any revisions to the Addendum to Lease and Collateral Assignment of Lease. If Franchisee is in default under its Lease and fails to cure such default upon demand by Franchisor and Franchisor elects to cure such default, Franchisee shall reimburse Franchisor for the costs and expenses incurred in curing such default, including but not limited to, payment of back rent and other payments due under the Franchisee's lease, and the costs incurred in restoring the leased premises in good working order and repair.

(D) Requirements for Owned Locations. If an Authorized Location is owned by the Franchisee or any of Franchisee's Owners, the property shall be subject to a Declaration of Franchise Agreement in favor of the Franchisor in the form attached hereto as **Appendix D**, which states that any transfer of ownership in the property (including but not limited to a sale leaseback to an Affiliate of Franchisee) is subject to the terms and conditions set forth in this Agreement.

(E) Deadline for Delivery of Lease. Franchisee shall deliver to Franchisor one copy of the fully executed Lease incorporating the Addendum to Lease and Collateral Assignment of Lease within five (5) days of execution of such lease. If Franchisee fails to comply with the foregoing requirements following written request by Franchisor, Franchisor may terminate this Agreement in accordance with Article 11.

(F) Restriction on Relocation. Franchisee may not relocate the Restaurant to a new location unless the Franchisor reviews the proposed location and issues a letter of acceptance, which review shall be based upon various factors, including but not limited to the success of the Restaurant at its then-current location, and the demographics (including number of households and traffic patterns) relating to the proposed new location. Any such relocation will be at Franchisee's sole expense. Franchisee shall promptly reimburse Franchisor for of all of the Franchisor's costs and expenses in connection with such relocation.

### **Section 3.2 Construction of Restaurant and Opening Conditions.**

(A) Authorized Location and Building Plan Submission Deadline. No later than ninety (90) days after the Effective Date, Franchisee shall have its architect/engineer develop a complete set of plans that are based on the Franchisor's standard building plans, conform such plans to local building and zoning codes, and submit such plans to Franchisor for its review and approval. In all instances, Franchisee must obtain the Franchisor's written approval of the final building and Authorized Location plans prior to applying for a building permit or commencing construction.

(B) Permitting. Permitting for the building and improvements for the Restaurant with the local governing body will begin as soon as possible after Franchisee receives written notice from the Franchisor of its approval of the final building and Authorized Location plans and specifications. The building and improvements will be constructed in strict compliance with the final plans and specifications, as approved by the local governing body and the Franchisor.

(C) Restaurant Opening. If Franchisee has a current area development agreement with Franchisor, the Restaurant shall open for business in accordance with the Agreement with the development schedule in that area development agreement. Otherwise, Franchisee shall open for business no later than twelve (12) months after the Effective Date of this Agreement. Franchisee must obtain Franchisor's written consent prior to opening the Restaurant to the public for business, which consent shall not be unreasonably withheld, conditioned or delayed, provided that, in Franchisor's sole opinion, Franchisee has:

- i. constructed and equipped the Restaurant in accordance with Franchisor's standards and specifications, as evidenced by Franchisor's written approval of such construction;
- ii. hired and trained a staff in accordance with the requirements of this Agreement and the Manual;
- iii. paid the Franchise Fee, and any other amounts then due to Franchisor;
- iv. signed all agreements required herein, including, but not limited to, the Agreement for Electronic Funds Transfer Payments in the form attached hereto as **Appendix E**;
- v. obtained a certificate of occupancy and any other required health, safety or fire department certificates and copies of such documents have been delivered to Franchisor;
- vi. provided to Franchisor copies of certificates for all insurance policies required by this Agreement or such other evidence of insurance coverage as Franchisor reasonably may request; and
- vii. otherwise complied with all terms and conditions contained in this Agreement and any other agreements with Franchisor.

(D) Restoration following Damage or Destruction. In the event the Restaurant is damaged or rendered totally or partially un-tenantable by fire or other casualty, Franchisee shall, within thirty (30) days, initiate repairs to the Restaurant property and diligently pursue the completion of such repairs in order to restore the Restaurant property to its former condition prior to the casualty. If, in the Franchisor's reasonable judgment, the damage or destruction is so extensive that substantial cost and effort will be expended in restoring the Restaurant property, the Franchisor may require Franchisee, by giving written notice thereof, to restore the Restaurant property in conformance with the then standard Country Kitchen Restaurant décor specifications. Notwithstanding anything herein to the contrary, Franchisee shall not be required to repair or restore the Restaurant property if such damage occurs during the final year of the Term unless the Franchisor agrees to extend the Franchise. Franchisee shall be solely responsible for the cost associated with restoring the Restaurant property.

### **Section 3.3 Installation of Equipment and Furnishings.**

(A) Franchisee shall install and use in and about the Restaurant only such equipment (including, but not limited to, food and beverage preparation equipment, fixtures, furnishings, interior and/or exterior signage and air handling equipment) and other personal property which strictly conforms to the appearance, uniform standards, specifications and procedures of the Franchisor and the System, as may be revised from time to time in Franchisor's sole discretion. Franchisee shall purchase and install all equipment and furnishings from only those suppliers Franchisor designates or approves in its sole discretion. The Franchisor shall have the right to inspect and approve all equipment and furnishings and their installation to ensure Franchisee's compliance with the Franchisor's standards and specifications.

(B) Franchisor's approval is required for any vending machines located in the Restaurant and for any music played in the Restaurant whether through a satellite service or jukebox. Franchisor may require that Franchisee install certain vending machines provided by third parties or Franchisor which determination will be made solely in Franchisor's discretion as part of any system-wide requirement set forth in the Manual.

### **Section 3.4 Maintenance and Renovation; Equipment and Furnishings.**

(A) Franchisee agrees to continuously maintain the condition and appearance of the Restaurant in compliance with the Franchisor's prescribed standards of quality, service and cleanliness, and in connection therewith Franchisee shall make such additions, alterations, repairs and replacements thereto (but not without our prior written consent) as may be required for that purpose, including without limitation, such periodic redecorating, replacement of inventory and replacement of obsolete signs, fixtures, or materials as Franchisor may reasonably direct. Franchisee shall be solely responsible for the expense of such maintenance. If at any time, in the Franchisor's reasonable judgment, the general state of repair, appearance or cleanliness of the Restaurant property does not meet the Franchisor's standards, the Franchisor will so notify the Franchisee in writing, specifying the action to be taken by the Franchisee to correct such deficiency, and the Franchisee will promptly comply with the Franchisor's requirements. Franchisee's failure to comply with such request upon reasonable notice shall be deemed an event of material default pursuant to Section 11.1 (B) herein.

(B) Franchisee shall, upon request by the Franchisor, make such improvements, alterations, repairs and replacements to the Restaurant premises, equipment and furnishings, signs, interior and exterior décor, and other products and materials required for the operation of the Restaurant to Franchisor's then-current System standards and specifications. Franchisee agrees to make such changes, alterations and /or improvements at Franchisee's sole cost and expense within thirty (30) days' following receipt of written notice, or such longer period of time as Franchisor determines is reasonably necessary

for Franchisee to obtain any applicable permits. Franchisee's failure to comply with such request upon reasonable notice shall be deemed an event of material default pursuant to Section 11.1 (B) herein.

(C) Franchisor shall have the right, in its sole discretion and as it deems in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the particular Authorized Location or circumstances, and the particular restaurant format which the Franchisee operates.

### **Section 3.5 Purchases from Non Approved Suppliers.**

(A) If Franchisee desires to purchase or install any item that has not been specifically approved by the Franchisor, or to purchase an item of equipment manufactured to the Franchisor's specifications from a supplier that has not been pre-approved by the Franchisor, Franchisee shall submit to the Franchisor a written request for approval of such item or supplier. The Franchisor shall have the right to require, among other things, that a sample of the item to be delivered or manufactured be made available in a manner acceptable to the Franchisor or to an independent certified laboratory designated by the Franchisor for testing prior to acting on the request for approval. All costs and expenses related to such testing and evaluation shall be paid to the Franchisor by Franchisee. Unless Franchisor delivers an approval notice to the Franchisee within thirty (30) days after Franchisor receives a written request for approval of an alternate supplier or item, the request shall be deemed denied. Under no circumstances will used equipment or smallwares be allowed, unless approved by Franchisor in its sole discretion. Franchisor reserves the right to reject Franchisee's request for approval of a new item or supplier without conducting any investigation if Franchisor or its Affiliates already have an approved item, or have already designated a supplier for the item.

(B) The Franchisor may revoke the Franchisor's approval of a particular item or supplier when the Franchisor determines that such item or supplier no longer meets the Franchisor's standards. Upon receipt of written notice of such revocation, the Franchisee must cease purchasing the item and/or using the supplier.

### **Section 3.6 Technology.**

(A) Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (a) back office and point-of-sale systems (including but not limited to food cost management, supply management and labor management systems), (b) data, audio and video systems for use at the Restaurant; (c) printers and other peripheral hardware or devices; (d) archival back-up systems; (d) Internet access systems; (e) physical, electronic and other security systems, including video surveillance; and (f) devices designed to enhance the efficiency of the restaurant operations (collectively, the "Computer System").

(B) Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate computer software programs that Franchisee must use in connection with the Computer System (the "Required Software"). Franchisee shall install at its expense (a) updates, supplements, modifications, or enhancements to the Required Software; and (b) the database file structure of the Computer System.

(C) Franchisee shall purchase the Computer System and, if applicable, the Required Software from Franchisor or its Affiliates or other vendors which Franchisor may approve in its sole discretion.

(D) Franchisor shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that Franchisor deems necessary. Franchisor reserves the right to collect (via modem or otherwise) Franchisee's point of sale data in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information as Franchisor deems appropriate, and Franchisee acknowledges and agrees that Franchisor may distribute this data to other franchisees or third parties on a confidential basis.

(E) Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the Term. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose, which may require Franchisee to incur costs to purchase, lease or license new or modified computer hardware and software or obtain service and support for the Computer System and/or Required Software during the Term.

### **Section 3.7 Eminent Domain.**

If during the Term, the Restaurant property shall be taken for any public use by an exercise of eminent domain, condemnation or by purchase under the threat of such power, either party to this Agreement may elect to continue the Franchise under the terms of this Agreement at a new Authorized Location provided that all requirements of this Agreement are met with regard to relocating and establishing the replacement Restaurant.

## ARTICLE 4 STANDARDS AND SPECIFICATIONS; APPROVED SUPPLIERS, RECIPES; UNIFORMS

**Section 4.1 Standards and Specifications; Approved Suppliers.** The reputation and goodwill of Country Kitchen Restaurants is based upon and maintained only by the sale of distinctive, high quality food products and beverages and the presentation and service of such products in a uniform and appealing manner. Franchisor has developed various food products, ingredients, seasonings, beverages and product mixes that will be prepared by or for Franchisor according to Franchisor's secret recipes and formulas. Franchisor has developed standards and specifications for food and beverage products used in the preparation, cooking and serving of food products authorized for sale at Country Kitchen Restaurants. Franchisor has and will periodically approve suppliers and distributors of the foregoing products that meet its standards and requirements including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. Franchisee agrees:

(A) to serve, sell or offer for sale all of the food and beverage products and merchandise that (i) are listed in the then-current standard menu or menus specified by the Franchisor, (ii) meet the Franchisor's uniform standards of quality and portions, (iii) have been prepared in accordance with the recipes and food handling and preparations methods and procedures designated from time to time in the Manual or otherwise in writing, and (iv) are supplied only by Franchisor approved vendors and/or suppliers;

(B) to maintain sufficient supply of all food, beverage, limited time offers and promotional items necessary to maintain service of all items during hours of operation; and

(C) not to deviate from the Franchisor's standards, specifications and procedures for serving or selling food, beverage and other items without the Franchisor's prior written approval.

#### **Section 4.2 Use of Approved Suppliers.**

(A) Use of Only Approved Suppliers/Distributors. Franchisee will purchase approved food products and other items only from sources approved by the Franchisor (which may include the Franchisor or its Affiliates). The Franchisor may from time to time modify the list of approved items, brands, suppliers, and distributors, and Franchisee shall not, after receipt in writing of such modification, reorder any item or brand or reorder from any supplier or distributor which is no longer approved.

(B) Franchisor's Approval of Alternate Items or Suppliers. If Franchisee proposes to use or serve any food or beverage item or other ingredient or proposes to use any item, brand or supplier which is not approved at that time, Franchisee will first notify the Franchisor and submit sufficient information, specifications and samples concerning such item, brand or supplier for a determination by the Franchisor whether such item or brand complies with the Franchisor's specifications and standards and whether such supplier meets the Franchisor's approved supplier criteria. The Franchisee must reimburse the Franchisor for the costs and expense relating to the testing, research and investigation of proposed products, brands or suppliers. Unless Franchisor delivers an approval notice to the Franchisee within thirty (30) days after Franchisor receives a written request for approval of an alternate supplier or item, the request shall be deemed denied. Franchisor approval of any such proposed item or supplier may be based on not only whether the item or supplier meets Franchisor's standards and specifications, but may also take into account the uniformity, efficiency, and quality of operation the Franchisor deems necessary or desirable in the System as a whole. Franchisor may concentrate purchases with one or more distributors or suppliers as Franchisor determines in its sole discretion to obtain lower prices and/or the best support and/or services. Franchisor reserves the right to reject Franchisee's request for a new supplier or distributor without conducting any investigation if Franchisor or its Affiliates already have a designated supplier or distributor for the product or material to be offered by the proposed distributor or supplier.

(C) Franchisor's Right to Revoke Prior Approvals. The Franchisor may revoke the Franchisor's approval of particular products or suppliers at any time in its sole discretion. Upon receipt of written notice of such revocation, the Franchisee must cease purchasing products from such supplier.

**Section 4.3 Uniforms.** You will require your servers and other employees to wear the standard attire or uniforms approved by us, and will comply with such programs of standardization as may from time to time be promulgated by us to promote the common Country Kitchen<sup>®</sup> Restaurant image and to protect the goodwill associated with the Marks and the System.

**Section 4.4 Product Testing.** Franchisor reserves the right to designate, in its sole discretion, which of its franchisees may, or will be required to, participate in new product or service tests, new or modified product or service offerings and other programs, initiatives, and campaigns that Franchisor may, from time-to-time, develop. If Franchisor designates Franchisee for participation in any such test, offering, program, initiative or campaign, Franchisee must participate when and as required by Franchisor.

#### **Section 4.5 Franchisor's Rights.**

(A) If Franchisor believes that any product offered by Franchisee, or any condition with respect to Franchisee's Restaurant, may be unhealthy, unsafe or unsanitary, and Franchisor requests that Franchisee remove and/or discard or destroy such product, or correct or otherwise modify such condition, Franchisee must do so immediately. If Franchisee does not do so immediately, Franchisor may do so at Franchisee's expense with no liability to Franchisee. In addition, Franchisor may require Franchisee to

close the Restaurant to the public, with or without written notice, until Franchisor is satisfied that the unhealthy, unsafe or unsanitary condition has been completely corrected.

(B) Franchisor shall have the right to retain volume rebates, markups and other benefits from suppliers. Franchisee will have no entitlement to or interest in such benefits, unless otherwise agreed to by Franchisor in writing.

## ARTICLE 5 OPERATING STANDARDS; HOURS OF OPERATION; TRAINING

### **Section 5.1 Operational Standards.**

(A) During the Term of this Agreement, the Franchisee will have the right to access one copy of the Manual and other applicable manuals and publications of the Franchisor for Country Kitchen Restaurants, which shall be in either electronic or printed format as determined by Franchisor. The Franchisor shall have the right to modify the Manual and other manuals and publications from time to time to reflect changes in authorized products and services, promotions, standards of product quality and services for the operation of a Country Kitchen Restaurant. If the Franchisor provides Franchisee with access to the Manual via a Website or extranet, Franchisee agrees that it is Franchisee's obligation to monitor and access the Website or extranet for any updates to the Manual.

(B) Franchisee shall keep current all copies of the Manual and other manuals. The master copies shall be maintained by the Franchisor at its principal office and shall control in the event of a dispute relative to the contents thereof.

(C) Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the business franchised under this Agreement. Franchisor may require Franchisee, upon written notice, to designate Franchisor as an authorized party to receive copies of any governmental inspection reports, citations or similar notices.

(D) Franchisor may, in its sole discretion, establish "quality control" programs, such as a "mystery shopper" program, other consumer feedback systems, and the evaluations to ensure the highest quality of service and products in all Restaurants. Franchisee must participate in any such quality control programs, including those Franchisor may add or modify from time to time, and Franchisee shall bear its proportionate share of the costs of any such program, including providing discounts or refunds to customers, as determined by Franchisor in its sole discretion. Franchisor shall have access to any data resulting from such programs implemented at the Restaurant.

(E) Franchisee and its Owners and employees shall not distribute any press release or make any statement to the media regarding the health or safety conditions of the Restaurant or any crisis matter such as a food borne illness without the prior written consent of Franchisor. Franchisor may withhold its consent in its sole and absolute discretion. Franchisee agrees to notify Franchisor immediately upon the development of any health, safety, or potential crisis situation which Franchisee reasonably believes may be developing.

(F) Franchisee must fully participate in all local, regional, seasonal, promotional and other programs, initiatives, and campaigns adopted by Franchisor that Franchisor requires Franchisee to participate in.



**Section 5.2 Hours of Operation.** During the term of this Agreement, Franchisee shall be open and in normal operation for no less than sixteen (16) hours per day, seven (7) days per week. Franchisor, in its sole and absolute discretion, may authorize Franchisee to be open for fewer hours because of economic or other business considerations.

**Section 5.3 Training.**

(A) All of the Franchisee's managerial employees, multi-unit managers (if applicable), the Approved Operator, and Principal Owner(s) are required to successfully complete the management training program prescribed by the Franchisor at such place and time as the Franchisor may designate, but prior to performing duties in or related to the Restaurant. Additionally, the Approved Operator, Principal Owner(s) and multi-unit managers (if Franchisee operates more than on Restaurant) must complete additional training provided by the Franchisor. Based on the structure of the organization, the Franchisor may exempt some Principal Owners from participating in this training, if indicated in **Appendix A-1** attached hereto or later by written agreement signed by an officer of the Franchisor.

(B) At the Franchisor's option, such training will take place at a Certified Training Restaurant. Franchisee shall be solely responsible for the compensation of trainees and their travel, lodging and living expenses incurred in connection with the attendance at such programs. The individuals participating in such training on behalf of Franchisee will not be deemed to be employees of Franchisor, or of the owner of any Restaurant (unless the Restaurant is owned by the Franchisee or an Affiliate of Franchisee) in which those individuals participate in the training, but will be deemed to be employees of Franchisee during all aspects of the training program.

(C) In addition to the required management training, all other employees of Franchisee must undergo such on-the-job and instructional training as the Franchisor may from time to time require.

(D) Franchisee, and/or such executive, managerial, supervisory and other employees of Franchisee shall attend and successfully complete all subsequent training, refresher and retraining programs which the Franchisor, in its reasonable discretion, may conduct and require Franchisee and/or designated employees to attend.

(E) Franchisee will immediately notify Franchisor in writing of any personnel changes in the management positions of the Restaurant. In the event that Franchisee, or the Approved Operator, hire a new Restaurant manager or assistant manager who has not successfully completed the training program, then the new Restaurant manager or assistant manager must successfully complete the training program prior to the time that he or she will be allowed to manage the Restaurant.

(F) After Franchisee's managerial employees, multi-unit managers (if applicable), the Approved Operator, and Principal Owner(s) have successfully completed the management training program, Franchisor will assist in scheduling the opening of the Restaurant and will furnish an opening crew who will provide opening assistance deemed necessary and appropriate by Franchisor at Franchisee's Restaurant for a period to be determined by Franchisor. Franchisee will not open and commence initial business operations of the Restaurant until Franchisor has given Franchisee written approval to open the Restaurant.

(G) The Franchisor will provide the initial training materials and supplies, which are part of the System. Franchisee will purchase any additional or replacement training materials and supplies, as may be specified by the Franchisor, to properly conduct such training as is established and published from time to time in the Manual.

(H) Franchisee agrees to maintain a competent, conscientious staff in numbers as required by the Franchisor from time to time as set forth in the Manual and to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manual. Franchisee shall be solely responsible for all employment decisions and functions of the Restaurant, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

(I) Franchisee must attend at its sole expense all annual and other meetings that Franchisor determines are mandatory for all franchisees.

#### **Section 5.4 Discretionary Continuing Services.**

(A) The Franchisor or any of its Affiliates may elect to provide the following discretionary services to Franchisee on a periodic basis, but only if the Franchisor believes that such discretionary service is necessary and appropriate:

i. updates to the Manual, including merchandising and operating aids and services, bulletins, newsletters, reports and other printed material that Franchisor may issue either in written or electronic format;

ii. written or verbal consultation and advice or send representatives to Franchisee's premises to consult with Franchisee or its management representative relative to the operation of the Restaurant; and

iii. inspect the premises of the Restaurant and the products served by the Franchisee therein to determine the efficiency and quality of the operation and compliance with the System.

(B) On reasonable written request by Franchisee and as determined by the Franchisor, furnish services, including additional training, to Franchisee to address specific problems encountered by Franchisee. Franchisee shall reimburse the Franchisor promptly for its actual time and actual expenses incurred in providing such services and additional training, including the salary, travel, lodging, living and other related expenses of our representatives providing the service and additional training.

**Section 5.5 Access to Restaurant.** Franchisor may evaluate and inspect the premises of the Restaurant (including public and private areas), at all times, with or without prior notice to Franchisee, to verify compliance with the terms and conditions of this Agreement and for any other purpose related to this Agreement and the relationship between the parties. Franchisee will permit Franchisor and its representative's access to its business premises and will cooperate with Franchisor in any such evaluation or inspection. Franchisor may photograph or video record any part of the premises of the Restaurant, whether or not Franchisee is present. Franchisor may select and remove for evaluation and inspection any materials, ingredients, products, supplies, goods, uniforms, fixtures, signs, furnishing and/or equipment on the premises of the Restaurant that Franchisor believes does not comply with Franchisor's requirements or standards.

**Section 5.6 Franchisor's Right to Operate the Restaurant.** If Franchisee abandons the Restaurant (as evidenced by the Restaurant being closed for business for more than three (3) consecutive days or some other affirmative act such as the proposed auction or sale of equipment), fails to maintain a trained managerial staff in accordance with Section 1.6 herein, or otherwise fails to operate the Restaurant in accordance with this Agreement, in addition to all other rights and remedies, Franchisor may elect to operate (or select a designee to operate) the Restaurant for a reasonable period on Franchisee's behalf, for

a reasonable fee to be determined by Franchisor from time to time. In addition to payment of such reasonable fee, Franchisee must reimburse Franchisor for any operating loss incurred by Franchisor (or its designee).

## ARTICLE 6 FEES AND ADVERTISING EXPENDITURES

**Section 6.1 Initial Fee.** Franchisee shall pay to Franchisor an initial fee of Forty Thousand Dollars (\$40,000) (the “Initial Fee”), all of which is due and payable on the date this Agreement is executed. The Initial Fee payable by Franchisee is fully earned when paid and not refundable.

**Section 6.2 Continuing Fee.** During the Term, Franchisee shall pay to the Franchisor via electronic funds transfer a sum equal to four percent (4%) of Franchisee’s Gross Receipts from the operation of the Restaurant. The Continuing Fee shall be payable for the Franchisee’s use of the System and for the Franchisor’s services provided for under this Agreement.

**Section 6.3 Advertising Production Fee.** Franchisee understands and hereby acknowledges that advertising, marketing and promotional activities are essential to the furtherance of the goodwill and public image of the Franchisor and the System and the success of the Restaurant. During the term of this Agreement, Franchisee shall pay to Franchisor one percent (1%) of Franchisee’s Gross Receipts from the operations of the Restaurant towards the Advertising Production Fund to be used for advertising production costs (including without limitation all costs relating to production of television, radio, newspaper, direct mail and point of purchase advertising and all collateral materials required for such advertising), all costs and expenses for production media (including salaries, office supplies, trade publications and related general and administrative expenses), to protect, advertise, and promote the brand name, and other advertising agency fees or promotions which are made available to all franchisees (including all Birthday Club expenses).

**Section 6.4 Regional and National Ad Funds.** Franchisor has the right in its sole discretion to establish a fund for the implementation of regional advertising programs intended to increase general public recognition and acceptance of Country Kitchen Restaurants in a Franchisee’s regional area (“Regional Ad Fund”), and /or a national ad fund for the benefit of the System (“National Ad Fund”). Franchisor may require Franchisee to contribute up to three percent (3%) of its Gross Receipts to the Regional Ad Fund and/or National Ad Fund. Franchisee may offset against this amount any amount contributed by Franchisee to a market area cooperative advertising association in which Franchisor requires Franchisee to participate.

**Section 6.5 Interest on Late Payments.** If Franchisee fails to provide adequate funds to cover the electronic transfer for the monthly Continuing Fee, Advertising Production Fee and, where applicable, Regional and National Ad Fund Fees, when due to Franchisor, then the unpaid monthly Continuing Fee, Advertising Production Fee, and Regional and National Ad Fund Fees will bear an interest at one and one-half percent (1 ½ %) per month or the maximum legal rate allowable by applicable law, whichever is lower.

**Section 6.6 Fees Non-Refundable.** All fees and other amounts payable to the Franchisor under this Agreement are non-refundable.

**Section 6.7 Date Payable.** The monthly Continuing Fee, Advertising Production Fee and, where applicable, Regional and National Ad Fund Fees payable by Franchisee shall be paid via electronic transfer on the tenth (10th) day of each month for the preceding month.

**Section 6.8 Payment by Pre-Authorized Electronic Funds Transfer.** All required payments under this Article 6 to Franchisor must be made through a designated payment system using pre-authorized transfers from Franchisee's designated operating account through the use of electronic fund transfers, or, if Franchisor requests, by special checks or other equivalent payment system that Franchisor designates in the Operating Manuals or otherwise in writing. Franchisee shall give its bank instructions in a form attached hereto as Appendix E, and obtain the bank's agreement to follow the instructions to effectuate the electronic payment system meeting Licensor's requirements. Without Franchisor's prior written consent, the bank may not withdraw, modify or cancel its agreement to abide by the instructions provided by Franchisee. Franchisee must also execute any other documents or agreements relating to establishing or maintaining an electronic payment system as Franchisor or the bank may reasonably request from time to time. Franchisee understands that Franchisor may modify the electronic payment system at any time upon written notice and agrees to promptly conform to the changes at its sole expense, which may require changes to the bank's agreement. Franchisee shall deposit all Gross Receipts into the designated operating account accessed by the electronic payment system by no later than the close of business on the day after receipt. Franchisee shall maintain sufficient funds in the designated operating account at all times during the Term to ensure full payment of all fees and other payments required by this Agreement that are based upon the Gross Receipts of the Restaurant, interest and all other obligations payable to Franchisor and Franchisor's Affiliates when due. In the event a payment cannot be made due to insufficient funds in Franchisee's operating account, Franchisor may, in its sole discretion or election, declare a breach of this Agreement in which case Franchisor may (i) terminate this Agreement in accordance with the procedures for termination, or (ii) require that Franchisee direct its bank to send Franchisor a monthly or periodic statement showing all account activity at the same time that it sends such statements to Franchisee. Franchisee shall bear all costs to establish and maintain the required electronic payment system meeting Franchisor's requirements and pay any and all fees and charges resulting from insufficient funds being in Franchisee's bank accounts at the time funds are withdrawn to pay obligations owed to Franchisor and Franchisor's Affiliates. The duty to maintain an electronic payment system shall not change the date on which payments are due under this Agreement.

**Section 6.9 Failure to Report Gross Receipts.** Franchisee understands and agrees that its failure to report Gross Receipts for any period will prevent Franchisor from debiting Franchisee's operating account with the appropriate amount due to Franchisor. In that event, Franchisee authorizes Franchisor to debit its operating account for 120% of the last payment of the Continuing Fee, Advertising Production Fee and, where applicable, Regional and National Ad Fund Fees paid to Franchisor (whether by debit or otherwise) together with the late fees and interest permitted by this Agreement. Unless Franchisee notifies Franchisor in writing within 3 days after Franchisor debits Franchisee's operating account of an error in the amount of the Continuing Fee, Advertising Production Fee and, where applicable, Regional and National Ad Fund Fees which Franchisor debits for any Accounting Period, Franchisee shall be barred from challenging the amount so debited at a later date. However, if at any time Franchisor discovers that the amounts which Franchisor has debited from Franchisee's operating account are less than the amounts actually due to Franchisor based on the actual Gross Receipts for the relevant Accounting Period, Franchisor may immediately debit Franchisee's operating account for the balance. Franchisor agrees that if the amounts which Franchisor debits from Franchisee's operating account exceed the amounts actually due to Franchisor for the relevant accounting period, Franchisor will credit the excess to the next payment of the Continuing Fee, Advertising Production Fee and, where applicable, Regional and National Ad Fund Fees due from Franchisee. Nothing in this Section is intended to excuse Franchisee's obligation to report Gross Receipts for any accounting period in a timely and accurate fashion.

**Section 6.10 Allocation of Payments.** Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee to Franchisor or its Affiliates.

**Section 6.11 No Offsets or Holdbacks.** Franchisee shall not be entitled to set off, deduct or otherwise withhold any royalty fees, advertising contributions, interest charges or any other monies payable by Franchisee under this Agreement on grounds of any alleged non-performance by Franchisor of any of its obligation or for any other reason.

**Section 6.12 Taxes.** If any tax or fee other than federal or state income tax is imposed on Franchisor by any governmental agency due to Franchisor's receipt of fees that Franchisee pays to Franchisor under this Agreement, then Franchisee agrees to reimburse Franchisor the amount of such tax as an additional franchise fee. The Franchisor shall have no liability for any sales, use, excise, gross receipts, income, property or other taxes, whether levied upon Franchisee, the Restaurant or its assets, in connection with the sales made, services performed or business conducted by Franchisee.

**Section 6.13 Default Fee.** In the event Franchisee is in default of any provision of this Agreement, Franchisor may, in addition to, and not lieu of, any other rights or remedies available to Franchisor under this Agreement, statute or at common law assess Franchisee a \$100 per day default fee (the "Default Fee") until the default is cured by Franchisee to Franchisor's satisfaction or this Agreement is terminated. Franchisor may assess the Default Fee so long as Franchisor notifies Franchisee in writing of (a) the default, (b) the necessary action to cure the default, and (c) the amount of the Default Fee already incurred up to the date of the notice (the "Default Notice"). The Default Notice will indicate the date(s) that Default Fee payments are due. Assessment and/or payment of a Default Fee does not constitute a waiver of any other rights or remedies Franchisor may have in connection with the event of default or otherwise under this Agreement.

## ARTICLE 7 ADVERTISING

### **Section 7.1 Origination and Approval of Advertising.**

(A) Recognizing the value of advertising and the importance of the standardization of advertising to the furtherance of the goodwill and public image of the System, Franchisee agrees that the Franchisor or its designee shall have the right to conduct, determine, maintain and administer all national, regional, local and other advertising and marketing as may be instituted by the Franchisor from time to time for the benefit of the System and to direct all such advertising and marketing with sole discretion over the concepts, materials, form, copy, layout and content used therein. Franchisor shall have the sole exclusive right to print menus to be used in the Restaurant, and Franchisee may not print menus without Franchisor's prior written approval, which may be withheld in Franchisor's sole discretion. Notwithstanding the foregoing, Franchisor shall have no obligation to provide custom marketing materials for Franchisee and Franchisor shall have the right to charge a fee for any custom marketing or advertising services which Franchisee requests from Franchisor.

(B) Franchisee understands and acknowledges that advertising expenditures are intended to maximize general public recognition and acceptance of all Country Kitchen Restaurants and the System, and the Franchisor makes no representation or warranty that any particular Country Kitchen Restaurant, including the Restaurant operated under this Agreement, will benefit directly or pro rata from such advertising.

(C) Franchisee shall be free to conduct, at its own separate expense, supplemental advertising to promote and increase the demand for the products and services of its own Country Kitchen Restaurant. Franchisee shall use only approved advertising materials for the advertising and promotions conducted by Franchisee. Franchisee must obtain written approval from Franchisor prior to using any advertising or promotional materials not previously approved.

(D) Franchisor or its authorized agents may, at any time, enter your Restaurant and remove any unapproved signs or advertising and may keep or destroy such signs or advertising without paying for them and without being deemed guilty of trespass or any other tort.

### **Section 7.2 Regional and National Ad Funds; Market Area Cooperative Advertising Association.**

(A) Franchisor has the right in its sole discretion to establish a fund for the implementation of regional advertising programs intended to increase general public recognition and acceptance of Country Kitchen Restaurants in a Franchisee's regional area ("Regional Ad Fund"), and /or a national ad fund for the benefit of the System ("National Ad Fund"). Franchisor may require Franchisee to contribute up to three percent (3%) of its Gross Receipts to the Regional Ad Fund and/or National Ad Fund.

(B) Franchisor reserves the right to require Franchisee to participate in a cooperative advertising association in Franchisee's marketing area, as designated by Franchisor, in its sole discretion; provided, however, Franchisee's total contribution to the cooperative combined with any required payments to Franchisor for Regional Ad fund and/or National Ad Fund shall not exceed three percent (3%) of the Restaurant's Gross Receipts. The franchisees within each marketing area will administer the cooperative advertising associations.

## ARTICLE 8 RECORDS, FINANCIAL STATEMENTS AND CONTROL PROCEDURES

The Franchisor shall furnish Franchisee with a sample format of a chart of accounts, statement of earnings and balance sheet, and profit and loss statement and Franchisee shall adhere to the formats specified in reporting to the Franchisor.

### **Section 8.1 Monthly and Annual Reports.**

(A) Within fifteen (15) days of the end of each month Franchisee shall prepare and submit to Franchisor a profit and loss statement for the Restaurant for the immediately preceding month.

(B) On an annual basis within sixty (60) days of the end of Franchisee's fiscal year, Franchisee shall submit to the Franchisor a complete, annual financial statement for the Restaurant, which shall include an income statement and balance sheet which, at Franchisor's request, shall be prepared by an independent certified public accountant with respect to the operation of all Country Kitchen Restaurants operated by Franchisee, including the Country Kitchen Restaurant franchised hereunder (the "Annual Financial Statement"). Franchisee shall submit to Franchisor, for review and auditing, such information, forms, reports and records, with respect to operation of the Country Kitchen Restaurant franchised hereunder, as the Franchisor may reasonably designate, in the form and at the times and places reasonably required. The Franchisor may, at its option, gather financial and operating information from the electronic point of sale system and computer system at the Restaurant by electronic transfer.

(C) Each statement and report referenced in this Section 8.1 shall be prepared in accordance with generally accepted accounting principles and signed by Franchisee attesting that it is true, complete, and accurate. If Franchisee fails to provide the monthly profit and loss statement or Annual Financial Statement within ten (10) days following written request by Franchisor after such report became due, Franchisor, in addition to all other remedies allowed by this Agreement, may assess a One Hundred Dollar (\$100.00) per day late reporting fee until the delinquent reports are filed to Franchisor's satisfaction. The daily late reporting fee shall be immediately due and payable by Franchisee.

(D) Franchisor reserves the right to require Franchisee to utilize, at Franchisee's sole cost and expense, such accounting software and/or programs as may be set forth in the Manual from time to time.

**Section 8.2 Marketing Information.** The Franchisor shall have the right from time to time to require Franchisee to furnish requested marketing information based on Franchisee's records, which information shall be used by the Franchisor in making surveys and analysis designed to benefit and improve the System, business, and operating results of all Country Kitchen Restaurants. Franchisee, upon reasonable request, shall promptly furnish such information to the Franchisor.

**Section 8.3 Records of Franchisee.** Franchisee agrees to maintain and preserve during the term of this Agreement full, complete and accurate books, records and accounts relative to the operation of the Restaurant in accordance with generally accepted accounting principles. Such records shall be retained for three (3) years from the dates thereof regardless of whether or not this Agreement has been terminated or transferred or has expired.

#### **Section 8.4 Inspection of Franchisee's Records.**

(A) The Franchisor shall have the right to examine and audit Franchisee's records, accounts and books, federal and state income tax returns and sales tax returns at reasonable times and places (including, without limitation, Franchisee's principal place of business). Franchisee shall pay the Franchisor's audit fees, charges and expenses (including, without limitation, travel expenses and reasonable accounting and legal fees) with respect to any periodic or annual audit which reveals an understatement of Gross Receipts by Franchisee to the Franchisor of two percent (2%) or more of Gross Receipts during such periodic or annual audit period.

(B) If required payments are delinquent or if an inspection should reveal that the Gross Receipts reported by Franchisee to the Franchisor have been understated, Franchisee shall immediately pay to the Franchisor the amount overdue, unreported or understated.

(C) Franchisor, in its sole discretion, may meet and communicate with, and solicit information (including books and records and other documentation) from Franchisee's past and present employees, suppliers, vendors, lenders, and equipment lessors to (i) verify compliance with the terms of this Agreement and (ii) confirm whether Franchisee is performing its obligations to those persons and entities, as well as for any other purpose related to this Agreement and/or the relationship between the parties. Franchisee must assist and cooperate with Franchisor in such matters.

**Section 8.5 Default.** If Franchisee fails to comply with this Article 8 or to provide the Franchisor with the records, accounting and reports required herein, the Franchisor may, at its option and upon thirty (30) days written notice that it intends to do so, cause a reputable accounting firm or other representative selected by Franchisor to perform and provide the accounting services to Franchisee necessary to comply with this Article 8. In such event, Franchisee shall cooperate fully with the Franchisor and pay for the actual costs of such accounting services. This remedy is in addition to, and not in lieu of, all other remedies available to Franchisor under this Agreement.

## ARTICLE 9 SECURITY INTEREST, INDEMNITY AND INSURANCE

**9.1 Security Agreement.** Franchisee grants Franchisor a security interest in all equipment, fixtures, inventory (including all goods held for sale or to be furnished under contracts of service, raw materials, work in process and materials or supplies used or consumed in Franchisee's Restaurant), documents relating to inventory, general intangibles, accounts, contract rights, chattel paper and instruments, now

owned or hereafter acquired by Franchisee, and all additions and accessions to, all spare and repair parts, special tools, equipment and replacements for, and all proceeds and products of the foregoing (“Collateral”), wherever located, to secure all debts, obligations and liabilities of Franchisee to Franchisor arising out of this Agreement and any and all other agreements between Franchisee and Franchisor (collectively the “Obligations”).

**9.2 Maintenance of Collateral.** Franchisee will maintain the Collateral in good condition and repair and not permit its value to be impaired; keep it free from all liens, encumbrances and security interests, other than those created or expressly permitted by this Agreement or by the pledge or assignment of Franchisee’s business assets (with the exception of the Agreement) by you to a bank, financial institution or other lender made in connection with the financing of the leasehold improvements, furniture, fixtures, supplies and equipment, and/or the real estate and building used in Franchisee’s Restaurant business at the Authorized Location; defend it against all claims and legal proceedings by persons other than Franchisor; pay and discharge when due all taxes, license fees, and other charges upon it; not sell, lease or otherwise dispose of it or permit it to become a fixture or accession to other goods, except as specifically authorized in the Agreement or in writing by Franchisor; not permit it to be used in violation of any applicable law, regulation or policy of insurance. Loss of or damage to the Collateral shall not release Franchisee from any of the Obligations.

**Section 9.1 Indemnity.** Franchisee agrees to indemnify and hold harmless the Franchisor, its Affiliates, and their respective stockholders, directors, officers, managers, members, employees, agents, and assignees, from liability for any and all debts, obligations, damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission by Franchisee or Franchisee’s employees or agents, or by an act occurring at the Restaurant, or by reason of any omission with respect to the business or operation of the Restaurant. Franchisee will pay any costs arising therefrom, including without limitation, reasonable accountants’ and attorneys’ fees, expert witness fees, court costs and other expenses of defending against them. At the election of Franchisor, Franchisee shall defend the Franchisor at Franchisee’s sole cost and expense in any such suits, actions or proceedings in which Franchisor is joined as a party thereto, including any such suit, action or proceeding alleging liability by the Franchisor. The Franchisor shall also have the right to defend any such claim itself and to be reimbursed by the Franchisee for the cost of such defense.

## **Section 9.2 Franchisee’s Insurance**

(A) Franchisee shall maintain in full force and effect at all times during the term of this Agreement at its sole expense:

i. Comprehensive general liability insurance, broad form contractual liability insurance, liquor liability insurance (if applicable), and product liability language to protect against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Restaurant or otherwise in conjunction with the conduct of the business by Franchisee pursuant to this Agreement.

ii. Minimum limits for these coverage’s shall be Two Million Dollars (\$2,000,000) per occurrence for bodily and personal injury or death, Two Million Dollars (\$2,000,000) policy aggregate for bodily and personal injury or death and One Million Dollars (\$1,000,000) per occurrence for property damage, or such greater minimum amounts or such additional coverages as may be required by the Franchisor or any lease for the Restaurant property.

iii. Further, Franchisee shall carry adequate replacement costs basis property insurance to keep the premises of the Restaurant and its contents insured against loss or damage



by fire, wind, and flood in an amount not less than 100% of the full replacement cost of such assets or such additional coverages as may be required by the lease for the Restaurant property. Additionally, Franchisee shall carry business income interruption insurance covering a minimum of 12 months loss of income, including coverage for the Franchisor's Continuing Fee and Advertising Production Fee and Regional and National Ad Fund contribution during the rebuilding process.

iv. Franchisee shall carry workers compensation and employers liability insurance protection for all locations in all states of operation adequate to satisfy state requirements. If automobiles are owned or leased by the franchisee, auto liability insurance containing minimum liability protection of One Million Dollars (\$1,000,000) per occurrence, and One Million Dollars (\$1,000,000) policy aggregate shall be maintained at all times. If no autos are owned or leased in the operation of the Restaurant, Franchisee shall maintain auto liability for "hired and non-owned" exposure at a minimum of Five Hundred Thousand Dollars (\$500,000).

v. During the construction of the Restaurant and any remodeling, Franchisee shall carry builder's risk insurance that satisfies the requirements of the lease (if applicable) and in such amounts as commercially reasonable given the value of the improvements.

(B) Franchisee acknowledges that the minimum coverages and policy limits required by this Section may be reasonably increased from time to time by the Franchisor for its own and Franchisee's protection, and agrees to comply with such new requirements promptly upon receipt of written notice from the Franchisor. The insurance policy or policies required by this Section shall be written by an insurance company or companies possessing an A.M. Best rating of A + or A, XII, unless otherwise approved in writing by the Franchisor.

(C) Franchisee shall maintain unemployment compensation, Social Security and other insurance coverages in such statutory amounts as may now or hereafter be required by any applicable law.

(D) Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified shall not be limited by reason of any insurance which may be maintained by the Franchisor, which insurance maintained by the Franchisor shall be strictly excess, secondary and noncontributory of the insurance provided by Franchisee, nor shall Franchisee's performance of such obligation relieve it of liability under the indemnity provisions set forth in Section 9.3. Further, common law authority generally holding that agreements to provide insurance limit a party's recourse to insurance proceeds is not applicable to this Agreement and does not limit Franchisor's recourse against Franchisee.

**Section 9.3 Evidence of Insurance.** Franchisee shall deliver or cause to be delivered, certificates (or copies thereof) of all insurance required by this Article 9 to the Franchisor prior to commencement of the Restaurant business, upon renewal of such policies, and annually within sixty (60) days of the end of Franchisee's fiscal year. Franchisee shall also deliver to the Franchisor evidence of payment of all insurance premiums at any time upon written request of the Franchisor. Certificates shall evidence all limits, coverages, and provisions as required in this document.

**Section 9.4 Required Insurance Notices.** All insurance policies shall provide for written notice to the Franchisor of any cancellation, termination, nonrenewal or material alteration thereunder thirty (30) days prior to such termination, nonrenewal or alteration of coverage.

**Section 9.5 Additional Insured.** All insurance policies required under Article 9 shall name the Franchisor as an additional insured, and any party designated by the Franchisor, and shall protect Franchisee and the Franchisor against any liability which may arise by reason of this Agreement or the

ownership, maintenance or operation by Franchisee of the Country Kitchen Restaurant franchised hereunder.

**Section 9.6 Procurement of Insurance by Franchisor.** Should Franchisee, for any reason, fail to procure or maintain at least the insurance required by this Section 9, as revised from time to time pursuant to the Manual or otherwise in writing, Franchisor shall have the immediate right and authority, but not the obligation, to procure such insurance and charge its cost to Franchisee. Franchisee shall reimburse Franchisor for all out-of-pocket costs incurred by Franchisor in obtaining such insurance on Franchisee's behalf immediately upon Franchisee's receipt of an invoice therefor.

## ARTICLE 10

### USE OF MARKS; IMPROVEMENTS TO THE SYSTEM; CONFIDENTIAL INFORMATION

#### **Section 10.1 Marks.**

(A) Sole Property of Franchisor and its Affiliates. Franchisee agrees that the Marks are the sole property of Franchisor and its Affiliates. Franchisee shall not directly or indirectly contest the validity or ownership of the Marks or Franchisor's right to license the Marks. Any and all uses by Franchisee of the Marks and the goodwill arising therefrom shall inure exclusively to the benefit of Franchisor and its Affiliates. Upon expiration or termination of this Agreement, no monetary amount shall be assigned to Franchisee or any of its Owners, Affiliates, successors, licensees or assigns as attributable to any goodwill associated with Franchisee's use of the System or Marks.

(B) Franchisee's Right to Use the Marks. Franchisee acknowledges that the Marks are owned by the Franchisor. Franchisee's right to use the Marks is limited to its use of the Marks in the operation of the Restaurant at the Authorized Location and as expressly provided in this Agreement and the Manual. Franchisee shall not modify the Marks in any manner in connection with Franchisee's display of, or creation or duplication of materials bearing, the Marks. Franchisee shall not use the Marks or any variations of the Marks or marks or names confusingly similar to any of the Marks in any manner not authorized by Franchisor or in any corporate, partnership or other business entity name and shall not use any other trade names, service marks or trademarks in conjunction with the Restaurant. Franchisee shall use the symbol ® with all registered trademarks and the symbol ™ with all pending registrations or other trademarks or service marks.

(C) Discontinuance of Use of Marks. If it becomes advisable at any time, in the Franchisor's sole discretion, for the Franchisor and/or Franchisee to modify or discontinue use of any Marks, and/or use one or more additional, substitute Marks, Franchisee agrees to comply therewith within a reasonable time after receipt of notice thereof from Franchisor. Compliance shall be at the Franchisee's expense.

(D) Notification of Infringement and Claims. Franchisee shall promptly notify the Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Marks, or claim by any person of any right in any Marks. Franchisee shall not communicate with any person other than the Franchisor and their respective counsel in connection with any such infringement, challenge or claim. The Franchisor shall have the sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office or Copyright Office proceeding or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to the Marks. Franchisee agrees to execute and deliver any and all instruments and documents which, in the opinion of Franchisor and/or Franchisor's counsel, are necessary or advisable to protect and maintain the interests of the Franchisor in any such litigation or administrative proceeding or to otherwise protect and maintain the interests of the Franchisor in the Marks.

(E) Online Use of Marks and Restrictions on Social Media. Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium without the Franchisor's written consent. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent. Franchisee acknowledges that Franchisee is strictly prohibited from promoting its Restaurant and/or using the Marks on any social or networking Website, including Facebook, LinkedIn, MySpace and Twitter, or any similar sites, without Franchisor's prior written consent.

**Section 10.2 Improvements to the System.** Any and all improvements in the System, including but not limited to, recipes, techniques, methods, processes, products, or other concepts and features relating to the restaurant or business operations and/or marketing developed by Franchisee, the Franchisor or other Franchisees, shall be and become the sole and absolute property of the Franchisor, and the Franchisor may incorporate the same in the System and shall have the sole and exclusive right to copyright, patent, register and protect such improvements. Franchisee hereby grants to Franchisor and agrees to procure from its Affiliates, owners, or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in the restaurant business operated by Franchisor or its Affiliates, franchisees, and designees. The Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

**Section 10.3 Non-Disclosure of Confidential Information.**

(A) The Franchisor may disclose Confidential Information to Franchisee by furnishing layouts, specifications and guidance in the development and operation of the Restaurant, the training program, the Manual and other instructional manuals, sales promotion materials, accounting procedures, marketing reports, informational and product bulletins, vendors price sheets and inventory systems during the term of the Franchise, or Franchisee may acquire such Confidential Information from other franchisees or incident to the operation of the Restaurant. The disclosure and/or receipt of such Confidential Information regardless of whether such information is disclosed to Franchisee under a confidentiality notice is expressly conditioned upon Franchisee and each of its Owners (as may change from time to time) executing a Personal Covenant agreeing to the restrictions on Confidential Information as set forth in this Agreement. The form of Personal Covenant required from each Principal Owner is set forth in **Appendix B-2** and from each Owner is set forth in **Appendix B-4** and must be signed by each Principal Owner and Owner, respectively, as a condition to such individual or entity acquiring an interest in Franchisee.

(B) Franchisee agrees that it will not acquire any legal or equitable interest in the Confidential Information, other than the right to utilize it in the development and operation of the Restaurant during the term of the Franchise, and that the use or duplication of the Confidential Information in any other restaurant business would constitute an unfair method of competition. Franchisee acknowledges and agrees and will not contest or dispute that the Confidential Information is proprietary to the Franchisor and is a trade secret of the Franchisor and is disclosed to Franchisee solely for use by Franchisee in the development and operation of the Restaurant during the term of the Franchise and on the condition that Franchisee does hereby agree that it:

- i. shall not use the Confidential Information in any other business or capacity;
- ii. shall not disclose and will maintain the confidentiality of the Confidential Information at all times during the Term;

iii. shall not disclose and will maintain the confidentiality of the Confidential Information at all times following termination, expiration or transfer of this Agreement unless Franchisee can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under this Agreement;

iv. shall not under any circumstance disclose any Confidential Information to any media outlet or post such Confidential Information on any websites, social media, or in other formats available to the public;

v. shall not make unauthorized copies of any portion of the Confidential Information disclosed;

vi. shall be solely responsible for ensuring that Franchisee's managers, employees, agents and Owners having access to Confidential Information comply with this Section 10.3 and do not communicate, divulge, or use the Confidential Information in violation of this Section 10.3; and

vii. shall adopt and implement all reasonable procedures prescribed by the Franchisor to prevent unauthorized use or disclosure of Confidential Information, including, without limitation: (i) restricting access to and disclosure of Confidential Information to only those managerial employees of Franchisee whose responsibilities in the operation of the restaurant require access to such Confidential Information; (ii) restricting access to Confidential Information to prevent the theft, unauthorized duplication and discovery of such Confidential Information; and (iii) requiring all managers and employees with access to Confidential Information to execute a confidentiality and non-disclosure agreement in a form satisfactory to Franchisor. Copies of the executed confidentiality agreements must be kept for five (5) years after any such employee leaves their employment or affiliation with Franchisee and must be provided to Franchisor upon request.

(C) If the Franchisor posts some or all of the Manual and any changes on a restricted Website or extranet to which Franchisee will have access, any passwords or other digital identifications necessary to access the Manual on a Website or extranet will be deemed to be part of Confidential Information. (For the purposes of this Agreement, "Website" means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the Internet and World Wide Web home pages).

(D) Franchisee understands and agrees that any failure (whether intentional or accidental) to comply with all obligations as described in this Section 10.3 shall constitute a material event of default under Section 11.1(A).

**Section 10.4 Conditions for Disclosure of Financial Information.** Franchisee and its Owners shall not, without the consent of Franchisor, release to third parties (except as specifically permitted below), Financial Information as defined in Section 1.1(H) unless required to do so by judicial or administrative order, and if required to disclose such Financial Information, Franchisee shall provide Franchisor with reasonable notice of such required disclosure to enable Franchisor to seek protective orders or other relief from disclosure. Notwithstanding the foregoing, however, Franchisee may release Financial Information to (i) a governmental agency as required by law (for example reporting sales taxes owed by Franchisee) and (ii) to Franchisee's landlord, lenders, accountants, financial advisors, insurers and/or attorneys subject such parties executing a Confidentiality and Non-Disclosure Agreement ("NDA") in the form attached as Exhibit A to Appendix C or similar form as may be required by Franchisor from time to time, and delivering said NDA to Franchisor prior to any disclosure.

**Section 10.5 Franchisor's Use of Franchisee's Information.** Notwithstanding anything to the contrary contained herein, Franchisor may disclose to any person or use for any purpose, any Financial Information and/or other information regarding Franchisee in Franchisor's possession, without obtaining Franchisee's consent.

**Section 10.6 Survival.** The covenants set forth in this Article 10 shall survive the termination or expiration of this Agreement.

## ARTICLE 11 EVENTS OF DEFAULT AND RIGHT OF TERMINATION

### **Section 11.1 Default.**

(A) The Franchisee shall be deemed to be in default and the Franchisor may, at its option and without prejudice to any other rights or remedies provided for hereunder or by law, terminate this Agreement and all rights granted hereunder without affording the Franchisee any opportunity to cure the default upon the occurrence of any of the following events:

i. Franchisee knowingly sells food or beverage products other than those designated by Franchisor or which (a) fail to conform to Franchisor's specifications or standards, or (b) were acquired from a non-approved supplier or (c) were not prepared in accordance with the methods prescribed by Franchisor.

ii. Franchisee fails to (a) sell required products designated by Franchisor or (b) offer a mandatory promotion.

iii. If Franchisee, or any Principal Owner (a) files a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or (b) admits or fails to contest the material allegations of any such pleading filed against Franchisee or any Principal Owner or (c) is adjudicated bankrupt or insolvent.

iv. A receiver is appointed for a substantial part of the assets of Franchisee or any Principal Owner, or (a) a final judgment against Franchisee or any Principal Owner remains unsatisfied or remains of record for thirty (30) days or longer (unless an appeal is timely taken and an appeal bond is filed), or (b) execution is levied against any rights of Franchisee hereunder or any substantial part of the assets of Franchisee or any Principal Owner or (c) a tax levy is made, or (d) suit to foreclose any lien or mortgage on the Restaurant premises or assets of Franchisee or any Principal Owner is instituted against Franchisee or any Principal Owner and

not dismissed within thirty (30) business days, or (d) a substantial part of the real or personal property of Franchisee or any Principal Owner is sold after levy of judgment thereupon by any sheriff, marshal, or constable, or (e) the claims of creditors of Franchisee or any Principal Owner are abated or subject to a moratorium under any law. Notwithstanding the provisions herein, if the cure for default requires certain conditions to be removed which cannot by their nature reasonably be performed by Franchisee or any Principal Owner within the thirty (30) day period, no default shall be deemed to exist so long as Franchisee or a Principal Owner shall have commenced curing the same within such thirty (30) day period and shall diligently and continuously prosecute the same to completion.

v. Franchisee or any Owner is convicted of (regardless of any pending appeal) or pleads no contest to a felony or any other crime that is reasonably likely to adversely affect the System, the Restaurant or the goodwill associated with the Marks.

vi. Franchisee or any Owner makes any unauthorized use or disclosure to any third party of Confidential Information contrary to this Agreement, including, without limitation, Sections 1.5 and 10.3.

vii. Franchisee denies the Franchisor the right to inspect the Restaurant or to examine its books and records and other business documents in accordance with this Agreement.

viii. Franchisee submits to the Franchisor at any time during the term of this Agreement, reports, financial statements, tax returns or schedules or other information or supporting records which intentionally understate Gross Receipts for any period covered by such report by two percent (2%) or more.

ix. Franchisee fails to timely pay the Franchisor or its Affiliates any amounts due pursuant to this Agreement or for products and/or services Franchisor provides. Franchisor will not terminate this Agreement for non-payment without giving Franchisee the opportunity to make such payment within ten (10) days after receipt of written notice demanding such payment.

x. Franchisee fails on three or more separate occasions within any twelve (12) consecutive month period to submit when due fees, financial statements, reports or data, information or supporting records required by this Agreement.

xi. Franchisee makes an unauthorized assignment of the Franchise or, if Franchisee is a corporation, limited liability company, partnership, limited partnership or other entity, except as otherwise approved by the Franchisor as provided in this Article 11, there occurs a sale, assignment, pledge, encumbrance or other Transfer (as such term is defined in Section 13.2, below) of any ownership interest causing a loss or addition of a Principal Owner or a change in the controlling interest of the Franchisee, or there occurs any Transfer of assets of the Franchisee (other than sales in the ordinary course of business) without the Franchisor's prior written consent.

xii. If a threat or danger to public health or safety results from the material violation of any health or safety laws, rules, or regulations which poses a significant public health and safety concern, or if the Restaurant is closed as a result of a failed inspection by the health department. Notwithstanding anything in this Agreement to the contrary, the Franchisor shall have the right, in lieu of exercising any right of termination, to require that the Restaurant be closed to the public and/or remain closed until the applicable food, health, or safety matters are cured.

xiii. Franchisee is involved in any act or conduct which materially impairs or otherwise is prejudicial to the goodwill associated with the Marks or the System.

xiv. If Franchisee at any time ceases to operate or otherwise abandons the Restaurant for a period of three (3) consecutive days or fails to operate the Restaurant during required business hours, unless such closure or limited hours are approved in writing by Franchisor.

xv. Franchisee fails to make or repeated delays in making prompt payment of undisputed invoices from suppliers or in the remittance of payments as required by this Agreement.

xvi. If the Franchisee, its Principal Owners and/or the Approved Operator fail to comply with the in-term non-competition covenants contained in Article 12 of this Agreement.

xvii. Franchisee or any of its Owners (i) violate any "Anti-Terrorism Laws", as defined below, (ii) is listed under any such Anti-Terrorism Laws, (iii) has any dealings with any person listed under any such Anti-Terrorism Laws, and/or (iv) has assets blocked under any such Anti-Terrorism Laws. The term "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

xviii. Franchisee fails to operate and maintain the Computer System and/or Required Software in accordance with Franchisor's requirements and guidelines as outlined in the Manual.

xix. Franchisee fails to continuously employ an Approved Operator as required by this Agreement.

xx. Franchisee (including its Owners or employees) posts, contributes, or authors any content on any website or social media or communicate with any media outlet or organization in a manner that:

(a) makes any statement which disparages, ridicules or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, its Affiliates, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any franchisee or developer of Franchisor, or the owners, officers, employees, agents, consultants, attorneys or representatives of any franchisee or developer of Franchisor;

(b) pertains in any way to health or safety conditions at a Country Kitchen Restaurant; or

(c) pertains to any litigation pending or threatened against a Country Kitchen franchisee or developer or the Franchisor, an Affiliate of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives.

xxi. Repeated breaches of provisions of this Agreement. If Franchisor intends to terminate this Agreement under this Section 11.1(A)(xxi), Franchisor shall provide notice to

Franchisee that Franchisor considers that Franchisee has repeatedly breached this Agreement, and that Franchisor intends to terminate this Agreement if Franchisee breaches the Agreement at any time after said notice. If Franchisee after receiving such notice, subsequently breaches this Agreement in any manner, Franchisor shall have the right to terminate this Agreement upon notice with no further opportunity to cure.

(B) The Franchisee shall be deemed to be in default and the Franchisor may at its option and without prejudice to any other rights or remedies provided for hereunder or by law terminate this Agreement and all rights granted hereunder upon the occurrence of any of the following events of default unless Franchisee cures such default to Franchisor's satisfaction within thirty (30) days after receipt of a notice to cure from the Franchisor, or such longer period as required by applicable law:

i. Franchisee fails to operate the Restaurant in compliance with the standards prescribed by the Franchisor, fails to maintain the Restaurant in good condition and repair, or fails to make all improvements or alterations as required by this Agreement.

ii. Franchisee fails to conduct the Restaurant business in compliance with all laws and regulations as required by Section 5.1 (C) of this Agreement.

iii. Franchisee, its Approved Operator, Principal Owners, multi-unit manager, or any managerial employees with responsibility for the day-to-day operations of the Restaurant fail to complete all phases of any required training program to the Franchisor's satisfaction.

iv. Franchisee defaults in the performance of any other term, condition or covenant contained herein which is not corrected within the time and under the conditions provided herein with respect thereto.

v. Franchisee or any person controlling Franchisee, controlled by Franchisee, or under common control with Franchisee is in default of any other agreement with Franchisor or any of Franchisor's Affiliates (for purposes of this clause control means the ownership by a person or entity, directly or indirectly, of ten percent (10%) or more of another person or entity or the power to affect the policies of another person or entity).

(C) Franchisee may, at its option, terminate this Agreement if Franchisee is in substantial compliance with this Agreement and the Franchisor materially breaches this Agreement and fails to cure such breach within thirty (30) days after the Franchisor receives written notice thereof from Franchisee, or such longer time if the breach is of a nature that it cannot reasonably be cured within a thirty (30) day period provided that Franchisor is diligently working to cure such breach.

(D) The exercise by either party of any right of termination shall not constitute a waiver of any other rights or remedies available to such party for violations of this Agreement whether under this Agreement or under applicable law. The failure of Franchisor to terminate this Agreement upon the occurrence of one or more acts of default will not constitute a waiver or otherwise affect the Franchisor's right to terminate this Agreement because of continuing or subsequent failure to cure one or more of the aforesaid acts of default or any other default.

(E) The parties acknowledge and agree that a court order shall not be required to give effect to any termination of this Agreement.

**Section 11.2 Non-Exclusive Remedies.** In each of the foregoing cases in Section 11.1, Franchisor (and any of Franchisor's Affiliates) will have all remedies allowed at law, including termination of



Franchisee's rights (and/or those of any person/company affiliated with Franchisee) and/or one or more of Franchisor's (and/or Franchisor's Affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

### **Section 11.3 Effect of any Termination, Cancellation or Expiration of this Agreement.**

(A) Franchisee, upon any termination, cancellation or expiration of this Agreement, shall promptly pay to the Franchisor, its Affiliates and subsidiaries, any and all sums owed to them. In the event of termination pursuant to Section 11.1, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by the Franchisor as a result the termination, which obligation shall give rise to and remain, until paid in full, a lien in favor of the Franchisor against any and all of the assets of the Franchisee, including the Restaurant owned by Franchisee at the time of termination.

(B) Upon termination, cancellation or expiration hereof for any reason, all Franchisee's rights hereunder shall terminate. Franchisee shall not thereafter use or adopt any secret recipes, formulas, trade secrets, Confidential Information, the Manual, or other proprietary information disclosed to it hereunder or any china, glassware, emblems, signs, displays or other property on which the Franchisor's name or Marks are imprinted, or any simulation thereof. Franchisee shall immediately and permanently cease any and all use of the Marks. Franchisee shall not otherwise use or duplicate the System or any portion thereof or assist others to do so. Franchisee shall remove from the premises all signs, emblems and displays identifying it as associated with the Franchisor or its System and shall surrender or destroy all written materials bearing the Marks. Franchisee shall cease to use and shall destroy or return to the Franchisor all copies of the Manual and all other manuals, instructions or materials delivered to it hereunder and shall relinquish its Country Kitchen Restaurant telephone number and web address and assign such telephone number and web address to the Franchisor or the Franchisor's designee.

(C) Upon termination, cancellation or expiration of this Agreement, unless otherwise directed in writing by the Franchisor, Franchisee shall at Franchisee's sole expense change the exterior and interior design, color scheme, décor and trade dress of the Restaurant premises from that unique to Country Kitchen Restaurants, and shall make or cause to be made such changes in signs, building and structure as the Franchisor shall reasonably direct, so as to effectively distinguish the same from its former appearance and from other Country Kitchen Restaurants. Franchisee shall complete all such modifications within ten (10) days after the Country Kitchen Restaurant ceases to operate. If Franchisee fails or refuses to comply herewith, then the Franchisor or the Franchisor's Affiliate shall have the right to immediately enter upon the Restaurant property without notice and without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes. Franchisee shall immediately reimburse Franchisor of all such expenses. No business shall be conducted in the former Country Kitchen Restaurant building until such modifications have been completed.

(D) Upon termination, cancellation or expiration of this Agreement, unless otherwise authorized under other agreements with Franchisor, Franchisee shall cease to hold itself out as a franchisee of the Franchisor or do anything which would indicate any relationship, including any former relationship, between it and the Franchisor.

(E) In the event this Agreement is terminated by Franchisee pursuant to Section 11.1 (C) hereof, the Franchisor shall reimburse Franchisee for the reasonable expenses incurred by Franchisee in connection with the removal from the premises of all signs, emblems and displays identifying it as associated with the Franchisor or the System, and any other reasonable expenses incurred to comply with any and all other requirements of Franchisee under Section 11.3 (B) and Section 11.3 (C).

(F) The covenants set forth in subsections (A), (B), (C), (D), and (E) of this Section 11.3 shall survive the termination, cancellation or expiration of this Agreement.

(G) All rights, claims and indebtedness which may accrue to the Franchisor or Franchisee prior to termination, cancellation or expiration of this Agreement shall survive termination, cancellation or expiration of this Agreement and be enforceable by the Franchisor or Franchisee, unless the parties agree otherwise through a written release or other written agreement that post-dates this Agreement.

(H) If Franchisee is in default under this Agreement and Franchisor elects not to terminate this Agreement, Franchisor may unilaterally elect to eliminate Franchisee's Marketing Area for the remainder of the Term by written notice to Franchisee.

(I) If any termination or expiration of the Term would violate any applicable law, Franchisor may, at its sole discretion, reinstate or extend the Term for the purpose of complying with the law.

(J) The foregoing shall be in addition to any other rights or remedies of Franchisor that exist under statute, regulation or common law.

#### **Section 11.4 Liquidated Damages.**

(A) If Franchisor terminates this Agreement for cause, Franchisee must pay Franchisor within 30 days following the effective date of such termination, as "Liquidated Damages" an amount equal to the sum of the average value of the Continuing Fee (i.e., 4% of Gross Receipts), Advertising Production Fee (i.e., 1% of Gross Receipts) and Regional and National Ad Fund contribution (i.e., up to 3% of Gross Receipts) (collectively, the "Monthly Fees") Franchisee was required to pay (per month) to Franchisor during the twelve (12) months (or shorter monthly period if the Restaurant has not been open for twelve (12) months) before the termination multiplied by the lesser of (i) thirty six (36), being the number of months in three (3) full years or (ii) the number of months remaining during the twenty (20) year Term.

(B) Franchisee and its Owners and Franchisor acknowledge and agree that:

i. This Liquidated Damages provision is intended to compensate Franchisor for loss of cash flow from Monthly Fees going forward in an amount difficult to ascertain, and not as a penalty.

ii. It would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from the Monthly Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Monthly Fees would have grown over what would have been the remainder of the Term.

iii. This Liquidated Damages provision provides a reasonable, good faith method of estimating those damages from loss of cash flow from the Monthly Fees.

iv. This Liquidated Damages provision only covers Franchisor's prospective damages due to the loss of cash flow from Monthly Fees that would have been received by Franchisor going forward had this Agreement not been terminated for cause. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the aforementioned post-termination damages due to the loss of cash flow from Monthly Fees.

Payment of the Liquidated Damages does not preclude Franchisor from seeking to recover any other such damages.

v. This Liquidated Damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement, except as otherwise provided in this Section 11.4.

## ARTICLE 12 RESTRICTIVE COVENANTS

**Section 12.1 Competition during the Term of the Agreement.** Franchisee warrants that neither Franchisee nor any of its Principal Owners presently owns an interest in a Competitive Business. Franchisee agrees (in consideration of the Franchisor entering into this agreement), that during the Term of this Agreement and any renewal period thereof, Franchisee shall not own, directly or indirectly, any interest in any Competitive Business. During the Term hereof, Franchisee agrees that for such time as each Principal Owner owns an interest in Franchisee of ten percent (10%) or more, Principal Owner shall not, without Franchisor's written consent own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business. Additionally, during the Term hereof, Franchisee agrees that for such time as an Approved Operator is employed by Franchisee, Approved Operator shall not, without Franchisor's written consent, own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business.

**Section 12.2 Competition After Transfer, Expiration or Termination.** In the event of a Transfer (as defined in Section 13.2 herein), or the expiration or termination of this Agreement for any reason whatsoever, the Franchisee and Principal Owner(s) agree(s) that for a period of two (2) years, commencing on the effective date of the Transfer, termination, expiration or non-renewal of this Agreement, neither Franchisee nor any Principal Owner will have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business located at or within five (5) miles of the Authorized Location or any then-existing Country Kitchen Restaurant.

**Section 12.3 Interference with Employment Relations.** During the term of this Agreement and for a period of eighteen (18) months following the expiration, non-renewal or termination of this Agreement, regardless of the cause of termination, the Franchisee covenants that it will not employ or seek to employ any person who is at the time employed by the Franchisor or by any other franchisee of the Franchisor.

**Section 12.4 Applicability to Principal Owners and Enforcement.** Franchisee acknowledges and agrees that in consideration of the Franchisor entering into this Agreement, each Principal Owner shall be required to execute the Personal Guaranty and Personal Covenants attached hereto as Appendices B-1 and B-2 and the Approved Operator of Franchisee shall be required to execute the Personal Covenants attached hereto as Appendix B-3. Franchisee acknowledges that the provisions contained in this Article 12 are reasonable and necessary and agrees that its failure to adhere strictly to the restrictions contained in this Article 12 will cause substantial and irreparable damage to Franchisor and to Franchisor's other franchisees. Upon any breach by Franchisee or its' Principal Owner(s) of any of the terms, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Article 12 and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may

be brought to enforce any provision of this Article 12, without the necessity of posting bond therefor or proof of actual damages.

**Section 12.5 Severability.** If the scope of any restriction contained in this Article 12 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consent and agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Article 12 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement.

## ARTICLE 13 ASSIGNMENTS

**Section 13.1 Assignment by Franchisor.** This Agreement and all rights hereunder, and any and all of the Franchisor's ownership, can be assigned and transferred by the Franchisor without notice to or consent by Franchisee and shall be binding upon and inure to the benefit of the Franchisor's successors and assigns, provided, however, that with respect to any assignment requiring the subsequent performance by the assignee of the functions of the Franchisor, the assignee shall expressly assume and agree to perform such obligations.

### **Section 13.2 Assignment by Franchisee.**

(A) Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that the Franchisor has granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of the Managing Owner and Principal Owners. Therefore, the prior written approval of the Franchisor is required prior to any voluntary, involuntary, direct or indirect assignment, sale, subdivision, subfranchise, or other transfer of: (i) the Franchise or the rights granted pursuant to this Agreement; (ii) the Restaurant; (iii) an ownership interest directly or indirectly resulting alone or when combined with other transactions in a change of ten percent (10%) or greater ownership interest in Franchisee (a "Restricted Ownership Interest") or a change in the Managing Owner; or (iv) substantially all of the assets of the Restaurant (collectively a "Transfer"). Any Transfer without Franchisor's prior written approval is a breach of this Agreement is void and has no effect.

(B) In the event the Franchisee, including any successors, is a legal entity:

i. The organizational documents shall recite that the issuance and Transfer of any interest in the Franchisee or Franchise is restricted by the terms of this Agreement, and copies thereof shall be furnished to the Franchisor upon request.

ii. Franchisee shall furnish the Franchisor, at the time of execution of this Agreement and upon all Transfers subject to the provisions of this Article 13 thereafter, a list of all stockholders and/or persons having an interest in Franchisee which reflects the percentage interest of each stockholder or person.

(C) Subject to satisfaction of the conditions outlined below, the Franchisor's approval of a Transfer shall not be unreasonably withheld. Transferee shall be subject to the Franchisor's then current franchisee selection and qualification criteria. Grounds for withholding consent to Transfer include, but are not limited to: (i) the Transfer is proposed to be made to any Competitive Business or a transferee involved in a Competitive Business; (ii) The Transfer is proposed to be made to a transferee who fails to

demonstrate to the Franchisor's satisfaction that he/she or it or its owners and management meet the Franchisor's educational, managerial and business standards, possess good moral character, business reputations, and credit ratings, and have the aptitude and ability to conduct the business contemplated by this Agreement; or (iii) in the Franchisor's sole judgment Transfer on the proposed terms would place Franchisor in an insecure position. Franchisee understands and agrees that approval of any Transfer by Franchisor is not in any way to be considered as a representation, guaranty or opinion of Franchisor that the Restaurant is or will be a successful or profitable business venture.

(D) In addition to the restrictions on assignment of all or a portion of the interest set forth above, the Franchisor shall have the right to condition its consent on the satisfaction of the following requirements:

- i. All obligations of Franchisee and its Owners incurred in connection with this Agreement will be assumed by the transferee(s);
- ii. Franchisee shall have paid all amounts owed to the Franchisor or its Affiliates which are then due and unpaid;
- iii. The transferee and any new Approved Operator shall have completed all applicable training programs;
- iv. The transferee(s) and its owner(s) shall sign an Acknowledgement of Receipt of the then-current Franchise Disclosure Document and shall execute and agree to be bound by the then existing form of franchise agreement and such ancillary agreements, including but not limited to the Personal Guaranty and Personal Covenant, which may contain terms different from those set forth herein;
- v. Franchisee or the transferee(s) shall have paid a Transfer fee to the Franchisor equal to Five Thousand Dollars (\$5,000.00);
- vi. The Franchisor shall have approved the material terms and conditions of such assignment;
- vii. Franchisee and its Owners shall have entered into an agreement with the Franchisor agreeing to release any claims, known or unknown, Franchisee may have against the Franchisor at the time of Transfer;
- viii. If the Transfer is of a Restricted Ownership Interest, then, in addition to satisfaction of the other requirements of this Section 13.2, the transferee shall meet all of the Franchisor's current requirements for a Principal Owner and execute a written agreement with the Franchisor personally guaranteeing the full payment and performance of Franchisee's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all terms of this Agreement, including, without limitation, the restrictions on assignment in this Article 13 and the non-compete provisions set forth in Article 12 herein.

(E) If an individual Franchisee desires to assign all of its rights to a legal entity formed for convenience of ownership, then the Franchisor's consent to such assignment shall be conditioned on the following requirements:

- i. Franchisee's rights and obligations under this Agreement and the assets and liabilities of the Restaurant may be assigned to a newly organized legal entity that conducts no

business other than the Restaurant which is actively managed by Franchisee and in which Franchisee owns and controls at least fifty-one percent (51%) of the equity and voting power of all issued and outstanding capital stock or ownership interest therein; and

ii. All shareholders or owners of the transferee shall comply with the requirements set forth in subsection (D) of this Section 13.2, if applicable; and

iii. The transferee shall execute the Franchisor's then current form of franchise agreement and any ancillary agreements related thereto.

### **Section 13.3 The Franchisor's Right of First Refusal.**

(A) If at any time during the term of this Agreement the Franchise, the Restaurant, the Restaurant premises, or a controlling interest in Franchisee is proposed to be sold, either directly or indirectly, the seller shall obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor along with any other information that Franchisor may reasonably request to evaluate the offer and the identity of the proposed purchaser. Franchisor shall have the right, exercisable by written notice delivered to Franchisee and/or seller, as the case may be, within thirty (30) days after the date of delivery of an exact copy of such offer and all requested information to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer. Regardless of the terms of the offer, Franchisor may, in Franchisor's discretion, structure the transaction as an asset purchase, rather than a stock purchase and substitute cash for securities or other property as consideration. If less than the entire interest of seller, including the Franchisee, this Agreement, the Franchise, the Restaurant or the Restaurant premises is proposed to be sold, Franchisor shall have the right to purchase the entire interest for a price equal to the proposed price plus a pro-rata increase based on the value of the interest to be purchased. Franchisor's credit shall be deemed equal to the credit of any proposed purchaser and shall have not less than ninety (90) days to prepare for closing. Franchisor shall be entitled to all representations and warranties customarily given by the seller of assets of a business. Franchisor shall not be obligated to pay any finder's or broker's fee or commission.

(B) If Franchisor does not exercise its right of first refusal, the sale or other transfer may be completed pursuant to and on the terms of such offer, subject to Franchisor's approval of the transfer as otherwise provided in this Agreement; provided, however, that if the proposed sale or other transfer is not completed within one hundred twenty (120) days after delivery of such offer to Franchisor, or if there is any change in the terms of the proposed transaction, Franchisor shall have an additional right of first refusal for an additional thirty (30) days.

(C) The term controlling interest as used in Section 13.3(A) above means a 50% or greater ownership interest in Franchisee either standing alone or when combined with other ownership interest directly or indirectly owned or controlled by the proposed transferee.

(D) Franchisor's right of first refusal shall not apply to the sale or transfer of an interest in this Agreement, the Franchise, Franchisee, the Restaurant premises or the Restaurant to a member of Franchisee's, or as the case may be, Franchisee's Owner's, immediate family or, if Franchisee is an entity, between or among the Owners of Franchisee provided that such transfer is otherwise permissible under this Agreement and complies with the requirements of Section 13.2.

**Section 13.4 Death or Disability of Managing Owner.**

(A) The Managing Owner shall at all times throughout the Term have on file with the Franchisor the name, address and telephone number of a designated successor agent, authorized by the Franchisee or Managing Owner (as applicable), subject to and immediately upon the death or disability of the Managing Owner, to bind the Franchisee in any dealings with Franchisor and make all operating decisions with respect to the Restaurant business. The term “disability” as used in this Section 13.4 means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Managing Owner from managing the Restaurant business. Franchisee designates the individual listed in **Appendix A-1** as its designated successor agent.

(B) In the event of death or disability of the Managing Owner, or upon the dissolution of a business entity Franchisee, the appropriate representative of such person or entity (whether administrator, personal representative or trustee) must, within six (6) months following such death or disability, transfer the interest of the Managing Owner to a third party approved by the Franchisor, subject to Section 13.2 and 13.3 herein. Failure to transfer such interest within this time period is a breach of this Agreement. If the proposed transferee is the spouse or child of such deceased or disabled Managing Owner (a “Related Transferee”), Franchisor will not have a right of first refusal as set forth in Section 13.3 above as to the sale to the Related Transferee; provided, however, such Related Transferee must otherwise meet the criteria and satisfy all conditions set forth in Section 13.2 above.

**Section 13.5 Enforceability of Restrictions on Transfer.** Franchisee agrees that the restrictions on Transfer imposed in this Article 13 are reasonable and necessary to protect the Franchisor’s Marks and Confidential Information, System and operating procedures and quality. Any Transfer permitted by this Article shall not take effect until the Franchisor issues its written consent.

ARTICLE 14  
NOTICE PROVISIONS

**Section 14.1 Notices.** All notices must be in writing and will be effective on the earlier of (a) the day it is sent by facsimile or email with a confirmation of receipt; or (b) the day it is personally delivered by a representative of the Franchisor to the Managing Owner; or (c) two (2) business days after it is sent by a commercially recognized “next business day” deliver service (e.g., FedEx or UPS) to the appropriate party at the following single address, or such other single address as may be designated by the party to be notified. Except for notices of actions to be taken pursuant to Article 11, it is agreed that each party can send communications to the other party by facsimile or email for the purposes of notices under this Agreement, including this Section 14.1, and/or to provide information to the other party by facsimile or email, subject to applicable laws.

**Franchisor notice address:**

Country Kitchen International  
Legacy Franchise Group Inc.  
Attn: CEO  
6405 Century Avenue, Ste. 001,  
Middleton, Wisconsin 53562

**Franchisee Managing Owner notice address:**

**See Appendix A-1**

**Section 14.2 Managing Owner of Franchisee.** Franchisee hereby designates the individual listed on Appendix A-1 attached hereto as the Managing Owner to act on its behalf and to execute all documents on its behalf in all transactions with the Franchisor. The Managing Owner must be an individual, not a business entity. All actions by the Managing Owner shall be binding upon Franchisee. The Franchisor

shall have no duty to deal with anyone other than the Managing Owner; however, any documents submitted to the Franchisor executed by any other officer or partner shall be valid and binding upon Franchisee. Any change in the Managing Owner is subject to Article 13 herein.

**Section 14.3 Email Communications.** Franchisee must maintain an email address provided to Franchisor for purposes of communicating with Franchisor and its employees. Such email address may, in Franchisor's discretion, be an email account provided by Franchisor to Franchisee. Franchisee must inform Franchisor of its email address promptly upon signing this Agreement or when Franchisee's email address changes. Franchisee shall be obligated to check and respond to email notifications on a daily basis (except for weekends); provided, however, that the timeliness of Franchisee's email review and responses must be consistent with reasonable business practices and must not cause Franchisor or its employees to be unable to communicate with Franchisee in a timely manner.

## ARTICLE 15 DISPUTE RESOLUTION

**Section 15.1 Legal Remedies.** Nothing contained herein shall bar the Franchisor's or Franchisee's rights under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions from obtaining specific performance of this Agreement and injunctive relief against threatened conduct that would cause loss or damages. Franchisee agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any injunction being expressly waived).

**Section 15.2 Non-Binding Mediation.** The Franchisor reserves the right to institute at any time a system of nonbinding mediation. Any mediation under this Agreement shall be held in Madison, Wisconsin. The Franchisee will be obligated to participate in such mediation.

### **Section 15.3 Consent to Jurisdiction and Venue.**

(A) ANY AND ALL ACTIONS AND OTHER LEGAL PROCEEDINGS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE PARTIES' RELATIONSHIP SHALL BE FILED AND MAINTAINED ONLY IN A STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN MADISON, WISCONSIN. THE PARTIES HEREBY CONSENT, AND WAIVE ANY OBJECTIONS THEY MIGHT HAVE, TO THE SAME. NOTWITHSTANDING THE FOREGOING, FRANCHISEE AGREES THAT FRANCHISOR MAY ENFORCE THIS AGREEMENT IN THE COURTS OF THE STATE IN WHICH FRANCHISEE'S RESTAURANT IS LOCATED.

(B) Franchisee agrees that any proceeding will be conducted on an individual, not a class-wide basis, and that a proceeding between the Franchisor and Franchisee may not be consolidated with another proceeding between Franchisor and any other person or entity, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between Franchisor and Franchisee.

(C) Franchisee and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in this Agreement provides each party with the mutual benefit of uniform interpretation of this Agreement regarding any dispute arising out of this Agreement or the parties' relationship created by this Agreement.



**Section 15.4 Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between Franchisee and Franchisor will be governed by the laws of the State of Wisconsin, without regard to its conflict of laws rule, except that any Wisconsin law regulating the offer and sale of franchises or governing the relationship between a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 15.4. Franchisee and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in the sections above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement. Franchisee and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

**Section 15.5 Agreement Location.** Franchisee and Franchisor acknowledge that the execution of this Agreement by Franchisor occurred in Madison, Wisconsin and further acknowledge that the performance of certain obligations of Franchisee arising under this Agreement, including but not limited to the payment of monies due hereunder and the satisfaction of certain training requirements of the Franchisor, shall occur in Wisconsin.

**Section 15.6 Costs and Attorney's Fees.** If the Franchisor or its Affiliates assert a claim for amounts owed by Franchisee in a legal proceeding before a court of competent jurisdiction, or in mediation, or if the Franchisor or Franchisee is required to enforce this Agreement in a judicial or mediation proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accountants', attorneys, attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court.

**Section 15.7 Waiver of Punitive Damages and Jury Trial.** To the fullest extent permitted by law, the parties waive any right to, or claim for, any punitive or exemplary damages against the other party. The parties agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of actual damages, if any. In addition, the parties irrevocably waive trial by jury in any action, proceeding, and/or counterclaim brought by either party.

**Section 15.8 Limitations of Claims.** Except for Franchisee's indemnification obligations under this Agreement and except for claims arising from Franchisee's non-payment or underpayment of amounts Franchisee owes the Franchisor, any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisor and Franchisee, or Franchisee's operation of the business contemplated under this Agreement, brought by any party hereto against the other shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be irrevocably barred. Notwithstanding anything in this Agreement to the contrary, in the event this one (1) year statute of limitations is found to be unenforceable under the law applicable to a dispute, then the limitation shall be deemed stricken from this Agreement and the statute of limitations under applicable law, rather than the one (1) year statute of limitations, shall apply to all claims by or against any party to the dispute.

ARTICLE 16  
GENERAL PROVISION

**Section 16.1 Severability.** Except as expressly provided, each section, part, term, or provision of this Agreement shall be considered severable. If, for any reason, any section, part, term or provision herein is determined to be invalid or unenforceable, such determination shall not impair the operation or affect such other portions, sections, parts, terms or provisions of this Agreement.

**Section 16.2 Franchisee as an Independent Contractor / Disclosure Thereof.**

(A) It is understood and agreed by the parties hereto that Franchisee is and shall remain an independent contractor. Nothing herein contained shall constitute Franchisee as the agent, legal representative, partner, joint venturer or employee of the Franchisor. Franchisee and Franchisor are not and do not intend to be partners, associates, or joint employers in any way and Franchisor shall not be construed to be jointly liable for any acts or omissions of Franchisee under any circumstances. Franchisee shall have no authority, express or implied, to act as an agent of Franchisor or any of its affiliates for any purpose.

(B) Franchisee is and shall remain responsible for all loss or damage and contractual liabilities to third persons originating from or in connection with the operations of the Restaurant and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom. Franchisee further agrees to indemnify and hold the Franchisor harmless from or with respect to any such claims for taxes and other liabilities, loss, expense or damage.

(C) Franchisee shall have sole responsibility for, and shall promptly pay when due, all taxes levied or assessed by reason of its operation and performance under this Agreement, including, but not limited to, local, state and federal, property, license, sales, use, leasehold, excise and income taxes. Franchisee shall have the right to contest in good faith the amount or validity of such payment by appropriate legal proceedings.

(D) In all public records (except in telephone directories) and in its relationship with other persons, Franchisee shall indicate its independent ownership of its business and that it is only a Franchisee of the Franchisor. Franchisee shall file and maintain in the proper public office for the locality involved a statement showing the actual name of the Franchisee as the owner of the Restaurant.

(E) The Franchisor may require Franchisee to identify itself as an independent operator and franchisee of the Franchisor in a manner prescribed by the Franchisor.

**Section 16.3 Article and Section Titles.** Article and Section titles are used for convenience only and shall not affect the meaning or construction of any provision thereof.

**Section 16.4 Franchisor's Rights.** Franchisor shall have the right to operate, develop, and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the System, at the time its decision is made without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or action it takes applies differently to

Franchisee and one or more other franchisees; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

**Section 16.5 Construction.** All the 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 (singular or plural), and any other or gender (masculine, feminine or neuter). The words "will," "shall," and "must" in this Agreement indicate a mandatory obligation. The use of the words "include," "includes," and "including" followed by one or more examples is intended to be illustrative and is not a limitation on the scope of the description or term for which the examples are provided. The words "day" and "days" refer to calendar days unless otherwise stated. The words "hereof," "hereto," and "herein" refer to this Agreement and are not limited to the article, section, paragraph or clause in which they are stated.

**Section 16.6 Obligations of Interested Parties.**

(A) Except as otherwise provided herein, all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be jointly and severally undertaken by Franchisee and all persons signing this Agreement in their individual capacities and by all guarantors.

(B) At the Franchisor's request, Franchisee shall from time to time obtain an executed confidentiality agreement, as it may be revised by the Franchisor, from every owner of the Franchisee and such management employees of Franchisee as the Franchisor may designate.

**Section 16.7 Written Approval, Waiver or Non-Waiver.**

(A) Whenever this Agreement requires the prior approval or consent of the Franchisor, Franchisee shall make a timely written request and such approval shall be obtained in writing from the Franchisor's designated officer. By providing any waiver, approval, consent or suggestion to Franchisee in connection with this Franchise, the Franchisor makes no warranties or guarantees and assumes no liability or obligation to Franchisee.

(B) No failure of either party to exercise any power reserved to it by this Agreement or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with any of the terms herein. Waiver by either party of any particular default by the other party shall not affect or impair the non-defaulting party's rights with respect to any subsequent default of the same, similar or different nature. Any delay, forbearance or omission of either party to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions or covenants hereof, shall not affect or impair the non-breaching or non-defaulting party's right to exercise such power or right, nor shall such delay, forbearance or omission constitute a waiver by the non-breaching or non-defaulting party of any right hereunder, or the right to declare any subsequent breach a default and to terminate this Agreement prior to the expiration of its Term. Subsequent acceptance by the Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by the Franchisor of any preceding breach by Franchisee of this Agreement and subsequent

acceptance by Franchisee of any services or benefits provided under this Agreement shall not be deemed to be a waiver by the Franchisee of any preceding breach by the Franchisor of this Agreement.

(C) No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed by the parties and executed in writing.

(D) Each right or remedy conferred upon or reserved to the Franchisor or Franchisee by this Agreement shall be cumulative of every other right or remedy herein or by law or equity and is not exclusive of any other right or remedy.

**Section 16.8 Multiple Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together constitute one and the same instrument.

**Section 16.9 Entire Agreement.** Franchisee agrees that Franchisor's System standards prescribed in the Manual, or otherwise communicated to Franchisee in writing or another form, are part of this Agreement as if fully set forth within its text. The Recitals, Appendices, Riders, and State-Specific Addendum (if applicable) are a part of this Agreement, which, together with the System standards contained in the Manual (which may be periodically modified by Franchisor without Franchisee's consent) constitute the entire agreement of the parties with reference to the subject matter of this Agreement. This Agreement supersedes all prior negotiations, commitments and representations of the parties. Nothing in this or any related agreement is intended to disclaim the representations the Franchisor made in the franchise disclosure document. Franchisee acknowledges that Franchisee is entering into this Agreement and all ancillary documents executed contemporaneously with this Agreement as a result of Franchisee's own independent investigation of the Restaurant, and not as a result of any representations made by the Franchisor's officers, directors, employees, agents, representatives, shareholders, independent contractors, or franchisees which are contrary to this Agreement or any disclosure document provided to the Franchisee.

## ARTICLE 17 ACKNOWLEDGMENTS

**Section 17.1 Receipt of Franchise Disclosure Document.** Franchisee has received a copy of Franchisor's franchise disclosure document and has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of Franchisee's own choosing at least fourteen (14) calendar days prior to the earlier of execution of this Agreement and/or payment of any consideration to Franchisor. Franchisee is entering into this Agreement after having made an independent investigation and not upon any representation as to the profits and/or sales volume which Franchisee might be expected to realize.

**Section 17.2 Investigation by Franchisee.** Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that such business venture involves substantial business risks and that Franchisee's success will be largely dependent upon the ability of Franchisee as an independent business owner. Franchisor expressly disclaims the making of, and Franchisee acknowledges not having received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. Franchisee acknowledges that Franchisor has made no representations that Franchisee's Restaurant will or may be successful or that Franchisee may or will derive income from the Restaurant.

**Section 17.3 Differing Terms.** Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements

have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

**Section 17.4 No Guaranty.** Franchisee acknowledges that the Franchisor is not a guarantor, directly or indirectly, of the success or profitability of any franchised restaurant of the Franchise granted hereunder.

**Section 17.5 Release of Prior Claims.** By executing this Agreement, but only to the maximum extent permitted by applicable law, Franchisee, individually and on behalf of its heirs, legal representatives, successors and assigns forever releases and discharges Franchisor, and its officers, directors, employees, and agents from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

IN WITNESS WHEREOF the parties have executed this Agreement as of the Effective Date.

“Franchisee”: \_\_\_\_\_

Check one:    \_\_\_ Individual   \_\_\_ Corporation  
              \_\_\_ General Partnership                                   \_\_\_ Limited Partnership  
              \_\_\_ Limited Liability Company                           \_\_\_ Other Entity (identify)\_\_\_\_\_

State of Residence or Organization: \_\_\_\_\_

Executed By:       \_\_\_\_\_

Printed Name:      \_\_\_\_\_

Title:               \_\_\_\_\_

Date of Signature:   \_\_\_/\_\_\_/20\_\_\_

“Franchisor”  
**LEGACY FRANCHISE GROUP INC.**  
**d/b/a Country Kitchen International**

By: \_\_\_\_\_  
      Brent G. Ray, Chairman

Date of Signature:   \_\_\_/\_\_\_/20\_\_\_

**APPENDIX A-1 TO FRANCHISE AGREEMENT**  
**FRANCHISE INFORMATION**

1. **Authorized Location.** The franchised Country Kitchen Restaurant will be located at:

Check here if exact address is known and enter below:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Within the general area described as follows:

City: \_\_\_\_\_

State: \_\_\_\_\_

If only a general area is defined above, Franchisee shall identify the exact location of the Restaurant pursuant to the terms of the Agreement, and Franchisor's issuance of a Letter of Acceptance for such location shall serve as an amendment to this **Appendix A-1** to reflect the exact location of the restaurant as the "Authorized Location" and Franchisee's Marketing Area shall be such area as defined in the letter of acceptance.

The Marketing Area shall be subject to Franchisor's and/or its Affiliates right to operate or franchise to other parties the right to operate Country Kitchen Restaurants at Captive Facilities located within the Marketing Area.

2. **Section 5.3 Training.** The following Principal Owners shall not be required to participate in Franchisor's initial training program as required by Section 5.3, or shall only be required to complete a limited training program as indicated below (if no exceptions to the training requirements of Section 5.3, indicate "Not Applicable"):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. **Franchise Fee:** The initial franchise fee pursuant to Section 6.1 is determined and payable as follows:

If Franchisee does not have a current Area Development Agreement with Franchisor \$40,000 is due upon execution of this Agreement.

Franchisee is developing the Restaurant pursuant to a current Area Development Agreement ("ADA"):

\$40,000 paid upon execution of this Agreement if Franchisee has not previously executed a Franchise Agreement pursuant to the ADA; or

\$15,000 paid upon execution of this Agreement if Franchisee has previously entered into one (1) Franchise Agreement pursuant to the ADA.

\$5,000 paid upon execution of this Agreement if Franchisee has previously entered into two (2) or more Franchise Agreements pursuant to the ADA.

4. **Ownership of Franchisee:**

Franchisee is wholly owned by one individual:

Name: \_\_\_\_\_, State of Residence: \_\_\_\_\_

If the Franchisee is a legal entity, the state of incorporation/organization is \_\_\_\_\_, the name, address, and office held by each member/owner/shareholder, and percentage of ownership for each owner (must total 100% for all Owners listed), is as follows:

Full Name	Address, City, State	% of Ownership	Office Held

5. **Name of Managing Owner:** \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Mobile Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

6. **Approved Operator:**

Individual Franchisee and/or Managing Owner is approved by the Franchisor to serve as the Approved Operator.

Approved Operator to be identified by Franchisee, subject to Franchisor's approval.

Name of Approved Operator: \_\_\_\_\_

7. **Franchisor's Designated Successor Agent as required by Section 13.4 (Aright to):**

Name: \_\_\_\_\_

Designated Successor Agent's Notice of Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

8. **Additional Terms:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SIGNATURES ARE ON THE NEXT PAGE**



IN WITNESS WHEREOF the parties hereto have executed this **Appendix A-1** as of the Effective Date set forth in the Franchise Agreement.

\_\_\_\_\_

“Franchisee”

By: \_\_\_\_\_

\_\_\_\_\_

(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**

“Franchisor”

By: \_\_\_\_\_

Brent G. Ray, Chairman

## APPENDIX A-2

### AMENDMENT TO FRANCHISE AGREEMENT REGARDING CAFÉ BY COUNTRY KITCHEN

THIS AMENDMENT (“Amendment”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by LEGACY FRANCHISE GROUP, LLC d/b/a COUNTRY KITCHEN INTERNATIONAL (“Franchisor”), located at 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

#### BACKGROUND

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments and addenda thereto, the “Franchise Agreement”).

Franchisee and Franchisor intend that Franchisee will operate the Restaurant as a Café by Country Kitchen and hereby mutually agree that the Franchise Agreement is amended as set forth below to permit such operation.

#### AMENDMENTS

Pursuant to Section 16.7(C) of the Franchise Agreement:

1. Section 1.3(E) of the Franchise Agreement, pertaining to Grant of Franchise at Authorized Location, is hereby deleted. It is the intention of the Franchisor and Franchisee that the Restaurant operated pursuant to the Franchise Agreement at the Authorized Location shall be operated and identified as a Café by Country Kitchen consistent with the design, specifications instructions, requirements and other guidance issued periodically by the Franchisor (a “Café”).

2. Section 5.2 of the Franchise Agreement, Hours of Operation is amended to delete the first sentence and to replace that sentence with the following sentence:

During the term of this Agreement, the Café operated pursuant to this Agreement shall be open and in normal operation for no less than nine (9) hours per day, seven (7) days per week.

3. Section 6.2 of the Franchise Agreement, Continuing Fee, is hereby amended to add the following final sentence to the Section:

Notwithstanding anything in this Agreement to the contrary, the Continuing Fee shall be a sum equal to five percent (5%) of Franchisee’s Gross Receipts from the operation of the Café.

**SIGNATURES ARE ON THE NEXT PAGE**

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Amendment as of the day and year first above written.

\_\_\_\_\_

“Franchisee”

By: \_\_\_\_\_

\_\_\_\_\_

(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**

“Franchisor”

By: \_\_\_\_\_

Brent G. Ray, Chairman

**APPENDIX B-1 TO FRANCHISE AGREEMENT**  
**PERSONAL GUARANTY BY PRINCIPAL OWNERS**

This Guaranty is from the undersigned Principal Owners of the Franchisee under the Franchise Agreement (the "Agreement") dated the date hereof between Legacy Franchise Group, LLC ("Franchisor") and (the "Franchisee").

In consideration of and as an inducement to the execution of the Agreement by Franchisor, each person signing this Guaranty hereby personally and unconditionally, jointly and severally: (i) guarantees to Franchisor and its successors and assigns that the Franchisee will punctually pay when due all amounts required to be paid under the Agreement and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the undersigned further agrees to pay any and all expenses (including reasonable attorneys' and accountants' fees and expenses) incurred by Franchisor in enforcing any rights under this Guaranty.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the undersigned's obligations under this Guaranty; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed by the undersigned; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by the undersigned; (iv) any right the undersigned may have to require that an action be brought against the Franchisee or any other person as a condition of the undersigned's liability; (v) all other notices and legal or equitable defenses to which the undersigned may be entitled in the undersigned's capacity as guarantor; and (vi) the right to a jury trial in any action arising under this Guaranty or Franchisor's dealings with the Franchisee.

Any indebtedness of Franchisee owing to any of the undersigned or an entity owned or controlled by any of the undersigned is hereby subordinated to the obligations of Franchisee owing to Franchisor. Each of the undersigned hereby agrees to not assert, or to permit such entity to assert, such claim or ask, demand or otherwise require such payment from Franchisee until all payments then due and payable are current and no delinquencies exist with regard to any of the obligations under the Franchise Agreement, or any other agreement between Franchisee and Franchisor.

Each of the undersigned agrees that he or she shall have no right of subrogation against Franchisee and will not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until all of the obligations owing from Franchisee to Franchisor have been paid or performed in full.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this Guaranty shall be joint and several; (ii) the undersigned will make any payment or render any performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so; (iii) the undersigned's liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against the Franchisee or any other person, including any other guarantor; (iv) the undersigned's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to the Franchisee, any guarantor or to any other person, including, for example, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; (v) the undersigned's liability will not be diminished, relieved or otherwise affected by any amendment or modification to the Agreement and (vi) this Guaranty will continue and be irrevocable during the term of the Agreement and, as to those provisions of the Agreement that survive its termination or expiration, after its termination or expiration.

Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his or her separate property, and where permitted under applicable law joint property held with his or her spouse, for any or all of his or her obligations under this Guaranty.

This Guaranty shall be governed by, and construed under, the laws of the State of Wisconsin, without regard to its conflicts of law principles. Each of the undersigned hereby irrevocably submits to the jurisdiction and venue of any state or federal court of competent jurisdiction located in Madison, Wisconsin and, further, hereby waives any objection to either the jurisdiction of venue of such courts

**IN WITNESS WHEREOF**, each Principal Owner has duly signed this Guaranty on the date stated below.

Franchisee Name: \_\_\_\_\_

Restaurant Location: \_\_\_\_\_

**PRINCIPAL OWNERS:**

By: \_\_\_\_\_ Dated: \_\_\_\_\_, 20\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_

By: \_\_\_\_\_ Dated: \_\_\_\_\_, 20\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_

By: \_\_\_\_\_ Dated: \_\_\_\_\_, 20\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_

**APPENDIX B-2 TO FRANCHISE AGREEMENT**  
**PERSONAL COVENANT OF PRINCIPAL OWNER(S)**

THIS **PERSONAL COVENANT** (this “Covenant”) is made as of the date set forth below the signature of the undersigned (an “Individual”) in conjunction with Individual’s ownership of part or all of franchisee identified on the last page of this Covenant (“Franchisee”) and is made for the benefit of Legacy Franchise Group, LLC, (“Franchisor”).

WHEREAS, Franchisee executed a Franchise Agreement to develop and operate a Country Kitchen Restaurant (a “Restaurant”) in the location identified on the last page of this Covenant (the “Franchise Agreement”). The Franchise Agreement requires that all Principal Owners of Franchisee be personally bound by the restrictions on certain confidential information and public statements and agree to certain non-competition covenants contained in the Franchise Agreement.

WHEREAS Individual is a “Principal Owner” of Franchisee as that term is defined in the Franchise Agreement.

WHEREAS, Individual acknowledges and agrees that his/her execution of this Covenant is a condition to Franchisor’s approval of such Individual as a Principal Owner and a condition to Franchisor’s execution of the Franchise Agreement.

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen® Restaurants (the “System”).

WHEREAS, Individual may gain access to parts of Franchisor’s Confidential Information (as defined in Section 1 herein) as a result of its ownership role with Franchisee (the “Business Purpose”).

WHEREAS, Individual acknowledges and agrees that it has received good and valuable consideration for executing this Covenant and Franchisor may enforce this Covenant directly against Individual.

NOW THEREFORE, Individual hereby acknowledges and agrees as follows:

1. **Confidential Information.** “Confidential Information” means information relating to Franchisor, Franchisee, or the System that is not generally available to the public, whether acquired from Franchisor, Franchisee or incident to the operation of a Restaurant and regardless of whether such information is disclosed to Individual under a confidentiality notice, including but not limited to (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual (as that term is defined in the Franchise Agreement); (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. Individual acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. Individual agrees to: (i) not disclose the Confidential Information to anyone except as specifically specified herein; (ii) not to post, contribute, or author any content on any website or social media, that (a) discloses any Confidential Information; (b) makes any statement which

disparages, ridicules, or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, any Affiliates of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any Franchisee; (c) pertains in any way to health or safety conditions of a Country Kitchen restaurant; or (d) pertains to any litigation pending or threatened against any Country Kitchen Franchisee or the Franchisor; and (e) to use all reasonable precautions consistent with the Individual's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation: (i) protecting documents from theft; (ii) maintaining the secrecy of passcodes which allow Individual access to Confidential Information over the Internet; (iii) refraining from any unauthorized duplication of Confidential Information; and (iv) restricting access by other persons to Confidential Information. Unless the Franchisor otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as a Principal Owner of the Franchisee. Individual will continue not to disclose any such information after Individual ceases to be in that position and will not use any such information after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

3. **Authorized Disclosures.** Individual may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Individual may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Individual may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Restaurant Premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Individual may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **In Term Restrictions on Competitive Business Interests.** For such time as each of the undersigned is a Principal Owner in Franchisee during the Term of the Franchise Agreement, Individual agrees that he or she will not, without Franchisor's written consent, own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business. For purposes of this Covenant "Competitive Business" means any business which looks like, copies, imitates, or operates in a manner similar to the Restaurant, including, but not limited to, a restaurant in the full service "family-casual" segment of the restaurant industry, which has a similar menu as the Restaurant or which has similar trade dress or décor as the Restaurant.

5. **Post Term Restrictions on Competitive Business Interests.** For a period of two (2) years following the date Individual ceases to be a Principal Owner in Franchisee, or the effective date of the Transfer or expiration, non-renewal or termination of the Franchise Agreement, Individual agrees that he or she will not, without Franchisor's written consent, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located at or within five (5) miles of the Franchisee's Restaurant or any then-existing Country Kitchen Restaurant.

6. **In Term and Post Term Restrictions on Solicitation of Franchisor's Employees.** For such time as Individual is a Principal Owner in Franchisee and for a period of eighteen months (18) following the expiration, non-renewal or termination of the Franchise Agreement, Individual agrees that he/she will not employ or seek to employ any person who is at the time employed by the Franchisor or its Affiliates or by any other franchisee of the Franchisor.

7. **Enforceability.** Individual expressly acknowledges the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained herein will not deprive him/her of his/her personal goodwill or ability to earn a

living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, Individual agrees that it will be enforced to the fullest extent permissible under applicable law and public policy.

**8. Remedies.**

(a) **Injunction.** Because Franchisor and/or Franchisee may suffer irreparable harm in the event of a breach of this Agreement, the Individual consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure of the Confidential Information, in addition to any other remedies available to Franchisor and/or Franchisee.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Franchisor and/or Franchisee shall be entitled to any damages that they suffer as a result of the Individual's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

**9. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

**10. Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, nor shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by the Franchisor of any term, covenant or condition of this Agreement shall be effective unless the waiver is in writing and signed by an authorized officer of Franchisor.

**11. Governing Law, Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located Madison, Wisconsin.

**12. Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Individual any right, title or interest in the Confidential Information or any license to use, sell, exploit, copy or further develop in any way any Confidential Information.

**13. Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.



IN WITNESS WHEREOF, the undersigned Individual has executed and delivered this Covenant.

Name of Franchisee: \_\_\_\_\_

Authorized Location of Restaurant: \_\_\_\_\_

Effective Date of Franchise Agreement: \_\_\_\_/\_\_\_\_/20\_\_

PRINCIPAL OWNER:

By: \_\_\_\_\_ Dated: \_\_\_\_/\_\_\_\_/20\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**APPENDIX B-3 TO FRANCHISE AGREEMENT**  
**PERSONAL COVENANT OF APPROVED OPERATOR**

THIS **PERSONAL COVENANT** (this “Covenant”) is made as of the date set forth below the signature of the undersigned (an “Individual”) in conjunction with Individual’s employment by franchisee identified on the last page of this Covenant (“Franchisee”) and is made for the benefit of Legacy Franchise Group, LLC, (“Franchisor”).

WHEREAS, Franchisee executed a Franchise Agreement to develop and operate a Country Kitchen Restaurant (a “Restaurant”) in the location identified on the last page of this Covenant (the “Franchise Agreement”). The Franchise Agreement requires that all Approved Operators be personally bound by the restrictions on certain confidential information and public statements and agree to certain non-competition covenants contained in the Franchise Agreement.

WHEREAS, Individual is an “Approved Operator” of Franchisee as that term is defined in the Franchise Agreement.

WHEREAS, Individual acknowledges and agrees that his/her execution of this Covenant is a condition to Franchisor’s approval of such Individual as an Approved Operator and a condition to Franchisor’s execution of the Franchise Agreement.

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen® Restaurants (the “System”).

WHEREAS, Individual may gain access to parts of Franchisor’s Confidential Information (as defined in Section 1 herein) as a result of its management role with Franchisee (the “Business Purpose”).

WHEREAS, Individual acknowledges and agrees that it has received good and valuable consideration for executing this Covenant and Franchisor may enforce this Covenant directly against Individual.

NOW THEREFORE, Individual hereby acknowledges and agrees as follows:

1. **Confidential Information.** “Confidential Information” means information relating to Franchisor, Franchisee, or the System that is not generally available to the public, whether acquired from Franchisor, Franchisee or incident to the operation of a Restaurant and regardless of whether such information is disclosed to Individual under a confidentiality notice, including but not limited to (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual (as that term is defined in the Franchise Agreement); (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. Individual acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. Individual agrees to: (i) not disclose the Confidential Information to anyone except as specifically specified herein; (ii) not to post, contribute, or author any content on any website or social media, that (a) discloses any Confidential Information; (b) makes any statement which

disparages, ridicules, or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, any Affiliates of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any Franchisee; (c) pertains in any way to health or safety conditions of a Country Kitchen restaurant; or (d) pertains to any litigation pending or threatened against any Country Kitchen Franchisee or the Franchisor; and (e) to use all reasonable precautions consistent with the Individual's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation: (i) protecting documents from theft; (ii) maintaining the secrecy of passcodes which allow Individual access to Confidential Information over the Internet; (iii) refraining from any unauthorized duplication of Confidential Information; and (iv) restricting access by other persons to Confidential Information. Unless the Franchisor otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as an Approved Operator of the Franchisee. Individual will continue not to disclose any such information after Individual ceases to be in that position and will not use any such information after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by Approved Operator's misuse of the Confidential Information or the breach of an obligation of Franchisee under the Franchise Agreement.

3. **Authorized Disclosures.** Individual may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Individual may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Individual may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Restaurant premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Individual may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **In Term Restrictions on Competitive Business Interests.** For such time as each of the undersigned is an Approved Operator of Franchisee, Individual agrees that he or she will not, without Franchisor's written consent, own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business. For purposes of this Covenant "Competitive Business" means any business which looks like, copies, imitates, or operates in a manner similar to the Restaurant, including, but not limited to, a restaurant in the full service "family-casual" segment of the restaurant industry, which has a similar menu as the Restaurant or which has similar trade dress or décor as the Restaurant.

5. **Post Term Restrictions on Competitive Business Interests.** For a period of two (2) years following the date Individual ceases to be an Approved Operator of Franchisee or the effective date of the Transfer or expiration, non-renewal or termination of the Franchise Agreement, Individual agrees that he or she will not, without Franchisor's written consent, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located at or within five (5) miles of the Franchisee's Restaurant or any then-existing Country Kitchen Restaurant.

6. **In Term and Post Term Restrictions on Solicitation of Franchisor's Employees.** For such time as Individual is an Approved Operator in Franchisee during the term of the Franchise and for a period of eighteen months (18) following the expiration, non-renewal or termination of the Franchise Agreement, Individual agrees that he/she will not employ or seek to employ any person who is at the time employed by the Franchisor or its Affiliates or by any other franchisee of the Franchisor.

7. **Enforceability.** Individual expressly acknowledges the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained herein will not deprive him/her of his/her personal goodwill or ability to earn a

living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, Individual agrees that it will be enforced to the fullest extent permissible under applicable law and public policy.

**8. Remedies.**

(a) **Injunction.** Because Franchisor and/or Franchisee may suffer irreparable harm in the event of a breach of this Agreement, the Individual consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure or the Confidential Information, in addition to any other remedies available to Franchisee and/or Franchisor.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Franchisor and/or Franchisee shall be entitled to any damages that they suffer as a result of the Individual's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

**9. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

**10. Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, or shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by the Franchisor of any term, covenant or condition of this Agreement shall be effective unless the waiver is in writing and signed by an Officer of Franchisor.

**11. Governing Law, Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located in Madison, Wisconsin.

**12. Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Individual any right, title or interest in the Confidential Information or any license to use, sell, exploit, copy or further develop in any way any Confidential Information.

**13. Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.

IN WITNESS WHEREOF, the undersigned Individual has executed and delivered this Covenant.

Name of Franchisee: \_\_\_\_\_

Authorized Location of Restaurant: \_\_\_\_\_

Effective Date of Franchise Agreement: \_\_\_\_/\_\_\_\_/20\_\_

APPROVED OPERATOR:

By: \_\_\_\_\_ Dated: \_\_\_\_/\_\_\_\_/20\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**APPENDIX B-4 TO FRANCHISE AGREEMENT  
CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

This Confidentiality and Non-Disclosure Agreement (“Agreement”) is entered into by each individual signing below (each a “Recipient”) as of the date set forth next to each Recipient’s signature below in conjunction with each Recipient’s ownership interest or employment with the franchisee identified on the last page of this Agreement (“Franchisee”) for the benefit of Franchisee and Legacy Franchise Group, LLC., d/b/a Country Kitchen International, its Affiliates, officers, successors and assigns (collectively, “Country Kitchen”).

WHEREAS, Franchisee operates a Country Kitchen restaurant or restaurants pursuant to certain Franchise Agreement(s) with Country Kitchen, which agreement(s) require(s) Franchisee to protect certain confidential information pertaining to the Franchisee’s operation of the Country Kitchen restaurant(s).

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen Restaurants (the “System”).

WHEREAS, Recipient is:

- \_\_\_\_\_ a manager of Franchisee
- \_\_\_\_\_ an employee of Franchisee
- \_\_\_\_\_ an owner of a direct or indirect interest of less than ten percent (10%) in Franchisee

and Recipient’s employment with or ownership interest in Franchisee (as applicable) (the “Business Purpose”) requires that Recipient have access to certain confidential and proprietary information pertaining to the operation of a Country Kitchen restaurant.

NOW THEREFORE, as a condition of employment with Franchisee or holding an ownership interest in Franchisee (as applicable), the Recipient agrees to the following:

1. **Confidential Information.** “Confidential Information” means information relating to Franchisor, Franchisee, or the System that is not generally available to the public, whether acquired from Franchisor, Franchisee or incident to the operation of a Restaurant and regardless of whether such information is disclosed to Individual under a confidentiality notice, including but not limited to (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual (as that term is defined in the Franchise Agreement); (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. **Obligations of Recipient.** The Recipient acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. The Recipient agrees to: (i) not disclose the Confidential Information to anyone except as specifically specified herein; (ii) not to post, contribute, or author any content on any website or social media, that (a) discloses any Confidential Information; (b) makes any statement which disparages, ridicules, or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, any Affiliates of the Franchisor, or any of their owners,

officers, employees, agents, consultants, attorneys or representatives, or any Franchisee; (c) pertains in any way to health or safety conditions of a Country Kitchen restaurant; or (d) pertains to any litigation pending or threatened against any Country Kitchen Franchisee or the Franchisor; and (e) to use all reasonable precautions consistent with the Recipient's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation: (i) protecting documents from theft; (ii) maintaining the secrecy of passcodes which allow Individual access to Confidential Information over the Internet; (iii) refraining from any unauthorized duplication of Confidential Information; and (iv) restricting access by other persons to Confidential Information. Unless Country Kitchen otherwise agrees in writing, Recipient will disclose and/or use the Confidential Information only in connection with Recipient's duties as \_\_\_\_\_ of the Franchisee. Recipient will continue not to disclose any such information after Recipient ceases to be in that position and will not use any such information after Recipient ceases to be in that position unless Recipient can demonstrate that such information has become generally known or easily accessible other than by Recipient's misuse of the Confidential Information or the breach of an obligation of Franchisee under the Franchise Agreement.

3. **Authorized Disclosures.** Recipient may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Recipient may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Recipient may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Restaurant premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Recipient may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **Remedies.**

(a) **Injunction.** Because Country Kitchen and/or Franchisee may suffer irreparable harm in the event of a breach of this Agreement, the Recipient consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure or the Confidential Information, in addition to any other remedies available to Franchisee and/or Franchisor.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Country Kitchen and/or Franchisee shall be entitled to any damages that they suffer as a result of the Individual's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

5. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

6. **Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, or shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by Country Kitchen of any term, covenant or condition of this Agreement shall be effective unless the waiver is in writing and signed by an Officer of Country Kitchen.

7. **Governing Law, Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located in Madison, Wisconsin.

8. **Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Recipient any right, title or interest in the Confidential Information or any license to use, sell, exploit, copy or further develop in any way any Confidential Information.

9. **Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.

THE UNDERSIGNED AGREES TO BE BOUND TO THE TERMS SET FORTH ABOVE.

Name of Franchisee: \_\_\_\_\_

Restaurant Location: \_\_\_\_\_

Effective Date: \_\_\_\_/\_\_\_\_/20\_\_

\_\_\_\_\_  
Signature

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address:  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_



## **APPENDIX C TO FRANCHISE AGREEMENT**

### **Required Lease Language**

Except as approved in writing by Franchisor, any lease to operate a Country Kitchen Restaurant shall include the following Lease Addendum and Collateral Assignment of Lease. Prior to execution of the Lease, Franchisee must provide a draft Lease to Franchisor for its review and send a fully executed copy of the Lease to:

Country Kitchen International  
Attn: Chuck Mocco  
6405 Century Avenue, Ste. 001,  
Middleton, Wisconsin 53562  
(608) 203-7602

## ADDENDUM TO LEASE AGREEMENT AND COLLATERAL ASSIGNMENT OF LEASE

WHEREAS, \_\_\_\_\_ (“Landlord”) and \_\_\_\_\_ (“Tenant”) have entered into that certain lease agreement dated as of the \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Lease”) for the property located at \_\_\_\_\_ (the “Premises”).

WHEREAS, Legacy Franchise Group, LLC, (“Franchisor”) offers franchises for qualified third parties to operate restaurants operating under the name “Country Kitchen®”, which feature a full menu, operate seven (7) days per week, and range from approximately 3,800 to 6,000 square feet and include a dining area with one hundred twenty (120) to two hundred twenty (220) seats, along with carryout service (a “Prototypical Country Kitchen”); and

WHEREAS, Legacy Franchise Group, LLC, (“Franchisor”) and Tenant executed a Franchise Agreement dated the \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (the “Franchise Agreement”) which grants Franchisee the right to operate a Country Kitchen® Restaurant at the Premises pursuant to the terms and conditions set forth in the Franchise Agreement; and

WHEREAS, the Franchise Agreement requires that Franchisee’s Lease of the Premises contain certain terms and conditions.

NOW THEREFORE, Landlord and Tenant agree to modify the terms of the Lease as more specifically set forth below in order that the Lease may comply with the Franchise Agreement.

1. Conflicting Terms. Landlord and Tenant agree that in the event of a conflict between the terms of the Lease and this Addendum, the terms of this Addendum shall control.

2. Permitted Use. Landlord represents that Tenant may operate the Premises as a Country Kitchen Restaurant and such stated use shall not violate any applicable covenant or another tenant’s exclusive use provision.

3. Hours of Operation. Landlord represents that Tenant may operate the Country Kitchen Restaurant for seven (7) days per week and at least nine (9) hours per day, without violating any applicable covenant.

4. Remodeling. Tenant shall have the right to remodel, modify, paint and make installations in the interior of the Premises as may be required by Franchisor from time to time, without violating any continuous operation covenant required by the Lease in order to reflect the then-current Prototypical Country Kitchen Restaurant. Landlord consents to Tenant’s use and installation of the marks, trade dress, signage and related features associated with a Prototypical Country Kitchen Restaurant that Franchisor may prescribe from time to time.

5. Signage. Landlord further covenants and agrees that neither the Lease, Landlord’s leases with other tenants for adjacent properties, nor any title restrictions applicable to the Premises shall prevent Tenant from securing the maximum allowable signage allowed by applicable law or ordinance. All exterior signage shall be subject to Landlord’s approval, which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant may, without Landlord’s consent, install within the interior of the Premises (even if visible from the exterior of the Premises), professionally prepared posters, signs, window clings, and/or banners which are part of Franchisor’s system-wide marketing and advertising materials provided such marketing materials do not violate any applicable law or ordinances.

6. Collateral Assignment to Franchisor. For value received, Tenant hereby assigns its rights under the Lease unto Franchisor or any entity which is a party to a potential merger, consolidation with or acquisition of substantially all of, the assets of Franchisor, and Landlord hereby consents to such assignment subject to the satisfaction of either of the following conditions: (a) Tenant fails to timely cure a default under the Lease and Franchisor cures Tenant's default within the applicable cure period set forth in the Lease and Franchisor sends written notice to Landlord that Franchisor is exercising its right to accept the assignment of Tenant's rights under the Lease; or (b) During the Term of the Franchise Agreement between Franchisor and Tenant, Tenant fails to exercise a renewal option under the Lease allowing Tenant to continue leasing the Premises for the remainder of the Term of the Franchise Agreement, and Franchisor sends notice to Landlord exercising such renewal option along with written notice to Landlord that Franchisor is exercising its right to accept the assignment of Tenant's rights under the Lease.

i. Landlord acknowledges that by inclusion of this assignment provision in favor of Franchisor, Franchisor is not a party to the Lease and does not hereby assume any liability with respect to the Premises or any obligation as Tenant under the Lease, unless and until Franchisor expressly assumes such liability as described above. However, Franchisor is intended to be a third party beneficiary of the Collateral Assignment with an independent right to enforce its terms against Landlord and Tenant. Landlord and Tenant hereby waive any claim that Franchisor has no right to enforce the Collateral Assignment.

ii. At any time following Franchisor's election to take an assignment of Tenants rights under the Lease, Franchisor may, on written notice, assign the Lease or sublet the Premise to an Affiliate of Franchisor.

iii. Throughout the term of the Franchise Agreement, Tenant agrees that it shall elect and exercise all options to extend the term of or renew the Lease so that the Lease Term will allow Tenant to operate the Restaurant during the term of the Franchise Agreement. Such exercise shall occur not less than thirty (30) days prior to the last day that said option must be exercised, unless Franchisor otherwise agrees in writing. Tenant shall send Franchisor a copy of the notice of exercise concurrently with Tenant's exercise of the option. Upon failure of Tenant to so elect to extend or renew the Lease as aforesaid, Tenant hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Tenant for the sole purpose of effecting such extension or renewal for a duration no longer than the Term of the Franchise Agreement, provided that Franchisor shall have the right but not the obligation to exercise such extension or renewal option.

7. Right of Entry for Removal of Trade Dress. Landlord agrees that following termination or expiration of the Franchise Agreement or Lease, upon written notice given to Landlord by Franchisee or Franchisor, along with delivery of an indemnification agreement, as described below, either Franchisee or Franchisor shall have the right to promptly enter the Premises to change the exterior and interior design, color scheme, décor and trade dress of the Premises so as to effectively distinguish the same from its former appearance as a Country Kitchen Restaurant, including, but not limited to removal of building letters, signage panels, awnings, and any trademarked personal property. The indemnification agreement provided by Franchisee or Franchisor shall require such party to repair any damage to the structure or the property caused by such entry.

8. Notices of Tenant's Default. During the Term of the Franchise Agreement, Landlord shall deliver to Franchisor copies of any and all letters or notices sent to Tenant relating to the Tenant or the Premises at the same time that such letters or notices are sent to Tenant. This notice to Franchisor shall be a prerequisite for the Landlord's exercise of any remedies resulting from a default pursuant to the Lease. Franchisor shall have a cure period equal to the cure period provided for in the Lease. Franchisor

shall have the option, but not the obligation, to effect a cure. Franchisor's election to cure shall not be deemed an election to assume the Lease, unless and until Franchisor expressly does so in writing.

9. Franchisor's Consent to Certain Lease Amendments and Assignment by Tenant. During the Term of the Franchise Agreement, Tenant and Landlord agree that they will not (a) assign nor sublease Tenant's interest in the Lease without the written consent of Franchisor; (b) amend, modify, or alter any Lease term which would materially affect the terms set forth herein without Franchisor's written consent.

10. Confidential Information. Landlord acknowledges and agrees that any data pertaining to sales at the Premises and Country Kitchen building plans and layouts shall be deemed Confidential Information. Landlord agrees that as a condition to receiving Country Kitchen building plans and layouts and/or any financial information pertaining to the Country Kitchen Restaurant, Landlord must first execute the Confidentiality and Non-Disclosure Agreement attached hereto as Exhibit A. If the Lease is assigned, any new Landlord will be required to execute the Confidentiality and Non-Disclosure Agreement prior to Tenant delivering any data pertaining to sales at the Premises to such new landlord.

11. Memorandum of Lease. Any memorandums of lease or short form lease recorded in the public records of the county in which the property is located shall contain the following provision: Tenant has collaterally assigned the Lease to Legacy Franchise Group, LLC. ("Franchisor"). Landlord has agreed and consented to Tenant collaterally assigning the Lease to Franchisor and by Franchisor to any entity which is a party to a merger or consolidation with or to the acquisition of substantially all of the assets or stock of Franchisor.

IN WITNESS WHEREOF, the undersigned authorized representatives of Landlord and Tenant have executed and delivered this Addendum to Lease and Collateral Assignment of Lease on the \_\_\_ day of \_\_\_\_\_, 20\_\_.

Landlord: \_\_\_\_\_

Tenant: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed: \_\_\_\_\_

Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A TO LEASE ADDENDUM**

**Confidentiality and Non-Disclosure Agreement**

FOR EXECUTION BY FRANCHISEE'S LANDLORD, LENDER, ATTORNEY, ACCOUNTANT, INSURER AND/OR  
FINANCIAL ADVISOR PRIOR TO RELEASE OF CONFIDENTIAL INFORMATION

**SEE FOLLOWING PAGE**

Exhibit A to Lease Addendum

**CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

This Confidentiality and Non-Disclosure Agreement (“Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ [name of landlord, lender, attorney, insurer, accountant or financial advisor] (“Recipient”) for the benefit of \_\_\_\_\_ [legal name of franchisee] (“Franchisee”) and Legacy Franchise Group, LLC., its Affiliates, officers, successors and assigns (collectively “Country Kitchen”).

WHEREAS, Franchisee operates a Country Kitchen restaurant or restaurants pursuant to certain Franchise Agreement(s) with Country Kitchen, which agreement(s) require(s) Franchisee to protect certain confidential information pertaining to the Franchisee’s operation of the Country Kitchen restaurant(s).

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen Restaurants (the “System”).

WHEREAS, Recipient is [check appropriate description]

- \_\_\_\_\_ Franchisee’s landlord or prospective landlord
- \_\_\_\_\_ Franchisee’s lender or prospective lender
- \_\_\_\_\_ Lender or prospective of Franchisee’s landlord
- \_\_\_\_\_ Franchisee’s attorney
- \_\_\_\_\_ Franchisee’s accountant
- \_\_\_\_\_ Franchisee’s financial advisor
- \_\_\_\_\_ Franchisee’s insurer

(the “Business Purpose”) and the Business Purpose requires that Recipient have access to the following Confidential Information pertaining to the operation of a Country Kitchen restaurant.

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NOW THEREFORE, in exchange for disclosure of the Confidential Information (as defined in Section One below) the Recipient agrees to the following:

1. **Confidential Information.** Confidential Information means information relating to Country Kitchen, Franchisee, or the System that is not generally available to the public, whether acquired from Country Kitchen, Franchisee or its officers, directors, agents, accountants, and/or attorney(s) and regardless of whether such information is disclosed to Recipient under a confidentiality notice, including but not limited to: (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Country Kitchen Manual, and (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of Country Kitchen Restaurants; (iv) information, systems, experience, and business intelligence with respect to the consumer, business, or financial success, attributes or performance of any product, marketing promotion, strategy, equipment or consumer proposition; (v) sales

data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. **Obligations of Recipient.** The Recipient acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. The Recipient agrees to: (i) hold the Confidential Information in strict confidence; (ii) not to disclose such Confidential Information to any third party except as specifically authorized herein; (iii) to use all reasonable precautions consistent with the Recipient's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation, protecting documents from theft, unauthorized duplication and discovery of contents, and restrictions on access by other persons to such Confidential Information; and (iv) not to use any Confidential Information for any purpose other than the Business Purpose.

The Recipient may provide access to the Confidential Information to its authorized officers and employees on, and only on, a need to know basis which is directly and solely for the Business Purpose under this Agreement provided that such employees agree to be bound by the provisions of this Agreement.

3. **Authorized Disclosures.** Recipient may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Recipient may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Recipient may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Recipient may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **Remedies.**

(a) **Injunction.** Because Country Kitchen and/or Franchisee may suffer irreparable harm in the event of a breach of this Agreement, the Recipient consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure or the Confidential Information, in addition to any other remedies available to Franchisee and/or Country Kitchen.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Country Kitchen and/or Franchisee shall be entitled to any damages that they suffer as a result of the Recipient's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

5. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

6. **Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, or shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by Country Kitchen of any term, covenant or

condition of this Agreement shall be effective unless the waiver is in writing and signed by an Officer of Country Kitchen.

7. **Governing Law, Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located in Dane County, Madison, Wisconsin.

8. **Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Recipient any right, title or interest in the Confidential Information or any license to use, sell, exploit copy or further develop in any way any Confidential Information.

9. **Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.

RECIPIENT AGREES TO BE BOUND TO THE TERMS SET FORTH ABOVE.

RECIPIENT:

\_\_\_\_\_  
Signature

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address:  
\_\_\_\_\_  
\_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_



**APPENDIX D TO FRANCHISE AGREEMENT**

**Declaration of Franchise Agreement**

Applicable if Restaurant property is owned by Franchisee or its Affiliates

## DECLARATION OF FRANCHISE AGREEMENT

### RECITALS

WHEREAS, \_\_\_\_\_ (“Owner”) is the fee simple owner of that certain real estate legally described in Exhibit A attached hereto, which is commonly referred as \_\_\_\_\_, including any building and improvements located thereon (the “Property”); and

WHEREAS, in consideration of, and as in inducement to, the execution of that certain Franchise Agreement between Legacy Franchise Group, LLC., a Tennessee corporation (“Franchisor”) and Owner dated as of \_\_\_\_\_, \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) whereby Franchisor licensed to Owner the right to operate a Country Kitchen restaurant on the Property, Owner hereby agrees as follows:

### RESTRICTIVE COVENANTS

1. During the term of the Franchise Agreement the Property shall be used solely for the operation of a Country Kitchen restaurant, and no other purpose.
2. Any change in fee simple ownership in the Property and/or any mortgage encumbering the Property shall require the consent of Franchisor, which consent shall be governed by the terms of the Franchise Agreement, which are incorporated herein by reference.
3. Any lease of the Property shall be subject to the Addendum to Lease and Collateral Assignment of Lease set forth in the Franchise Agreement, which are incorporated herein by reference
4. The foregoing restrictions shall be a covenant running with the Property and binding on Owner, its successor and assigns.

IN WITNESS WHEREOF, Owner has caused this instrument to be executed as of the date stated below.

By \_\_\_\_\_  
Owner

Date: \_\_\_\_\_, 20\_\_

**APPENDIX E TO AGREEMENTS**  
**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

**AGREEMENT FOR ELECTRONIC FUNDS TRANSFER PAYMENTS**

**\*\*\*This form must be accompanied by a Printed Voided Check\*\*\***

(I/We) do hereby authorize Legacy Franchise Group, LLC., hereinafter named COMPANY, to initiate recurring debit and credit entries to my (our) checking/savings accounts at THE FINANCIAL INSTITUTION listed below by Electronic Funds Transfer, and, if necessary, initiate adjustments for any transactions credited/debited in error. (I/We) acknowledge that the origination of Electronic Funds Transfer transactions to my (our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the COMPANY to collect such debit(s) by Electronic Funds Transfer and subsequently collect a returned debit NSF fee of \$25.00 per item by Electronic Funds Transfer from my account identified below.

I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

Financial Institution Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

This authorization is to remain in full force and effect until the COMPANY has received written notification from (me/us) of its termination in such time and in such manner as to afford the COMPANY and FINANCIAL INSTITUTION a reasonable opportunity to act on it.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Type or Print Name/Title of Authorized Signer

Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/20\_\_\_\_

## SBA ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by LEGACY FRANCHISE GROUP, LLC d/b/a COUNTRY KITCHEN INTERNATIONAL ("Franchisor"), located at 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562, and \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments thereto, the "Franchise Agreement"). Franchisee is applying for a loan ("Loan") from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

In consideration of the mutual promises below, and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms of the Franchise Agreement:

### CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

### FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

### COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

### EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

\_\_\_\_\_  
"Franchisee"

**LEGACY FRANCHISE GROUP, LLC**  
"Franchisor"

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

Title: \_\_\_\_\_

**Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.**

**EXHIBIT D**  
**AREA DEVELOPMENT AGREEMENT**

**AREA DEVELOPMENT AGREEMENT**

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## **APPENDICES**

- Appendix A Area Development Agreement Term Sheet
- Appendix B Personal Covenants of Principal Owner(s)
- Appendix C Confidentiality and Non-Disclosure Agreement

## AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”), is made and entered into as of the latest date set forth next to the parties’ signatures hereto (the “Effective Date”) by and between Legacy Franchise Group, LLC d/b/a Country Kitchen International, a Tennessee limited liability company, hereinafter referred to as “Franchisor”, and \_\_\_\_\_, a \_\_\_\_\_ organized under the laws of the state of \_\_\_\_\_, hereinafter referred to as “Developer”.

### INTRODUCTION

WHEREAS, Franchisor and its predecessors in interest, have developed a business system for providing the public with food and restaurant services of a distinctive character under the name “Country Kitchen®” and have publicized the name “Country Kitchen®” and other trademarks, trade names, service marks, logos and commercial symbols as Franchisor has, or may in the future develop, to the public as an organization of restaurants operating under the System (as defined in Section 1.01, below); and

WHEREAS, Franchisor represents that it has the right and authority to license the use of the name “Country Kitchen®” and certain other Marks (as defined in Section 1.01, below) and the System to selected persons or entities who will comply with Franchisor’s uniformity requirements and quality standards; and

WHEREAS, the Developer desires to operate Country Kitchen® Restaurants in the Development Area (as defined in Section 1.01, below) and is willing to commit to the minimum number of Country Kitchen® Restaurants provided for in this Agreement; and

WHEREAS, the Developer has read this Agreement and the individual franchise agreement and accepts the terms, conditions, covenants, representations and requirements contained in these documents as being fair, reasonable and necessary to maintain Franchisor’s high standards of quality, service and uniformity, and to protect the goodwill associated with Franchisor’s Marks and System.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, the parties agree as follows:

### ARTICLE 1

#### DEVELOPMENT AREA AND DEVELOPMENT RIGHTS

##### **Section 1.01 Defined Terms.**

(a) “**Affiliate**” means an entity controlled by, controlling, or under common control with, another entity.

(b) “**Authorized Location**” means the location of the Country Kitchen Restaurant to be developed and operated by Franchisee pursuant to the terms of the applicable Franchise Agreement.

(c) “**Café**” or “**Café by Country Kitchen**” means the breakfast and lunch variation of the standard Country Kitchen Restaurant. The Café may be distinguished from a standard Country Kitchen Restaurant by having limited hours, a unique and modified menu, different uniforms, POP (point-of-purchase, or in-store, marketing materials) specific to the concept, trade

dress, brand representation and signs. The Café may appear as a standalone location or in a nontraditional location.

**(d) “Captive Facility”** means any of the following locations: airports, schools, railroad/railway or bus stations, government institutions, hospitals, military installations, stadiums, sports arenas, casinos, convention centers, amusement parks, theme parks, theaters, “big box” retail stores, and toll plazas/travel centers.

**(e) “Competitive Business”** means any business which looks like, copies, imitates, or operates in a manner similar to a Restaurant, as defined below, including, but not limited to, a restaurant in the full service “family-casual” segment of the restaurant industry, which has a similar menu as the Restaurant or which has similar trade dress or décor as the Restaurant.

**(f) “Development Area”** means the geographical area described in Appendix A.

**(g) “Development Schedule”** means the period of time and cumulative number of Restaurants you must open and operate as set forth in the Development Schedule included in Appendix A attached to this Agreement.

**(h) “Financial Information”** means sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen Restaurants.

**(i) “Franchise Agreement”** means the then-current form of agreement (including franchise agreement and any exhibits, and other documents referenced therein) Franchisor customarily uses in granting franchises to own and operate a Country Kitchen Restaurant. Franchisor may, at its discretion, modify the standard form of Franchise Agreement customarily used in granting a Country Kitchen franchise which may provide for different legal terms subject to section 5.02 herein.

**(j) “Gross Receipts”** means the gross total dollar income from all cash, credit and charge sales of every kind and nature made at or from the Restaurant including, but not limited to, sales and income from: (1) all food, food products, food items and beverages, beer, wine or liquor and room service; (2) vending machines and coin operated games; (3) approved novelty items; (4) cigars, cigarettes, candies and gum; (5) services; (6) any and all goods and products; (7) carry-out items which are prepared from the Country Kitchen Restaurant, and (8) catering and banquet sales. Gross Receipts shall not include any sales, use, service or excise taxes collected from customers and paid to the appropriate taxing authority, customer refunds, discounts and adjustments, the amount of refunds or allowances given to customers by franchisee in good faith and any amounts from coupon or discount programs (including reasonable employee discounts) approved by franchisor.

**(k) “Managing Owner”** means the individual Developer or person identified in Appendix A attached hereto if Developer is a legal entity. If the Developer is a legal entity, then the Managing Owner shall be the Principal Owner of Developer with the largest share of equity ownership in Developer and who is authorized by the Developer to bind the Developer in any dealings with Franchisor.

**(l) “Manual”** means, collectively, all books, pamphlets, guides, merchandising and operating aids, newsletters, bulletins, memoranda, letters, notices, computer media (i.e. computer software, CD-Rom), or other publications, documents or electronic media prepared by or on behalf of the Franchisor for use by developers or franchisees generally or for the Developer in particular, setting forth information, advice, standards, specifications, requirements, operating

procedures, recipes, instructions or policies relating to the operation of Country Kitchen Restaurants, promotions, and policies, as the Franchisor may amend from time to time.

**(m) “Marks”** means the name “Country Kitchen®” and all other trademarks, trade names, service marks, copyrights, interior and exterior building designs and specifications (including motif, decor, and color combination), slogans, logos and commercial symbols designated by the Franchisor in this Agreement (and as may be hereafter designated by Franchisor in writing) as part of the System.

**(n) “Owner”** means those individuals or entities with a direct or indirect ownership interest in Developer, who are listed in Appendix A attached hereto, or such individuals or entities who may later acquire an ownership interest in Developer, subject to the restrictions and conditions set forth herein.

**(o) “Principal Owner”** means “ any person or entity who presently owns or later acquires, directly or indirectly, a ten percent (10%) or greater ownership interest in Developer.

**(p) “Marketing Area”** means the geographical area determined by Franchisor in which Franchisor will not operate or franchise anyone else to operate a Country Kitchen Restaurant (except within Captive Facilities) during the Term of a Franchise Agreement executed between Franchisor and the franchisee.

**(q) “Restaurant” or “Country Kitchen Restaurant”** means a restaurant developed pursuant to this Agreement that is operated under the System and Marks and provides food and restaurant services to the public.

**(r) “System”** means the business methods, designs, know-how and arrangements for developing and operating restaurants under the trade name “Country Kitchen”, which include the Marks, buildings with a distinctive interior and exterior architectural design and layout; decorative color scheme, equipment, fixtures, furniture, training, advertising and promotional programs; menu and merchandising; and standardized methods of preparing and serving certain food products and beverages for on-premises and off-premises consumption and certain uniform operating and business standards, specifications, and policies, all of which the Franchisor, in its sole discretion, may improve, further develop, supplement or otherwise modify from time to time.

**(s) “Term”** means the period of time beginning on the Effective Date of this Agreement and ending on the Expiration Date set forth in Appendix A attached hereto.

**Section 1.02 Developer’s Rights.** If Developer is in full compliance with the conditions contained in this Agreement and all obligations under each Franchise Agreement entered into between Developer or Developer’s Affiliate and Franchisor for individual Restaurants, then, during the Term Franchisor will: (i) grant franchises to Developer to own and operate Restaurants located within the Development Area and (ii) not operate, nor grant a franchise to a third party to operate any Country Kitchen Restaurant within the Development Area (the “Development Rights”), subject to Franchisor’s reservation of rights pursuant to Section 1.03 herein. Regardless of the Development Area granted herein, Developer may not operate, directly or indirectly, any Country Kitchen Restaurants within twenty-five (25) miles of any existing Country Kitchen Restaurant owned and operated by Franchisor or within the Marketing Area or territory granted to an existing Country Kitchen franchisee pursuant to a Franchise Agreement currently in effect (if applicable).

**Section 1.03 Franchisor's Reservation of Rights.** Notwithstanding anything to the contrary contained herein, at any time and throughout the Term of this Agreement Franchisor shall retain the right to:

(a) Continue operating any Country Kitchen Restaurants located within the Development Area (if applicable) which are in operation prior to the Effective Date of this Agreement.

(b) Operate and/or franchise to other parties the right to operate Country Kitchen Restaurants in Captive Facilities located within the Development Area.

(c) Offer, sell, distribute or otherwise provide, directly or indirectly, or license to others the right to sell or distribute, directly or indirectly, within and outside the Developer's Development Area, any products or services, including those products or merchandise bearing the Country Kitchen® trade name, from any location other than a restaurant, including but not limited to, sales made at or through retail or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts, kiosks or trailers, catalogs, mail order or electronic means (for example, the Internet).

(d) Sell, solicit, and direct advertising or promotional materials to customers or prospective customers located in Developer's Development Area.

(e) Establish and operate, or license to others the right to establish and operate, Country Kitchen Restaurants under the System and Marks at any location outside Developer's Development Area.

(f) Engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Development Area.

**Section 1.04 No Subfranchising Rights.** Developer may not subfranchise or sublicense any of its rights under this Agreement. This Agreement does not grant Developer any right to use (or license the use of) the Country Kitchen Marks or the System.

## ARTICLE 2

### RENEWAL; RIGHTS FOLLOWING EXPIRATION OR TERMINATION

**Section 2.01 Renewal.** If Developer and its Affiliates are not in default under this Agreement or any other agreement with Franchisor or any of Franchisor's Affiliates, upon written request of either party delivered to the other party as required by the notice provisions of Section 9.01 hereof Franchisor and Developer will negotiate in good faith to enter into a renewal of this Agreement upon terms and conditions that are acceptable to both parties. Any such notice must be delivered no later than ninety (90) days prior to the expiration date of this Agreement. If Franchisor and Developer are unable to agree upon the terms and conditions of such a renewal within thirty (30) days after the start of good faith negotiations, neither party shall have any obligation to continue such negotiations.

**Section 2.02 Rights After Expiration or Termination of Term.** At any time after the expiration or termination of the Term for any reason (a) Franchisor shall have the right to own or operate, or license others to own or operate, Country Kitchen Restaurants within the Development Area; provided, however, that in no event shall Franchisor cause such restaurants (except a Country Kitchen Restaurant located in a Captive Facility) to be constructed or operated within the Marketing Area defined in any Franchise Agreement executed pursuant hereto; and (b) Developer shall have no further right under this Agreement to construct or operate Country Kitchen Restaurants, or enter into Franchise Agreements with

respect thereto; provided however, that the expiration or termination of Developer's rights under this Agreement shall not affect any Franchise Agreement fully executed by Franchisor and Developer prior to the expiration or termination of this Agreement.

ARTICLE 3  
DEVELOPMENT SCHEDULE; CONDITIONS TO DEVELOPMENT;  
LOCATION ACQUISITION; AND TRAINING

**Section 3.01 Developer's Development Obligations.** Developer will diligently pursue development of the minimum number of new Country Kitchen Restaurants within the Development Area during the Term in accordance with the Development Schedule set forth in Appendix A attached hereto. Developer agrees to open and continue to operate the cumulative number of Restaurants as required in the Development Schedule.

**Section 3.02 Conditions to Development and Location Acquisition.**

(a) Notwithstanding any provision in this Agreement to the contrary, Developer understands and agrees that, as a condition of approving any additional location and/or granting of a franchise to operate a Country Kitchen Restaurant, the Developer must apply for, meet, and maintain Country Kitchen's current operational, financial, credit, legal and other criteria for developing and operating a new Country Kitchen Restaurant and neither Developer nor any of Developer's Affiliates may be in default under any other agreements with Franchisor.

(b) Before Developer purchases or leases a location, Developer must obtain Franchisor's consent to the location, and as a condition to such consent, Developer must:

(i) Furnish to Franchisor all financial data reasonably requested to establish to Franchisor's satisfaction that Developer has the financial ability to develop and operate such Country Kitchen Restaurants.

(ii) Designate and retain at least one individual to serve as the "Approved Operator" of the Country Kitchen Restaurants to be opened pursuant to this Agreement. The Managing Owner (designated in Appendix A, hereto) may serve as the Approved Operator if the Franchisor determines that the Managing Owner meets all of the following criteria. The Approved Operator must: (i) have a track record of successfully owning or managing multi-unit restaurants similar to Country Kitchen Restaurants, as determined by Franchisor; (ii) possess good moral character, and have the aptitude and ability to conduct business contemplated by this Agreement, as determined by Franchisor; (iii) be authorized by the Developer to direct any actions necessary to ensure compliance with this Agreement and any Franchise Agreements executed pursuant hereto; (iv) devote his or her full time and best efforts to the satisfaction of the daily operations of each Country Kitchen Restaurant operated pursuant to this Agreement and the corresponding Franchise Agreements; and (v) successfully complete Franchisor's then applicable training programs and (vi) live within or in close proximity to the Development Area. Developer shall not change the Approved Operator without the prior written consent of Franchisor, and any new operator proposed by Developer shall satisfy all of the foregoing requirements as determined by Franchisor, and complete Franchisor's then-current training program. Any failure to comply with such requirements shall be deemed a material event of default by Developer.

(iii) Submit to Franchisor for each location a site evaluation, letter of intent and site or floor plan ("Location Package") in such form as Franchisor may prescribe

from time to time so that Franchisor may review the proposed Restaurant location. The Location Package must include, among other things, demographic data, traffic flow information, area income analysis, a location description, a site plan and area competition information. Developer shall not purchase or lease the location until Franchisor has provided written consent to the location.

(iv) Pay an initial franchise fee for each Restaurant (“Franchise Fee”) and execute Franchisor’s then-current Franchise Agreement and such other related agreements as then reasonably required by Franchisor of all franchisees, including but not limited to the Personal Guaranty and Personal Covenants of Principal Owners, Personal Covenants of the Approved Operator, and Confidentiality and Non-Disclosure Agreement required from each Owner of Developer, and its managerial employees. The Franchise Agreement will be modified to reflect that portion of the Area Development Fee paid by Developer to be applied to the Franchise Fee and the Development Schedule set forth herein. Developer acknowledges and agrees that the then-current form of Franchise Agreement may contain terms different from the current form of Franchise Agreement, as provided to Developer in the franchise disclosure document. However, as long as Developer is not in default under the terms of this Agreement or any Franchise Agreement executed during the first five (5) years of the Term of this Agreement (or such shorter period if this Agreement is less than five (5) years), the fees shall be amended for the initial term of such Franchise Agreement to reflect the fees in effect as of the Effective Date of this Agreement in the following amounts:

FEE	AMOUNT
Franchise Fee for 1 <sup>st</sup> Country Kitchen Restaurant	\$40,000
Franchise Fee for 2 <sup>nd</sup> Country Kitchen Restaurant	\$35,000
Franchise Fee for 3 <sup>rd</sup> Country Kitchen Restaurant and each additional Restaurant	\$25,000
Continuing Fee	4% of Gross Receipts for a standard Country Kitchen Restaurant and 5% of Gross Receipts for a Café by Country Kitchen Restaurant.
Advertising Production Fee	1% of Gross Receipts

**Section 3.03 Purchase or Lease Requirements.**

(a) If an Authorized Location will be leased or subleased by Developer, Developer agrees: (i) to furnish the Franchisor with a copy of Developer’s proposed lease or sublease prior to execution and (ii) to insert in said lease Franchisor’s Addendum to Lease and Collateral Assignment of Lease. The Franchisor must approve any revisions to the Addendum to Lease and Collateral Assignment of Lease.

(b) For an Authorized Location owned by the Developer, the Authorized Location shall be subject to a Declaration of Franchise Agreement in favor of the Franchisor in the form prescribed by Franchisor.



(c) Developer shall deliver to Franchisor one of the following: (i) a copy of the fully executed lease incorporating the Addendum to Lease and Collateral Assignment of Lease within five (5) days of execution of such lease; or (ii) if Developer owns the Authorized Location, a recorded Declaration of Franchise Agreement prior to beginning construction of the Restaurant.

**Section 3.04 Authority; No Representation on Authorized Location Approval.** Developer acknowledges that no officer, employee, or agent of Franchisor has any authority to accept any proposed Authorized Location except by written acceptance of Franchisor signed by the Chairman or CEO with primary authority for franchising, and any other representations, whether oral or written, as to such approval or acceptance by Franchisor shall be of no effect; Developer further acknowledges that Franchisor's acceptance of a proposed Authorized Location does not constitute any representation, warranty or guarantee by Franchisor, its officers, employees or agents, as to the potential sales volume, profits or success of the Country Kitchen Restaurant operated by Developer. Developer acknowledges and agrees that neither Franchisor nor its employees or representatives have made any representations regarding the suitability or approval of any particular location for development of a Country Kitchen Restaurant, and that all locations to be developed pursuant to this Agreement are subject to Franchisor's review and consent.

**Section 3.05 Confidentiality Regarding Potential Locations.** Developer shall not publically disclose any locations which it may be considering for a Country Kitchen Restaurant, and shall require all brokers and landlords or sellers with whom Developer negotiates a lease or purchase of a location to execute a confidentiality agreement which provides that neither the Developer, nor the broker, landlord or seller shall make any public statements regarding the potential development of the subject location as a Country Kitchen Restaurant unless and until an officer of Franchisor has issued its advanced written approval for such public statements. Franchisor shall be named as a third party beneficiary of such confidentiality provision.

**Section 3.06 Disclaimer.** Franchisor's consent to any Authorized Location developed pursuant to this Agreement does not constitute a warranty of any kind as to the suitability of the Authorized Location for a Restaurant or the sales level Developer may achieve at the Authorized Location.

**Section 3.07 Training.** Developer, its Principal Owners and all of Developer's Restaurant managers must attend and successfully complete Franchisor's training program at a Country Kitchen Restaurant of Franchisor's choice that Franchisor has certified as a training restaurant ("Certified Training Restaurant") unless and until Franchisor approves one of Developer's Country Kitchen Restaurants as a Certified Training Restaurant. Developer is responsible for all expenses it and its employees incur in connection with attendance and participation in the training program, including, without limitation, the cost of transportation, lodging, meals and any salaries and other wages.

#### ARTICLE 4 AREA DEVELOPMENT FEE

**Section 4.01 Area Development Fee.** Upon the execution of this Agreement and in consideration of the Development Area granted herein, Developer shall pay to Franchisor the amount set forth in Appendix A attached hereto (the "Area Development Fee"). The Area Development Fee shall be fully earned by Franchisor upon execution of this Agreement for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein. Under no circumstances will all or any portion of the Area Development Fee be refunded by Franchisor for any reason.

**Section 4.02 Application of Area Development Fee.** If Developer is in compliance with its obligations under this Agreement, upon the execution by Developer of the Franchise Agreement by Developer and Franchisor for each Country Kitchen Restaurant in the Development Area within the respective time periods herein specified, Franchisor agrees to apply a portion of the Area Development Fee in the amounts indicated on Appendix A attached hereto toward the Franchise Fee payable by Developer pursuant to Franchise Agreements for each of the Restaurants opened during the Term. Franchisor will not grant credits in excess of the total Area Development Fee paid by Developer.

**Section 4.03 Assignment.** In the event of an assignment or transfer by Franchisor of its interest in this Agreement pursuant to Article VI hereof, Franchisor shall transfer the balance of the Area Development Fee which it holds to the transferee and, upon such transfer and assumption of the obligation by the transferee to apply the Area Development Fee in accordance with Section 4.02, Franchisor shall be released from all liability relating to the Area Development Fee or rights arising because of such Area Development Fee. Developer shall have no right to assign or encumber in any way, its interest in the Area Development Fee held by Franchisor or its transferee without Franchisor's prior written consent.

## ARTICLE 5 MANAGING OWNER; STANDARDS

**Section 5.01 Rights Personal In Nature.** The Development Rights granted by this Agreement are personal to Developer and cannot be subfranchised, sold, assigned, transferred, or encumbered, in whole or in part, except as set forth in Article VI hereof. If Developer is not an individual, Developer shall designate the Owner who has the largest share of equity ownership in Developer to serve as the "Managing Owner". If Developer is an individual, the sole owner shall be deemed the Managing Owner. The Managing Owner must (i) be authorized by the Developer to direct any actions necessary to ensure compliance with this Agreement and each Franchise Agreement with Franchisor; (ii) provide adequate oversight as to the development and operation of the Restaurants; and (iii) be authorized by the Developer to bind the Developer in any dealings with Franchisor. The Managing Owner is identified in Appendix A attached hereto.

**Section 5.02 Varied Standards.** Because complete uniformity under many varying conditions may not be possible or practical, Franchisor reserves the right and privilege, at its sole discretion, to vary standards for any franchisee based upon the peculiarities of a particular Authorized Location or circumstance, density of population, business potential, existing business practices, or any other condition which Franchisor reasonably deems to be essential to the successful operation of Developer's business. Developer shall have no complaint on account of any variation from the reasonable standard specifications and practices granted to any other franchisee and shall not be entitled to require Franchisor to grant to Developer a like or similar variation hereunder.

## ARTICLE 6 ASSIGNMENT, TRANSFER OR DIVISION OF RIGHTS

**Section 6.01 Assignment by Franchisor.** This Agreement and all rights hereunder, and any and all of the Franchisor's ownership, can be assigned and transferred by the Franchisor without notice to or consent by Developer and shall be binding upon and inure to the benefit of the Franchisor's successors and assigns, provided, however, that with respect to any assignment requiring the subsequent performance by the assignee of the functions of the Franchisor, the assignee shall expressly assume and agree to perform such obligations.

## **Section 6.02 Assignment by Developer.**

(a) Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and that the Franchisor has granted the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of the Managing Owner and Principal Owners. Therefore, the prior written approval of the Franchisor is required prior to any voluntary, involuntary, direct or indirect assignment, sale, subdivision, or other transfer of: (i) this Agreement or any of the rights granted pursuant to this Agreement; or (ii) an ownership interest directly or indirectly resulting, alone or when combined with other transactions, in a change of ten percent (10%) or greater ownership interest in Developer (a "Restricted Ownership Interest") or a change in the Managing Owner (collectively, a "Transfer"). Any Transfer without Franchisor's prior written approval is a breach of this Agreement is void and has no effect.

(b) In the event the Developer, including any successors, is a legal entity:

(i) The organizational documents shall recite that the issuance and Transfer of any interest in the Developer or the rights granted by this Agreement is restricted by the terms of this Agreement, and copies thereof shall be furnished to the Franchisor upon request.

(ii) Developer shall furnish the Franchisor, at the time of execution of this Agreement and upon all Transfers subject to the provisions of this Article VI thereafter, a list of all stockholders and/or persons having an interest in Developer which reflects the percentage interest of each stockholder or person.

(c) Subject to satisfaction of the conditions outlined below, the Franchisor's approval of a Transfer shall not be unreasonably withheld. Transferee shall be subject to the Franchisor's then current franchisee selection and qualification criteria. Grounds for withholding consent to Transfer include, but are not limited to: (i) the Transfer is proposed to be made to any Competitive Business or a transferee involved in a Competitive Business; (ii) The Transfer is proposed to be made to a transferee who fails to demonstrate to the Franchisor's satisfaction that he/she or it or its owners and management meet the Franchisor's educational, managerial and business standards, possess good moral character, business reputations, and credit ratings, and have the aptitude and ability to conduct the business contemplated by this Agreement; or (iii) in the Franchisor's sole judgment Transfer on the proposed terms would place Franchisor in an insecure position. Developer understands and agrees that approval of any Transfer by Franchisor is not in any way to be considered as a representation, guaranty or opinion of Franchisor that the Restaurant is or will be a successful or profitable business venture.

(d) In addition to the restrictions on assignment of all or a portion of the interest set forth above, the Franchisor shall have the right to condition its consent on the satisfaction of the following requirements:

(i) All obligations of Developer and its Owners incurred in connection with this Agreement will be assumed by the transferee(s);

(ii) Developer shall have paid all amounts owed to the Franchisor or its Affiliates which are then due and unpaid;

(iii) The transferee and any new Approved Operator shall have completed all applicable training programs;

(iv) The transferee(s) and its owner(s) shall sign an Acknowledgement of Receipt of the then-current Franchise Disclosure Document and shall execute and agree to be bound by the then existing form of area development agreement and such ancillary agreements, including but not limited to the Personal Guaranty and Personal Covenant, which may contain terms different from those set forth herein;

(v) Developer or the transferee(s) shall have paid a Transfer fee to the Franchisor equal to Five Thousand Dollars (\$5,000.00);

(vi) The Franchisor shall have approved the material terms and conditions of such assignment;

(vii) Developer and its Owners shall have entered into an agreement with the Franchisor agreeing to release any claims, known or unknown, Developer may have against the Franchisor at the time of Transfer; and

(viii) If the Transfer is of a Restricted Ownership Interest, then, in addition to satisfaction of the other requirements of this Section 6.02, the transferee shall meet all of the Franchisor's current requirements for a Principal Owner and execute a written agreement with the Franchisor personally guaranteeing the full payment and performance of Developer's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all terms of this Agreement, including, without limitation, the restrictions on assignment in this Article VI and the non-compete provisions set forth in Article VIII herein.

(e) If an individual Developer desires to assign all of its rights to a legal entity formed for convenience of ownership, then the Franchisor's consent to such assignment shall be conditioned on the following requirements:

(i) Developer's rights and obligations under this Agreement may be assigned to a newly organized legal entity that conducts no business other than the business covered by this Agreement which is actively managed by Developer and in which Developer owns and controls at least fifty-one percent (51%) of the equity and voting power of all issued and outstanding capital stock or ownership interest therein; and

(ii) All shareholders or owners of the transferee shall comply with the requirements set forth in subsection (d) of this Section 6.02, if applicable; and

(iii) The transferee shall execute the Franchisor's then current form of area development agreement and any ancillary agreements related thereto.

### **Section 6.03 The Franchisor's Right of First Refusal.**

(a) If at any time during the Term any interest in this Agreement or a controlling interest in Developer is proposed to be sold, either directly or indirectly, the seller shall obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor along with any other information that Franchisor may reasonably request to evaluate the offer and the identity of the proposed purchaser. Franchisor shall have the right, exercisable by written notice delivered to Developer and/or seller, as the case may be, within thirty (30) days after the date of delivery of an exact copy of such offer and all requested information to Franchisor, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for

any form of payment proposed in such offer. Regardless of the terms of the offer, Franchisor may, in Franchisor's discretion, structure the transaction as an asset purchase, rather than a stock purchase and to substitute cash for securities or other property as consideration. If less than the entire interest of seller, including the Developer if applicable, or this Agreement is proposed to be sold, Franchisor shall have the right to purchase the entire interest for a price equal to the proposed price plus a pro-rata increase based on the value of the interest to be purchased. Franchisor's credit shall be deemed equal to the credit of any proposed purchaser and shall have not less than ninety (90) days to prepare for closing. Franchisor shall be entitled to all representations and warranties customarily given by the seller of assets of a business. Franchisor shall not be obligated to pay any finder's or broker's fee or commission.

(b) If Franchisor does not exercise its right of first refusal, the sale or other transfer may be completed pursuant to and on the terms of such offer, subject to Franchisor's approval of the transfer as otherwise provided in this Agreement; provided, however, that if the proposed sale or other transfer is not completed within one hundred twenty (120) days after delivery of such offer to Franchisor, or if there is any change in the terms of the proposed transaction, Franchisor shall have an additional right of first refusal for an additional thirty (30) days.

(c) The term controlling interest as used in Section 6.03(a) above means a 50% or greater ownership interest in Developer either standing alone or when combined with other ownership interest directly or indirectly owned or controlled by the proposed transferee.

(d) Franchisor's right of first refusal shall not apply to the sale or transfer of an interest in this Agreement or the Developer to a member of Developer's or, as the case may be, Developer's Owner's, immediate family or, if Developer is an entity, between or among the Owners of Developer provided that such transfer is otherwise permissible under this Agreement and complies with the requirements of Section 6.02.

#### **Section 6.04 Death or Disability of Managing Owner.**

(a) The Managing Owner shall at all times throughout the Term of this Agreement have on file with the Franchisor the name, address and telephone number of a designated successor agent, authorized by the Developer or Managing Owner (as applicable), subject to and immediately upon the death or disability of the Managing Owner, to bind the Developer in any dealings with Franchisor and make all operating decisions with respect to the area development rights and obligations covered by this Agreement. The term "disability" as used in this Section 6.04 means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Managing Owner from managing the area development rights and obligations covered by this Agreement. Developer designates the individual listed in Appendix A as its designated successor agent.

(b) In the event of death or disability of the Managing Owner, or upon the dissolution of a business entity Developer, the appropriate representative of such person or entity (whether administrator, personal representative or trustee) must, within six (6) months following such death or disability, transfer the interest of the Managing Owner to a third party approved by the Franchisor, subject to Section 6.02 and 6.03 herein. Failure to transfer such interest within this time period is a breach of this Agreement. If the proposed transferee is the spouse or child of such deceased or disabled Managing Owner (a "Related Transferee"), Franchisor will not have a right of first refusal as set forth in Section 6.03 above as to the sale to the Related Transferee; provided, however, such Related Transferee must otherwise meet the criteria and satisfy all conditions set forth in Section 6.02 above.

**Section 6.05 Enforceability of Restrictions on Transfer.** Developer agrees that the restrictions on Transfer imposed in this Article 6 are reasonable and necessary to protect the Franchisor's Marks and Confidential Information, System and operating procedures and quality. Any Transfer permitted by this Article shall not take effect until the Franchisor issues its written consent.

ARTICLE 7  
RESTRICTIONS ON CONFIDENTIAL INFORMATION AND PUBLIC STATEMENTS,  
DEFAULT AND TERMINATION

**Section 7.01 Restrictions on Confidential Information.**

(a) "Confidential Information" means any and all information relating to the Franchisor and/or the Country Kitchen System that is not generally available to the public, including but not limited to: (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual, and (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of Country Kitchen Restaurants; (iv) information, systems, experience, and business intelligence with respect to the consumer, business, or financial success, attributes or performance of any product, marketing promotion, strategy, equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions (except advertising of future promotions as specifically approved by the Franchisor); and (vi) Financial Information.

(b) The Franchisor may disclose Confidential Information to Developer by furnishing layouts, specifications and guidance in the development and operation of the Restaurant, the training program, the Manual and other instructional manuals, sales promotion materials, accounting procedures, marketing reports, informational and product bulletins, vendors price sheets and inventory systems and other guidance furnished to Developer during the term of the Franchise, or Developer may acquire such Confidential Information from other franchisees or incident to the operation of a Restaurant. The disclosure and/or receipt of such Confidential Information regardless of whether such information is disclosed to Developer under a confidentiality notice may be expressly conditioned upon Developer and each of its Owners (as may change from time to time) executing a Personal Covenant agreeing to the restrictions on Confidential Information as set forth in this Agreement. The form of Personal Covenant required from each Principal Owner is set forth in Appendix B and from each Owner is set forth in Appendix C and must be signed by each Principal Owner and Owner, respectively, as a condition to such individual or entity acquiring and interest in Developer.

(c) Developer agrees that it will not acquire any legal or equitable interest in the Confidential Information, other than the right to utilize it in the development and operation of a Restaurant during the term of any applicable Restaurant Franchise Agreement, and that the use or duplication of the Confidential Information in any other restaurant business would constitute an unfair method of competition. Developer acknowledges and agrees and will not contest or dispute that the Confidential Information is proprietary to the Franchisor and is a trade secret of the Franchisor and is disclosed to Developer solely for use by Developer in the development and operation of the Restaurant during the term of the Franchise and on the condition that the Developer does hereby agree that it:

- (i) will not use the Confidential Information in any other business or capacity;

(ii) shall not disclose and will maintain the confidentiality of the Confidential Information at all times during the Term;

(iii) shall not disclose and will maintain the confidentiality of the Confidential Information at all times following termination, expiration or transfer of this Agreement unless Franchisee can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under this Agreement;

(iv) will not under any circumstance disclose any Confidential Information to any media outlet or post such Confidential Information on any websites, social media, or in other formats available to the public;

(v) will not make unauthorized copies of any portion of the Confidential Information disclosed;

(vi) shall be solely responsible for ensuring that Developer's managers, employees, agents and Owners having access to Confidential Information comply with this Section 7.01 and do not communicate, divulge, or use the Confidential Information in violation of this Section 7.01; and

(vii) shall adopt and implement all reasonable procedures prescribed by the Franchisor to prevent unauthorized use or disclosure of Confidential Information, including without limitation; (i) restricting access to and disclosure of Confidential Information to only those managerial employees of Developer whose responsibilities require access to such Confidential Information; (ii) restricting access to Confidential Information to prevent the theft, unauthorized duplication and discovery of such Confidential Information; (iii) requiring all managers and employees with access to Confidential Information to execute a confidentiality and non-disclosure agreement in a form satisfactory to Franchisor. Copies of the executed confidentiality agreements must be kept for five (5) years after any such employee leaves their employment or affiliation with Franchisee and must be provided to Franchisor upon request.

(d) If the Franchisor posts some or all of the Manual and any changes on a restricted Website or extranet to which Developer will have access, any passwords or other digital identifications necessary to access the Manual on a Website or extranet will be deemed to be part of the Confidential Information (for purposes of this Agreement, "Website" means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the Internet and World Wide Web home pages).

(e) Developer understands and agrees that any failure (whether intentional or accidental) to comply with all obligations as described in this Section 7.01 shall constitute a material event of default under Section 7.03 of this Agreement.

**Section 7.02 Restrictions on use of Marks.** Developer acknowledges and agrees that it has no interest in or to the Marks and any right to use the Marks is derived solely from the individual Franchise Agreements entered into between Franchisor and Developer. Developer agrees that all use of the Marks and any goodwill arising therefrom shall inure exclusively to the benefit of Franchisor. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to Restaurants operated by Developer under individual Franchise Agreements, directly or indirectly, identify itself or any business as a franchisee or former franchisee of, or otherwise associated with, Franchisor, or use in any manner any Mark or trade dress of a Restaurant or any colorable imitation

thereof. Developer agrees not to use any Mark as part of any corporate or trade name in any modified form, or in any other manner not explicitly authorized in writing by Franchisor. Developer agrees it cannot use any Mark in any business or activity, other than the business conducted by Developer pursuant to individual Franchise Agreements.

**Section 7.03 Default.** The occurrence of any of the following events shall constitute a default by Developer under this Agreement:

(a) If Developer shall, in any respect fail to meet the Development Schedule pursuant to Section 3.01 hereof.

(b) If Developer shall use Franchisor's Marks, or any other names, mark, insignia, symbol or rights which are the property of Franchisor except pursuant to and in accordance with the terms and conditions of a valid and effective Franchise Agreement between Franchisor and Developer.

(c) Any failure to comply with the requirements of Section 7.01 of this Agreement.

(d) If Developer shall purport to effect any assignment other than in accordance with Article VI hereof.

(e) If Developer makes, or has made, any material misrepresentation, or has omitted any material information to make such representation true and correct, to Franchisor in connection with obtaining this Agreement or any Franchise Agreement required hereunder.

(f) If Developer, or any Principal Owner (a) files a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or (b) admits or fails to contest the material allegations of any such pleading filed against Developer or any Principal Owner or (c) is adjudicated bankrupt or insolvent.

(g) A receiver is appointed for a substantial part of the assets of Developer or any Principal Owner, or (a) a final judgment against Developer or any Principal Owner remains unsatisfied or remains of record for thirty (30) days or longer (unless an appeal is timely taken and an appeal bond is filed), or (b) execution is levied against any rights of Developer hereunder or any substantial part of the assets of Developer or any Principal Owner or (c) a tax levy is made, or (d) suit to foreclose any lien or mortgage on the Restaurant premises or assets of Developer or any Principal Owner is instituted against Developer or any Principal Owner and not dismissed within thirty (30) business days, or (d) a substantial part of the real or personal property of Developer or any Principal Owner is sold after levy of judgment thereupon by any sheriff, marshal, or constable, or (e) the claims of creditors of Developer or any Principal Owner are abated or subject to a moratorium under any law. Notwithstanding the provisions herein, if the cure for default requires certain conditions to be removed which cannot by their nature reasonably be performed by Developer or any Principal Owner within the thirty (30) day period, no default shall be deemed to exist so long as Developer or a Principal Owner shall have commenced curing the same within such thirty (30) day period and shall diligently and continuously prosecute the same to completion.

(h) If Developer or any individual who directly or indirectly owns any interest in the Developer is convicted of (regardless of pending appeal) or pleads no contest to a felony or any other crime that is reasonably likely to adversely affect the System, the Restaurant or the goodwill associated with the Marks.



(i) If Developer (including its Owners or employees) posts, contributes, or authors any content on any website or social media or communicate with any media outlet or organization in a manner that:

(i) makes any statement which disparages, ridicules or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, its Affiliates, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any Developer or Franchisee or the owners, officers, employees, agents, consultants, attorneys or representatives of any Developer or Franchisee;

(ii) pertains in any way to health or safety conditions at a Country Kitchen restaurant; or

(iii) pertains to any litigation pending or threatened against a Country Kitchen franchisee, developer or the Franchisor, an Affiliate of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives.

(j) Developer or anyone with a direct or indirect ownership interest in Developer (i) violates any “Anti-Terrorism Laws”, as defined below, (ii) is listed under any such Anti-Terrorism Laws, (iii) has any dealings with any person listed under any such Anti-Terrorism Laws, and/or (iv) owns assets which are blocked under any such Anti-Terrorism Laws. The term “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(k) Developer or any person controlling Developer, controlled by Developer, or under common control with Developer is in default of any other agreement with Franchisor or any of Franchisor’s Affiliates and such default is not cured to Franchisor’s satisfaction within thirty (30) days from the date notice to cure is provided to Developer by Franchisor. For purposes of this clause control means the ownership by a person or entity, directly or indirectly, of ten percent (10%) or more of another person or entity or the power to affect the policies of another person or entity.

**Section 7.04 No Cure Period.** Developer acknowledges that except as provided in Section 7.03(i), above, there is no cure period for any of the events of default described in Section 7.03. If any applicable law or rule requires a notice period and/or a cure period, then the notice period and/or cure period required under such law or rule shall be substituted for the requirements herein.

**Section 7.05 Rights and Remedies.** Upon the occurrence of any of the events of default set forth in Section 7.03, Franchisor may, at its option, elect anyone or more of the following remedies.

(a) Franchisor may terminate this Area Development Agreement and all rights granted herein, effective immediately upon notice to Developer.

(b) Franchisor may modify, reduce, and/or accelerate the Development Schedule.

(c) Franchisor may terminate, modify, and/or reduce the Development Area.

(d) Franchisor may elect any other right or remedy available to Franchisor under this Area Development Agreement, at law, or in equity.

**Section 7.06 Rights and Duties upon Termination.** Upon termination of this Agreement for any reason, or upon expiration of the Term hereof (or if extended, the extended term hereof), Developer agrees to immediately cease any further attempts to select or develop sites on which to construct Country Kitchen Restaurants. Upon expiration or termination of this Agreement, (i) Developer's rights under this Agreement shall terminate and Developer shall have no right to develop or operate any Restaurant(s) except any such Restaurant where a Franchise Agreement has been fully executed prior to termination; and (ii) Developer shall not identify itself as a franchisee of the System, except pursuant to rights which may be granted under any Franchise Agreement which is then in effect, and remains in effect.

**Section 7.07 No Waiver.** No failure of either party to exercise any power reserved to it by this Agreement or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with any of the terms herein. Waiver by either party of any particular default by the other party shall not affect or impair the non-defaulting party's right with respect to any subsequent default of the same, similar or different nature. Any delay, forbearance or omission of either party to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions, or covenants hereof, shall not affect or impair the non-breaching or non-defaulting party's right to exercise such power or right, nor shall such delay, forbearance, or omission constitute a waiver by the non-breaching or non-defaulting party of any right hereunder, or the right to declare any subsequent breach a default and to terminate this Agreement prior to the expiration of its term.

**Section 7.08 Remedies Not Exclusive.** No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

## ARTICLE 8 RESTRICTIONS ON COMPETITIVE BUSINESSES

**Section 8.01 Competition During Term of Agreement.** Developer warrants that neither Developer nor any of its Principal Owners presently owns an interest in a Competitive Business. Developer agrees (in consideration of the Franchisor entering into this Agreement), that during the Term, Developer shall not own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business. Additionally, during the term of this Agreement, Developer agrees that each Principal Owner shall not, without Franchisor's written consent, own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business.

**Section 8.02 Competition After Transfer, Expiration or Termination.** In the event of a Transfer, or the expiration or termination of this Agreement for any reason whatsoever, the Developer and Principal Owner(s) agree(s) that for a period of two (2) years, commencing on the effective date of the Transfer, termination, expiration or non-renewal of this Agreement, neither Developer nor any Principal Owner will have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located within the Development Area.

**Section 8.03 Applicability to Principal Owners and Enforcement.** Developer acknowledges and agrees that in consideration of the Franchisor entering into this Agreement, each

Principal Owner and the Approved Operator shall be required to execute the Personal Covenants attached hereto as Appendix B. Developer acknowledges that the provisions contained in this Article VIII are reasonable and necessary and agrees that its failure to adhere strictly to the restrictions contained in this Article VIII will cause substantial and irreparable damage to Franchisor and to Franchisor's other franchisees. Upon any breach by Developer or its' Principal Owner(s) of any of the terms, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Developer agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Article VIII, without the necessity of posting bond therefor or proof of actual damages.

**Section 8.04 Severability.** If the scope of any restriction contained in this Article VIII is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Developer each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Article VIII is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

## ARTICLE 9 NOTICE PROVISIONS

**Section 9.01 Notices.** All notices must be in writing and will be effective on the earlier of (a) the day it is sent by facsimile or email with a confirmation of receipt; or (b) the day it is personally delivered by a representative of the Franchisor to the Managing Owner; or (c) two (2) business days after it is sent by a commercially recognized "next business day" deliver service (e.g., FedEx or UPS) to the appropriate party at the following single address, or such other single address as may be designated by the party to be notified. Except for notices of actions to be taken pursuant to Article VII, it is agreed that each party can send communications to the other party by facsimile or email for the purposes of notices under this Agreement, including this Section 9.1, and/or to provide information to the other party by facsimile or email, subject to applicable laws.

Franchisor notice address:

Developer Managing Owner's Address

Country Kitchen International  
Legacy Franchise Group Inc.  
Attn: CEO  
6405 Century Avenue, Ste. 001,  
Middleton, Wisconsin 53562

See Appendix A

**Section 9.02 Managing Owner of Developer.** Developer hereby designates the individual listed on Appendix A attached hereto as the Managing Owner to act on its behalf and to execute all documents on its behalf in all transactions with the Franchisor. The Managing Owner must be an individual, not a business entity. All actions by the Managing Owner shall be binding upon Developer. The Franchisor shall have no duty to deal with anyone other than the Managing Owner; however, any documents submitted to the Franchisor executed by any other officer or partner shall be valid and binding upon Developer. Any change in the Managing Owner is subject to Article VI herein.

**Section 9.03 Email Communications.** Developer must maintain an email address provided to Franchisor for purposes of communicating with Franchisor and its employees. Such email address may, in Franchisor's discretion, be an email account provided by Franchisor to Developer. Developer must inform Franchisor of its email address promptly upon signing this Agreement or when Developer's email address changes. Developer shall be obligated to check and respond to email notifications on a daily basis (except for weekends); provided, however, that the timeliness of Developer's email review and responses must be consistent with reasonable business practices and must not cause Franchisor or its employees to be unable to communicate with Developer in a timely manner.

## ARTICLE 10 DISPUTE RESOLUTION

**Section 10.01 Legal Remedies.** Nothing contained herein shall bar the Franchisor's or Developer's right to seek specific performance of this Agreement and injunctive relief against threatened conduct that will cause it loss or damages, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. Developer agrees that Franchisor may have temporary or preliminary injunctive relief without bond, but upon due notice, and Developer's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any injunction being expressly waived).

**Section 10.02 Non-Binding Mediation.** The Franchisor reserves the right to institute at any time a system of nonbinding mediation. Any mediation under this Agreement shall be held in a forum in the City of Madison, State of Wisconsin. The Developer will be obligated to participate in such mediation, at the Franchisor's request, in the event of a dispute.

### **Section 10.03 Consent to Jurisdiction and Venue.**

(a) ANY AND ALL ACTIONS AND OTHER LEGAL PROCEEDINGS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE PARTIES' RELATIONSHIP SHALL BE FILED AND MAINTAINED ONLY IN A STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN MADISON, WISCONSIN. THE PARTIES HEREBY CONSENT, AND WAIVE ANY OBJECTIONS THEY MIGHT HAVE, TO THE SAME. NOTWITHSTANDING THE FOREGOING, DEVELOPER AGREES THAT FRANCHISOR MAY ENFORCE THIS AGREEMENT IN THE COURTS OF A STATE IN WHICH DEVELOPER'S BUSINESS IS OPERATED.

(b) Developer agrees that any proceeding will be conducted on an individual, not a class-wide basis, and that a proceeding between the Franchisor and Developer may not be consolidated with another proceeding between Franchisor and any other person or entity, nor may any claims of another party or parties be joined with any claims asserted in any action or proceeding between Franchisor and Developer.

(c) Developer and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in this Agreement provides each party with the mutual benefit of uniform interpretation of this Agreement regarding any dispute arising out of this Agreement or the parties' relationship created by this Agreement.

**Section 10.04 Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between Developer and Franchisor will be governed by the laws of the State of Wisconsin, without regard to its conflict of laws, except that any Wisconsin

law regulating the offer and sale of franchises or governing the relationship between a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 10.04. Developer and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in the sections above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement. Developer and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

**Section 10.05 Agreement Location.** Developer and Franchisor acknowledge that the execution of this Agreement by Franchisor occurred in Madison, Wisconsin and further acknowledge that the performance of certain obligations of Developer arising under this Agreement, including but not limited to the payment of monies due hereunder and the satisfaction of certain training requirements of the Franchisor, shall occur in Wisconsin.

**Section 10.06 Costs and Attorney's Fees.** If the Franchisor or its Affiliates assert a claim for amounts owed by Developer in a legal proceeding before a court of competent jurisdiction, or in mediation, or if the Franchisor or Developer is required to enforce this Agreement in a judicial or mediation proceeding, the party prevailing in such proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable accountants', attorneys, attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court.

**Section 10.07 Waiver of Punitive Damages and Jury Trial.** To the fullest extent permitted by law, the parties waive any right to, or claim for, any punitive or exemplary damages against the other party. The parties agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of actual damages, if any. In addition, the parties irrevocably waive trial by jury in any action, proceeding, and/or counterclaim brought by either party.

**Section 10.08 Limitation of Claims.** Except for Developer's indemnification obligations under this Agreement and except for claims arising from Developer's non-payment or underpayment of amounts Developer owes the Franchisor, any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisor and Developer, or Developer's operation of the business contemplated under this Agreement, brought by any party hereto against the other shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be irrevocably barred. Notwithstanding anything in this Agreement to the contrary, in the event this one (1) year statute of limitations is found to be unenforceable under the law applicable to a dispute, then the limitation shall be deemed stricken from this Agreement and the statute of limitations under applicable law, rather than the one (1) year statute of limitations, shall apply to all claims by or against any party to the dispute.

## ARTICLE 11 GENERAL PROVISIONS

**Section 11.01 Severability.** Except as expressly provided, each section, part, term, or provision of this Agreement shall be considered severable. If, for any reason, any section, part, term or provision herein is determined to be invalid or unenforceable, such determination shall not impair the operation or affect such other portions, sections, parts, terms or provisions of this Agreement.

## **Section 11.02 Developer as an Independent Contractor; Indemnification.**

(a) It is understood and agreed by the parties hereto that Developer is and shall remain an independent contractor. Nothing herein contained shall constitute Developer as the agent, legal representative, partner, joint venturer or employee of the Franchisor. Developer and Franchisor are not and do not intend to be partners, associates, or joint employers in any way and Franchisor shall not be construed to be jointly liable for any acts or omissions of Developer under any circumstances. Developer shall have no authority, express or implied, to act as an agent of Franchisor or any of its affiliates for any purpose.

(b) Developer is and shall remain responsible for all loss or damage and contractual liabilities to third persons originating from or in connection with the operation of the business under this Agreement, including the operations of any Restaurant, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

(c) Developer agrees to indemnify and hold harmless the Franchisor, its affiliates, and their respective stockholders, directors, officers, managers, members, employees, agents, and assignees, from liability for any and all debts, obligations, damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission by Developer or Developer's employees or agents with respect to the operation of the Restaurant development business under this Agreement or operation of a Restaurant. Developer will pay any costs arising therefrom, including without limitation, reasonable accountants' and attorneys' fees, expert witness fees, court costs and other expenses of defending against them. At the election of Franchisor, Developer shall defend the Franchisor at Developer's sole cost and expense in any such suits, actions or proceedings in which Franchisor is joined as a party thereto, including any such suit, action or proceeding alleging liability by the Franchisor. The Franchisor shall also have the right to defend any such claim itself and to be reimbursed by the Franchisee for the cost of such defense.

(d) Developer shall have sole responsibility for, and shall promptly pay when due, all taxes levied or assessed by reason of its operation and performance under this Agreement, including, but not limited to, local, state and federal, property, license, sales, use, leasehold, excise and income taxes. Franchisee shall have the right to contest in good faith the amount or validity of such payment by appropriate legal proceedings.

(e) In all public records (except in telephone directories) and in its relationship with other persons, Developer shall indicate its independent ownership of its business and that it is only a Developer of the Franchisor. Developer shall file and maintain in the proper public office for the locality involved a statement showing the actual name of the Developer as the owner of the Restaurant.

(f) The Franchisor may require Developer to identify itself as an independent operator and franchisee of the Franchisor in a manner prescribed by the Franchisor.

**Section 11.03 Article and Section Titles.** Article and Section titles are used for convenience only and shall not affect the meaning or construction of any provision thereof.

**Section 11.04 Franchisor's Rights.** Franchisor shall have the right to operate, develop, and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to

take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the System, at the time its decision is made without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or action it takes applies differently to Developer and one or more other franchisees; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Developer for any such decision or action. Franchisor and Developer intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations hereunder.

**Section 11.05 Construction.** All the 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 (singular or plural), and any other or gender (masculine, feminine or neuter). The words "will," "shall," and "must" in this Agreement indicate a mandatory obligation. The use of the words "include," "includes," and "including" followed by one or more examples is intended to be illustrative and is not a limitation on the scope of the description or term for which the examples are provided. The words "day" and "days" refer to calendar days unless otherwise stated. The words "hereof," "hereto," and "herein" refer to this Agreement and are not limited to the article, section, paragraph or clause in which they are stated.

**Section 11.06 Obligations of Interested Parties.**

(a) Except as otherwise provided herein, all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be jointly and severally undertaken by Developer and all persons signing this Agreement in their individual capacities and by all guarantors.

(b) At the Franchisor's request, Developer shall from time to time obtain an executed confidentiality agreement, as it may be revised by the Franchisor, from every owner of the Developer and such management employees of Developer as the Franchisor may designate.

**Section 11.07 Written Approval, Waiver or Non-Waiver.**

(a) Whenever this Agreement requires the prior approval or consent of the Franchisor, Developer shall make a timely written request and such approval shall be obtained in writing from the Franchisor's designated officer. By providing any waiver, approval, consent or suggestion to Developer in connection with this Franchise, the Franchisor makes no warranties or guarantees and assumes no liability or obligation to Developer.

(b) No failure of either party to exercise any power reserved to it by this Agreement or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with any of the terms herein. Waiver by either party of any particular default by the other party shall not affect or impair the non-defaulting party's rights with respect to any subsequent default of the same, similar or different nature. Any delay, forbearance or omission of either party to exercise any power or right arising

out of any breach or default by the other party of any of the terms, provisions or covenants hereof, shall not affect or impair the non-breaching or non-defaulting party's right to exercise such power or right, nor shall such delay, forbearance or omission constitute a waiver by the non-breaching or non-defaulting party of any right hereunder, or the right to declare any subsequent breach a default and to terminate this Agreement prior to the expiration of its Term. Subsequent acceptance by the Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by the Franchisor of any preceding breach by Developer of this Agreement and subsequent acceptance by Developer of any services or benefits provided under this Agreement shall not be deemed to be a waiver by the Developer of any preceding breach by the Franchisor of this Agreement.

(c) No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed by the parties and executed in writing.

(d) Each right or remedy conferred upon or reserved to the Franchisor or Developer by this Agreement shall be cumulative of every other right or remedy herein or by law or equity and is not exclusive of any other right or remedy.

**Section 11.08 Multiple Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together constitute one and the same instrument.

**Section 11.09 Entire Agreement.** Developer agrees that Franchisor's System standards prescribed in the Manual, or otherwise communicated to Developer in writing or another form, are part of this Agreement as if fully set forth within its text. The Recitals, Appendices, Riders, and State-Specific Addendum (if applicable) are a part of this Agreement, which, together with the System standards contained in the Manual (which may be periodically modified by Franchisor without Developer's consent) constitute the entire agreement of the parties with reference to the subject matter of this Agreement. This Agreement supersedes all prior negotiations, commitments and representations of the parties. Nothing in this or any related agreement is intended to disclaim the representations the Franchisor made in the franchise disclosure document. Developer acknowledges that Developer is entering into this Agreement and all ancillary documents executed contemporaneously with this Agreement as a result of Developer's own independent investigation of the Restaurant, and not as a result of any representations made by the Franchisor's officers, directors, employees, agents, representatives, shareholders, independent contractors, or franchisees which are contrary to this Agreement or any disclosure document provided to the Developer.

## ARTICLE 12 ACKNOWLEDGEMENTS

**Section 12.01 Receipt of Franchise Disclosure Document.** Developer has received a copy of Franchisor's franchise disclosure document and has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of Developer's own choosing at least fourteen (14) calendar days prior to the earlier of execution of this Agreement and/or payment of any consideration to Franchisor and Developer is entering into this Agreement after having made an independent investigation and not upon any representation as to the profits and/or sales volume which Developer might be expected to realize.

**Section 12.02 Investigation by Developer.** Developer acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that such business venture involves substantial business risks and that Developer's success will be largely dependent upon the ability of Developer as an independent business owner. Franchisor expressly



disclaims the making of, and Developer acknowledges not having received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. Developer acknowledges that Franchisor has made no representation or warranties that the Development Area can support, or that there are sufficient sites for, the number of Country Kitchen Restaurants specified in the Development Schedule. Further, Developer acknowledges that Franchisor has made no representations that the Developer may or will derive income from any Country Kitchen Restaurant developed hereunder.

**Section 12.03 Differing Terms.** Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

**Section 12.04 No Guaranty.** Developer acknowledges that the Franchisor is not a guarantor, directly or indirectly, of the success or profitability of any franchised Restaurant developed pursuant to this Agreement.

**Section 12.05 Release of Prior Claims.** By executing this Agreement, but only to the maximum extent permitted by applicable law, Developer, individually and on behalf of its heirs, legal representatives, successors and assigns forever releases and discharges Franchisor, and its officers, directors, employees, and agents from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including, but not limited to, any and all claims, whether known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

**\*\*\*SIGNATURES ARE ON THE NEXT PAGE\*\*\***



**APPENDIX A  
AREA DEVELOPMENT AGREEMENT TERM SHEET**

**Developer:** \_\_\_\_\_

**Name of Managing Owner:** \_\_\_\_\_

Managing Owner's address for receiving notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Mobile Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

**Approved Operator** - check and complete as appropriate:

- Individual Developer and/or Managing Owner is approved by the Franchisor to serve as the Approved Operator
- Approved Operator to be identified by Developer, subject to Franchisor's approval
- Name of Approved Operator: \_\_\_\_\_

**Ownership of Developer** - check and complete as appropriate:

- Developer is wholly owned by one individual: \_\_\_\_\_  
State of Residence: \_\_\_\_\_
- If the Developer is a legal entity, the state of incorporation is \_\_\_\_\_, the name, address, and office held by each member/owner/shareholder, and the percentage of ownership for each owner (must total 100% for all Owners listed), is as follows:

Full Name	Address, City, State	Percentage of Ownership	Office Held

**Description of Development Area: [describe by latitude and longitude, streets or other boundaries]**

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See depiction of Development Area in Appendix A-1 attached hereto.

Total Number of restaurants to be opened during the Term: \_\_\_\_\_

**Total Area Development Fee due upon execution:** \$ \_\_\_\_\_; of this amount \$ \_\_\_\_\_ will be applied to the Franchise Fee for the 1st restaurant; and \$20,000 will be applied to the Franchise Fee for each restaurant opened thereafter during the Term.

**Length of Term:** Beginning on the Effective Date of this Agreement and expiring \_\_\_\_\_ months thereafter (the "Expiration Date").

<u>Date</u>	<b>Development Schedule</b>	
	<u>Number of New Country Kitchen Restaurants Opened</u>	<u>Total Cumulative Number of Country Kitchen Restaurants Open and Operating</u>
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		

<u>Date</u>	<u>Number of New Country Kitchen Restaurants Opened</u>	<u>Total Cumulative Number of Country Kitchen Restaurants Open and Operating</u>
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		
On or before the date of which is _____ months following the Effective Date of this Agreement		

Additional Terms:

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Not Applicable

IN WITNESS WHEREOF the parties hereto, being duly authorized, have executed this Appendix A as of the Effective Date of the Area Development Agreement.

“Developer”

“Franchisor”

DEVELOPER NAME

LEGACY FRANCHISE GROUP, LLC.

By: \_\_\_\_\_  
(signature)

By: \_\_\_\_\_  
Brent G. Ray, Chairman

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_  
(must be signed by Managing Owner of an Entity)

**APPENDIX B TO AREA DEVELOPMENT AGREEMENT  
PERSONAL COVENANTS OF PRINCIPAL OWNERS**

THIS PERSONAL COVENANT (this “Covenant”) is made as of the date set forth below the signature of the undersigned (an “Individual”) in conjunction with Individual’s ownership of part or all of developer identified on the last page of this Covenant (the “Developer”) and is made for the benefit of Legacy Franchise Group LLC, (“Franchisor”).

WHEREAS, Developer executed an Area Development Agreement to develop and operate Country Kitchen Restaurants (a “Restaurants”) in the development area identified on the last page of this Covenant (the “ADA”). The ADA requires that all Principal Owners of Developer be personally bound by the restrictions on certain confidential information and public statements and agree to certain non-competition covenants contained in the Franchise Agreement.

WHEREAS Individual is a “Principal Owner” of Developer as that term is defined in the ADA.

WHEREAS, Individual acknowledges and agrees that his/her execution of this Covenant is a condition to Franchisor’s approval of such Individual as a Principal Owner and a condition to Franchisor’s execution of the ADA.

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen® Restaurants (the “System”).

WHEREAS, Individual may gain access to parts of Franchisor’s Confidential Information (as defined in Section 1 herein) as a result of its ownership role with Developer (the “Business Purpose”).

WHEREAS, Individual acknowledges and agrees that it has received good and valuable consideration for executing this Covenant and Franchisor may enforce this Covenant directly against Individual.

NOW THEREFORE, Individual hereby acknowledges and agrees as follows:

1. **Confidential Information.** “Confidential Information” means information relating to Franchisor, Developer, or the System that is not generally available to the public, whether acquired from Franchisor, Developer or incident to the operation of a Restaurant and regardless of whether such information is disclosed to Individual under a confidentiality notice, including but not limited to (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual (as that term is defined in the Area ; (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. Individual acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. Individual agrees to: (i) not disclose the Confidential Information to anyone except as specifically specified herein; (ii) not to post, contribute, or author any content on any website or social media, that (a) discloses any Confidential Information; (b) makes any statement which disparages, ridicules, or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor,

any Affiliates of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any Developer; (c) pertains in any way to health or safety conditions of a Country Kitchen restaurant; or (d) pertains to any litigation pending or threatened against any Country Kitchen Developer or the Franchisor; and (e) to use all reasonable precautions consistent with the Individual's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation: (i) protecting documents from theft; (ii) maintaining the secrecy of passcodes which allow Individual access to Confidential Information over the Internet; (iii) refraining from any unauthorized duplication of Confidential Information; and (iv) restricting access by other persons to Confidential Information. Unless the Franchisor otherwise agrees in writing, Individual will disclose and/or use the Confidential Information only in connection with his/her duties as a Principal Owner of the Developer, and will continue not to disclose any such information even after Individual ceases to be in that position and will not use any such information even after Individual ceases to be in that position unless Individual can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Developer under the ADA.

3. **Authorized Disclosures.** Individual may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Individual may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Individual may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Restaurant premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Individual may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **In Term Restrictions on Competitive Business Interests.** For such time as each of the undersigned is a Principal Owner in Developer during the Term of the ADA, Individual agrees that he or she will not, without Franchisor's written consent, own, directly or indirectly, any interest in any Competitive Business or be employed either as an employee, officer, agent or consultant in any Competitive Business. For purposes of this Covenant "Competitive Business" means any business which looks like, copies, imitates, or operates in a manner similar to the Restaurant, including, but not limited to, a restaurant in the full service "family-casual" segment of the restaurant industry, which has a similar menu as the Restaurant or which has similar trade dress or décor as the Restaurant.

5. **Post Term Restrictions on Competitive Business Interests.** For a period of two (2) years following the date Individual ceases to be a Principal Owner in Developer, or the effective date of the Transfer or expiration, non-renewal or termination of the ADA, Individual agrees that he or she will not, without Franchisor's written consent, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located at or within five (5) miles of the Developer's Restaurant or any then-existing Country Kitchen Restaurant.

6. **In Term and Post Term Restrictions on Solicitation of Franchisor's Employees.** For such time as Individual is a Principal Owner in Developer and for a period of eighteen months (18) following the expiration, non-renewal or termination of the ADA, Individual agrees that he/she will not employ or seek to employ any person who is at the time employed by the Franchisor or its Affiliates or by any other developer or franchisee of the Franchisor.

7. **Enforceability.** Individual expressly acknowledges the possession of skills and abilities of a general nature and the opportunity to exploit such skills in other ways, so that enforcement of the covenants contained herein will not deprive him/her of his/her personal goodwill or ability to earn a living. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of

its scope or in terms of geographic area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, Individual agrees that it will be enforced to the fullest extent permissible under applicable law and public policy.

**8. Remedies.**

(a) **Injunction.** Because Franchisor and/or Developer may suffer irreparable harm in the event of a breach of this Agreement, the Individual consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure of the Confidential Information, in addition to any other remedies available to Franchisor and/or Developer.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Franchisor and/or Developer shall be entitled to any damages that they suffer as a result of the Individual's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

**9. Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

**10. Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, nor shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by the Franchisor of any term, covenant or condition of this Agreement shall be effective unless the waiver is in writing and signed by an authorized officer of Franchisor.

**11. Governing Law. Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located Madison, Wisconsin.

**12. Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Individual any right, title or interest in the Confidential Information or any license to use, sell, exploit, copy or further develop in any way any Confidential Information.

**13. Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.



IN WITNESS WHEREOF, the undersigned Individual has executed and delivered this Covenant.

Name of Developer: \_\_\_\_\_

Authorized Location of Restaurant: \_\_\_\_\_

Effective Date of ADA: \_\_\_\_ / \_\_\_\_ / 20 \_\_\_\_

PRINCIPAL OWNER:

By: \_\_\_\_\_ Dated: \_\_\_\_ / \_\_\_\_ / 20 \_\_\_\_

Printed: \_\_\_\_\_, individually

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX C TO AREA DEVELOPMENT AGREEMENT  
CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT**

This Confidentiality and Non-Disclosure Agreement (“Agreement”) is entered into by each individual signing below (each a “Recipient”) as of the date set forth next to each Recipient’s signature below in conjunction with each Recipient’s ownership interest or employment with the developer identified on the last page of this Agreement (“Developer”) for the benefit of Developer and Legacy Franchise Group LLC., d/b/a Country Kitchen International, its Affiliates, officers, successors and assigns (collectively, “Country Kitchen”).

WHEREAS, Developer develops Country Kitchen restaurants (the “Restaurant”) pursuant to an Area Development Agreement (the “ADA”) with Country Kitchen, which agreement requires Developer to protect certain confidential information pertaining to the Developer’s operation of the Country Kitchen Restaurant(s).

WHEREAS, the success of the Country Kitchen® brand depends on maintaining the goodwill associated with its trademarks and protecting the confidential and proprietary business information related to the operation of all Country Kitchen Restaurants (the “System”).

WHEREAS, Recipient is:

\_\_\_\_\_ a manager of Developer

\_\_\_\_\_ an employee of Developer

\_\_\_\_\_ an owner of a direct or indirect interest of less than ten percent (10%) in Developer

and Recipient’s employment with or ownership interest in Developer (as applicable) (the “Business Purpose”) requires that Recipient have access to certain confidential and proprietary information pertaining to the operation of a Country Kitchen restaurant.

NOW THEREFORE, as a condition of employment with Developer or holding an ownership interest in Developer (as applicable), the Recipient agrees to the following:

1. **Confidential Information.** “Confidential Information” means information relating to Franchisor, Developer, or the System that is not generally available to the public, whether acquired from Franchisor, Developer or incident to the operation of a Restaurant and regardless of whether such information is disclosed to Individual under a confidentiality notice, including but not limited to (i) the unique restaurant concept of a Country Kitchen Restaurant; (ii) the Manual (as such term is defined in the ADA); (iii) the methods, techniques, formats, drawings, specifications, procedures, information, systems and knowledge and experience in (a) the design and operation of a Country Kitchen Restaurant and (b) the purchase, preparation and sale of authorized and approved products and services in connection with the operation of a Country Kitchen Restaurant; (iv) information, systems, experience, and business intelligence with respect to the consumer, business or equipment or consumer proposition; (v) proposed or future products, product rollouts and promotions and (vi) sales data, cost of goods, labor costs, profit margins, and other financial information in any way relating to Country Kitchen restaurants.

2. **Obligations of Recipient.** The Recipient acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the Business Purpose, of any of the Confidential Information. The Recipient agrees to: (i) not disclose the Confidential Information to anyone except as specifically specified herein; (ii) not to post, contribute, or author any content on any website or social media, that (a) discloses any Confidential

Information; (b) makes any statement which disparages, ridicules, or is derogatory of the System, the Country Kitchen brand or Marks, the Franchisor, any Affiliates of the Franchisor, or any of their owners, officers, employees, agents, consultants, attorneys or representatives, or any Developer; (c) pertains in any way to health or safety conditions of a Country Kitchen restaurant; or (d) pertains to any litigation pending or threatened against any Country Kitchen Developer or the Franchisor; and (e) to use all reasonable precautions consistent with the Recipient's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of Confidential Information, including, without limitation: (i) protecting documents from theft; (ii) maintaining the secrecy of passcodes which allow Individual access to Confidential Information over the Internet; (iii) refraining from any unauthorized duplication of Confidential Information; and (iv) restricting access by other persons to Confidential Information. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with his/her duties as \_\_\_\_\_ of the Developer, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Developer under the ADA.

3. **Authorized Disclosures.** Recipient may disclose the Confidential Information to government authorities or agencies as required by law. Additionally Recipient may disclose the Confidential Information to its attorney and accountants subject to such recipients maintaining the confidentiality of the information in accordance with this Agreement. Recipient may disclose the Confidential Information to its lenders, potential lenders, any prospective purchasers of all or any portion of the Restaurant premises only if such parties prior to disclosure, agree in writing to the terms of this confidentiality agreement or substantially similar terms. Recipient may disclose the Confidential Information to third parties only if and to the extent that such disclosure is required by applicable law.

4. **Remedies.**

(a) **Injunction.** Because Country Kitchen and/or Developer may suffer irreparable harm in the event of a breach of this Agreement, the Recipient consents to the entry of an injunction without bond against its actual or threatened breach of this Agreement or unauthorized disclosure or the Confidential Information, in addition to any other remedies available to Developer and/or Franchisor.

(b) **Damages.** In addition to any injunctive relief awarded pursuant to the previous paragraph Country Kitchen and/or Developer shall be entitled to any damages that they suffer as a result of the Individual's breach of this Agreement.

(c) **Attorneys' Fees.** In addition to all relief set forth above, in the event any suit or other action is commenced to construe or enforce any provision of this Agreement, the prevailing party, in addition to all other amounts such party shall be entitled to receive from the other party, shall be paid by the other party a reasonable sum for attorney's fees and costs.

5. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

6. **Waiver.** The failure of a party to exercise any right, remedy or other benefit contained herein shall not be construed as a waiver of any term, covenant or condition of this Covenant, or shall such failure affect the non-breaching party's ability to exercise such right on any subsequent breach of the same or any other term of this Agreement. No waiver by Country Kitchen of any term, covenant or condition of this Agreement shall be effective unless the waiver is in writing and signed by an Officer of Country Kitchen.

7. **Governing Law, Venue and Jurisdiction.** This Agreement is to be construed in accordance with and governed by the laws of the State of Wisconsin notwithstanding any conflict of laws decisions. Any claim brought to enforce the terms of this Agreement or to cure any breach thereof shall be brought and maintained only in the state or federal courts located in Madison, Wisconsin.

8. **Reservation of Rights to Confidential Information.** Nothing in this Agreement shall be construed to convey to the Recipient any right, title or interest in the Confidential Information or any license to use, sell, exploit, copy or further develop in any way any Confidential Information.

9. **Severability.** If any provision of this Agreement is declared void or unenforceable, such provision shall be severed from this Agreement, which shall otherwise remain in full force and effect.

THE UNDERSIGNED AGREES TO BE BOUND TO THE TERMS SET FORTH ABOVE.

Name of Developer: \_\_\_\_\_

Restaurant Location: \_\_\_\_\_

Effective Date: \_\_\_\_ / \_\_\_\_ /20 \_\_\_\_

\_\_\_\_\_  
Signature

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_

**EXHIBIT E**  
**LIST OF COUNTRY KITCHENS**

Exhibit E

**EXHIBIT E**

**LIST OF COUNTRY KITCHENS  
AS OF AUGUST 31, 2021**

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>St</b>	<b>Zip</b>	<b>Owner and Business Phone Number</b>
Country Kitchen	39904 Big Bear Blvd.	Big Bear	CA	92315	Carmen Becerra (909) 878-0364
Country Kitchen	17398 Main Street	Hesperia	CA	92345	George and Lourdes Larco (951) 733-2389
Country Kitchen	1280 Day Street	Moreno Valley	CA	92553	Amani Manasrah (951) 656-0537
Country Kitchen	4137 N. Elizabeth St.	Pueblo	CO	81007	Ed Cassidy (719) 545-3179
Country Kitchen	699 7th Avenue	Marion	IA	52302	Greg Semelroth (319) 377-8627
Country Kitchen	1107 Quincy Avenue	Ottumwa	IA	52501	Larry Zimmerman (641) 682-0776
Country Kitchen	P.O. Box 445	Stuart	IA	50250	Ryan Morrison (515) 523-1762
Country Kitchen	915 E. 53rd Street N	Wichita	KS	67219	Marilyn Davis (316) 832-9704
Country Kitchen	851 Main Street c/o Heartland Inn	Winkler	MB	R6W 4A4	Bob Schinkle (204) 325-4381
Country Kitchen	710 Paul Bunyan Dr., NW	Bemidji	MN	56601	Damian Poxleitner (218) 444-8963
Country Kitchen	625 Pokegama Ave S	Grand Rapids	MN	55744	Ron Mathews and Wendy Hansen (218) 326-9618
Country Kitchen	2520 East Beltline	Hibbing	MN	55746	Keny Adams (218) 263-8646

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>St</b>	<b>Zip</b>	<b>Owner and Business Phone Number</b>
Country Kitchen	528 Highway 7 East	Hutchinson	MN	55350	Matt Woelfel (320) 587-4940
Country Kitchen	7849 42 <sup>nd</sup> Avenue N	New Hope	MN	55427	Kevin Tiffany (763) 537-2062
Country Kitchen	1201 E. Bridge	Redwood Falls	MN	56283	Julie Buffie (507) 637-3220
Country Kitchen	4793 McMasters Avenue	Hannibal	MO	63401	Kevin Thompson (573) 221-8441
Country Kitchen	2001 South Limit	Sedalia	MO	65301	Justin Stock (660) 826-2001
Country Kitchen	Jct. Highways 13 & 50205 E Cleveland	Warrensburg	MO	64093	Tom and Cheryl Annen (660) 747-3149
Country Kitchen	2050 Governors Dr.	Casselton	ND	58012	Lowell Gunderson (701) 347-4524
Country Kitchen	528 West 12 <sup>th</sup> Street	Dickinson	ND	58601	Jerry Brantner & Marlo Nelson (701) 483-9376
Country Kitchen	1250 10 <sup>th</sup> Street	Chadron	NE	69337	Randall Horse (308) 432-5111
Country Kitchen	112 South Morris Avenue	Atlantic City	NJ	8401	Zach Trupos (609) 344-6101
Country Kitchen	33 LaCount Place	New Rochelle	NY	10801	Jacques Graham (914) 633-5000
Country Kitchen	3150 State Route 350	Lebanon	OH	45036	Laurie Kanta and Matthew Craig (513) 932-7680
Country Kitchen	1249 Tapadera Avenue	Ontario	OR	97914	Dilbag Singh

<b>Name</b>	<b>Address</b>	<b>City</b>	<b>St</b>	<b>Zip</b>	<b>Owner and Business Phone Number</b> (541) 889-3941
Country Kitchen	1202 North Johns Street	Dodgeville	WI	53533	Craig and Dawn Dougherty (608) 930-1969
Country Kitchen	65 S. Hwy 151 Dubuque Rd., Box 401	Platteville	WI	53818	Craig and Dawn Dougherty (608) 348-3041

**Franchisees of Country Kitchen which have been sold but the Country Kitchens are not yet Opened:**

1. Jags Care, Inc., 17979 Hobson Way, Blythe, CA 92225 Contact Person: Sukhbir “Sam” Dhaliwal  
(760) 899-9696

**Area Developers:**

1. Aloosh Dining, Inc., 2045 Compton Avenue, Suite 203, Corona, CA 92881 Contact Person: Aliya  
Manasrah (951) 847-8551



**Appendix A**

**COUNTRY KITCHEN INTERNATIONAL LIST OF FORMER FRANCHISEES, IF ANY, THAT  
HAVE HAD A FRANCHISED COUNTRY KITCHEN TERMINATED, CANCELED, NOT  
RENEWED, OR HAVE OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO  
BUSINESS UNDER A COUNTRY KITCHEN FRANCHISE AGREEMENT DURING OUR FISCAL  
YEAR ENDED AUGUST 31, 2021**

Richland Center, WI  
Country Kitchen of RC, Inc.  
710 N. Fern Street  
Richland Center, WI 53581  
608-317-9687

**LIST OF ANY FRANCHISEES THAT HAVE NOT COMMUNICATED WITH US WITHIN 10  
WEEKS OF THE DATE OF ISSUANCE LISTED ON THE COVER PAGE OF THIS DISCLOSURE  
DOCUMENT**

There are no franchisees that have failed to communicate with us within 10 weeks of the date of issuance listed on the cover page of this Disclosure Document.

**EXHIBIT F**  
**SAMPLE RELEASE**

Exhibit F

**SAMPLE MUTUAL RELEASE**

THIS MUTUAL RELEASE (this “Mutual Release”) is hereby entered into as of this \_\_\_\_day of \_\_\_\_\_, 20\_\_\_\_, by and between Legacy Franchise Group, LLC, a Tennessee corporation (the “Franchisor”); \_\_\_\_\_, a \_\_\_\_\_ (“Former Franchisee”), and \_\_\_\_\_, individually (“Guarantor”).

**RECITALS**

A. Franchisor and Former Franchisee entered into the following Franchise Agreement(s), as modified by Addendum thereto, whereby Franchisor licensed to Former Franchisee, the right to operate Country Kitchen restaurant(s) at the locations identified below effect as of the date specified hereafter:

Location	Effective Date	Expiration of Term
_____	_____	_____
_____	_____	_____

(collectively these agreements are referred to as the “Franchise Agreements” and the locations as “Restaurants”).

B. Guarantor guaranteed the Former Franchisee’s performance under the Franchise Agreements;

C. As part of a sale of the Restaurants, Former Franchisee transferred all rights and obligations under the Franchise Agreements to \_\_\_\_\_ (“Assignee”) as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Closing Date”);

NOW THEREFORE, in consideration of the sum of \_\_\_\_ Dollars (\$0.00) and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Except as specifically provided otherwise herein, all capitalized terms shall have the meaning given in the Franchise Agreements.
2. Effective Date. This Mutual Release shall be deemed effective as of 12:01 a.m. on the Closing Date.
3. Non-Compete Covenant. Former Franchisee and Guarantor hereby agree that for a period of two (2) years from the Closing Date, neither Former Franchisee nor Guarantor shall, without Franchisor’s written consent, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located within five (5) miles of the restaurant previously operated by Franchisee pursuant to the Franchise Agreement or any then-existing Country Kitchen Restaurant. Notwithstanding the aforementioned this restriction shall not apply to other Country Kitchen Restaurants operated under Franchise Agreements previously or hereafter entered into with the Franchisor as long as such agreements remain in full force and effect.
4. Former Franchisee and Guarantor Release of Claims. Former Franchisee and Guarantor hereby remise, release, acquit, satisfy, and forever discharge the Franchisor (and its past, present and future officers, directors, employees, attorneys, agents, servants, Affiliates, and their respective successors, predecessors, and assigns), from any and all claims, demands, actions or causes of action, and any and all liabilities of whatever nature, liquidated or unliquidated, fixed, contingent, matured, unmatured, known or unknown, suspected or unsuspected, whether at law or equity, which they now have or may have on account of or arising out of the Franchise Agreements.

5. Franchisor Release of Claims. Franchisor does hereby remise, release, acquit, satisfy, and forever discharge Former Franchisee and Guarantor (and its past, present and future officers, directors, employees, attorneys, agents, servants, Affiliates, and their respective successors, predecessors, and assigns), from any and all claims, demands, actions or causes of action, and any and all liabilities of whatever nature, liquidated or unliquidated, fixed, contingent, matured, unmatured, known or unknown, suspected or unsuspected, whether at law or equity, which they now have or may have on account of or arising out of the Franchise Agreements; provided however, the following terms and conditions of the Franchise Agreements which are stated in such agreements as surviving termination or expiration of the Franchise Agreements shall remain in full force and effect: Former Franchisee's obligation under Articles 9, 10, 11.02 of the Franchise Agreements; payments of all fees, costs, and charges arising from the Franchise Agreements which accrue prior to the Closing Date; and all obligations set forth in this Release.

6. Return of Proprietary Materials. Former Franchisee represents and warrants that as of the date hereof, Former Franchisee has returned to Franchisor or is no longer in possession of any operating manuals, training materials, plans, specifications, and other materials containing information prepared by Franchisor and relative to the Franchise System. Former Franchisee understands that the foregoing representation and warranty is a material inducement to Franchisor to enter into this Mutual Release. In the event that Franchisor shall subsequently discover that Former Franchisee is still in possession of any of the foregoing material, Former Franchisee shall immediately, upon discovery, return the material to Franchisor, at no expense to Franchisor. Such items are and shall remain the property of Franchisor.

7. Discontinue Use of Trademarks. Upon execution of this Mutual Release, Former Franchisee shall forthwith discontinue the use and/or display of the service marks in any manner whatsoever and all materials containing or bearing the same, including any duplicate copies thereof, and shall not thereafter operate or do business in any manner that might tend to give the public the impression that franchisee is in any way associated or affiliated with Franchisor or any businesses conducted by Franchisor. Upon execution of this Mutual Release, Former Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or materials acquired by Former Franchisee by virtue of the former franchise relationship, including, without limitation, (i) all information contained in the operations manual, (ii) any training or other bulletins, instruction sheets or supplements thereto, and (iii) any equipment, videotapes, video discs, and forms for operations. Former Franchisee acknowledges that the foregoing materials are confidential trade secrets of Franchisor, that the use or duplication of such trade secrets shall constitute an unfair method of competition and that Franchisor shall suffer irreparable injury thereby.

8. Advice of Counsel. By initialing below, Former Franchisee and Guarantor acknowledge that each has read this Mutual Release, and has been advised by its legal counsel regarding this Mutual Release, and/or Former Franchisee and/or Guarantor has made a reasoned and fully informed decision not to be so represented by counsel and understands and acknowledges the significance and consequences of execution of this Mutual Release, and Former Franchisee and Guarantor are fully knowledgeable about and fully satisfied with the terms and provisions, and assumes all obligations herein.

\_\_\_\_\_ (Initials of Former Franchisee) \_\_\_\_\_ (Initials of Guarantor)

9. Counterparts. This Mutual Release may be signed in multiple counterparts, each of which together shall make one document.

10. Construction and Interpretation.

a. The captions of each Section hereof are added as a matter of convenience only and shall be considered to be of no effect in the construction or interpretation of any provision or provisions of this Agreement.

b. The terms of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns.

c. **This Agreement shall be governed by the laws of Wisconsin**, without regard to its conflict of law rules, except that any Wisconsin law regulating the offer and sale of franchise or governing the relationship between a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section. Former Franchisee and Franchisor agree that any suit or claim arising out of this Mutual Release, or seeking to remedy a breach of this Mutual Release shall only be brought in the state courts in Dane County, Wisconsin or the Federal District Court for Western District of Wisconsin, **except to the extent that Former Franchisee's state Franchise Disclosure Law or comparable law, may require otherwise.**

d. Former Franchisee and Franchisor agree that in the event that a court finds that a provision of this Mutual Release is not enforceable, the court shall strike the offending provision and the remainder of this Mutual Release shall be fully enforceable.

e. This Agreement contains the entire agreement and understanding of the parties and supersedes all prior negotiations and agreements regarding the subject matter hereof. This Agreement may be amended and modified only in writing signed by each party to be bound by such amendment or modification.

**IN WITNESS WHEREOF**, this Mutual Release has been duly executed as of the day and year specified at the beginning hereof.

**FRANCHISOR:  
LEGACY FRANCHISE GROUP, LLC**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Printed: \_\_\_\_\_

**FORMER FRANCHISEE**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Printed: \_\_\_\_\_

## **EXHIBIT G**

### **STATE SPECIFIC DISCLOSURES AND AMENDMENTS TO AGREEMENTS**

#### **CALIFORNIA**

1. Addendum to Franchise Disclosure Document

#### **MINNESOTA**

1. Addendum to Franchise Disclosure Document
2. Addendum to Franchise Agreement
3. Addendum to Area Development Agreement

#### **NEW YORK**

1. Addendum to Franchise Disclosure Document
2. Addendum to Franchise Agreement
3. Addendum to Area Development Agreement

#### **NORTH DAKOTA**

1. Addendum to Franchise Disclosure Document
2. Addendum to Franchise Agreement
3. Addendum to Area Development Agreement

**CALIFORNIA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The following provisions supersede any inconsistent provisions in the Disclosure Document and apply to all franchises the offer and sale of which are governed by the California Franchise Investment Law:

1. Neither we nor any person identified in Item 2 of this Disclosure Document are subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a, et seq., suspending or expelling these persons from membership in such association or exchange.
2. California Business and Professions Code Sections 20000 through 200043 provide rights to the franchisee concerning termination, transfer or nonrenewal, of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A § 101, et. seq.).
4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. The Franchise Agreement requires application for the laws of the State of Wisconsin. This provision may not be enforceable under California law.
7. Any condition, stipulation or provision in the Franchise Agreement which would result in your waiver of compliance with any provision of California Franchise Relations Act is void to the extent that such provision violates such law.
8. We may, in our discretion, require a franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order under that law is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 2000 – 20043).
9. California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Corporations before a solicitation of a proposed material modification of an existing franchise.
10. Our Website is <http://www.countrykitchenfranchise.com>. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

11. Item 6, Other Fees, of this Disclosure Document is hereby amended at page 6 to add in the Remarks column of the row pertaining to Interest on Late Payments the following statement: The maximum interest rate allowed under California law is 10% annually.



**MINNESOTA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

Except as stated, in this Addendum, the Franchise Disclosure Document (the “FDD”) shall remain unchanged. Each provision of this Addendum to the FDD shall be effective only to the extent that the jurisdictional requirements of Minnesota Statutes, Chapter 80C, are met independently with respect to that provision without reference to this Addendum.

The FDD is revised and amended as follows:

1. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the FDD can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. For franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Item 13 is revised to include the following language: —To the extent required by the Minnesota Franchises Act, we will protect your rights to use the trademarks, service marks, trade names, logo types or other commercial symbols related to the trademarks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the trademarks.)
4. Items 17(c) and 17(m) are revised to provide that pursuant to Minn. Rule 2860.4400(D) we cannot require you to sign a release of claims under the Minnesota Franchises Act as a condition to renewal or assignment.
5. We are prohibited from requiring you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided that this prohibition shall not bar the voluntary settlement of disputes.
6. With respect to a claim brought under Minnesota law, we cannot require that you (a) consent to our obtaining injunctive relief or (b) waive the requirement of a bond. We may however seek injunctive relief and ask the court to waive any bonding requirement.

Registered agent in the state authorized to receive service of process: Minnesota Commissioner of Commerce, 85 7th Place East, Suite 500, St. Paul, Minnesota 55101-2198.

**ADDENDUM TO FRANCHISE AGREEMENT APPLICABLE ONLY**  
**TO FRANCHISEES LOCATED IN THE STATE OF MINNESOTA**

This addendum (the “Addendum”) to the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Agreement”) is made and entered into by and between Legacy Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) and amends the Agreement as follows:

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions shall supersede and apply to all franchises the offer and sale of which are governed by the Minnesota Franchise Investment Law, Minn. Stats. Ann. §§ 80C.01 to 80C.30:

1. Any provision in the Agreement which would require Franchisee to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 shall be void to the extent that such contractual provision violates such law.

2. Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any provision in the Agreement which would require Franchisee to waive its rights to a jury trial or its rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from the Agreement.

3. Any provision in the Agreement that requires Franchisee to consent to Company obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Company cannot require Franchisee to give such consent; provided, however, that nothing herein shall prevent Company from applying to a forum for injunctive relief. The forum also shall decide whether the posting of a bond will be required in connection with the grant of any injunctive relief.

4. The Minnesota Department of Commerce requires that Company indemnify Franchisee that signs this Agreement against liability to third parties resulting from claims by third parties that the Franchisee’s use of Company’s trademarks infringes trademark rights of the third party. Company does **not** indemnify against the consequences of Franchisee’s use of the Company’s trademarks except in accordance with the requirements of the Agreement, and, as a condition to indemnification, Franchisee must provide notice to Company of any such claim ten (10) days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Company. If Company accepts the tender of defense, Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise to resolve the claim, and to determine whether to appeal a final determination of the claim.

5. With respect to franchises governed by Minnesota law, Company will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Agreement and that consent to transfer of the franchise will not be unreasonably withheld.

6. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

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

\_\_\_\_\_  
“Franchisee”

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**

“Franchisor”

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT APPLICABLE ONLY**  
**TO DEVELOPERS LOCATED IN THE STATE OF MINNESOTA**

This addendum (the “Addendum”) to the Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the “Agreement”) is made and entered into by and between Legacy Franchise Group, LLC (“Franchisor”) and \_\_\_\_\_ (“Developer”) and amends the Agreement as follows:

Notwithstanding anything to the contrary set forth in the Agreement, the following provisions shall supersede and apply to all franchises the offer and sale of which are governed by the Minnesota Franchise Investment Law, Minn. Stats. Ann. §§ 80C.01 to 80C.30:

1. Any provision in the Agreement which would require Developer to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 shall be void to the extent that such contractual provision violates such law.

2. Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or Agreement can abrogate or reduce any of Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any provision in the Agreement which would require Developer to waive its rights to a jury trial or its rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from the Agreement.

3. Any provision in the Agreement that requires Developer to consent to Company obtaining injunctive relief is hereby modified to provide that, pursuant to Minn. Rule 2860.4400J, Company cannot require Developer to give such consent; provided, however, that nothing herein shall prevent Company from applying to a forum for injunctive relief. The forum also shall decide whether the posting of a bond will be required in connection with the grant of any injunctive relief.

4. The Minnesota Department of Commerce requires that Company indemnify Developer that signs this Agreement against liability to third parties resulting from claims by third parties that the Developer’s use of Company’s trademarks infringes trademark rights of the third party. Company does **not** indemnify against the consequences of Developer’s use of the Company’s trademarks except in accordance with the requirements of the Agreement, and, as a condition to indemnification, Developer must provide notice to Company of any such claim ten (10) days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Company. If Company accepts the tender of defense, Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise to resolve the claim, and to determine whether to appeal a final determination of the claim.

5. With respect to franchises governed by Minnesota law, Company will comply with Minnesota Statute Section 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that Developer be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Agreement and that consent to transfer of the franchise will not be unreasonably withheld.

6. Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of Minnesota Statutes, Chapter 80C are met independently without reference to this Addendum.

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

\_\_\_\_\_  
“Developer”

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**

“Franchisor”

By: \_\_\_\_\_

Title: \_\_\_\_\_

**NEW YORK ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

Except as stated in this Addendum, the Franchise Disclosure Document (the “FDD”) shall remain unchanged. Each provision of this Addendum to the FDD shall be effective only to the extent that the jurisdictional requirements of the New York Franchises Law are met independently with respect to that provision without reference to this Addendum.

The following information is added to the cover page of the Franchise Disclosure Document:

Additional Risk Factors:

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THIS DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.**

**THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$425,000 TO \$1,685,000. THIS AMOUNT EXCEEDS THE FRANCHISOR’S MEMBERS’ EQUITY AS OF AUGUST 31, 2021, WHICH IS \$452,958.**

Item 3 of the Disclosure Document is amended by adding the following language at the end of that item:

Neither we nor any person identified in Item 2 of the Disclosure Document:

- (a) have an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, anti-trust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor, allegations;
- (b) has any other action pending against that person, other than routine litigation incidental to the business, which is significant in the context of the number of franchisees or franchisees and the size, nature or financial condition of the franchise or franchise system or its business operations;
- (c) has been convicted of a felony or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, anti-fraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations;
- (d) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency;
- (e) is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or
- (f) is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including, without limitation, actions affecting a license as to a real estate broker or sales agent.

Item 4 of the Disclosure Document is amended by substitution of the following for the last paragraph of that item:

Neither we, our affiliates, nor our officers, during the ten year period immediately before the date of the Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after any of our officers held this position in the company or partnership.

Item 5 of the Disclosure Document is amended by adding the following language at the end of that item:

Proceeds from initial franchise fees are added to working capital and are, in part, used to pay or defray some of the following expenses and costs incurred by us: (a) screening and approving prospective Franchisees; (b) employees' salaries, fringe benefits and expenses with respect to the preparation and registration of the franchise offering; (c) prior research and development relating to the standards, procedures and techniques for the franchise programs; (d) providing you with initial training; (e) providing you with initial and continuing consultation; (f) legal fees, accounting fees and other fees incurred in connection with compliance with federal, state and other laws with respect to this franchise offering; and (g) administrative expenses.

The "Summary" sections of Item 17(c), entitled "Requirements for you to renew or extend", of the Franchise Relationship tables for both the Franchise Agreement and the Area Development Agreement and Item 17(m), entitled "Conditions for our approval of transfer", of the Franchise Relationship tables for both the Franchise Agreement and the Area Development Agreement are amended by adding the following:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following is added to the end of the "Summary" sections of Item 17(j), entitled "Assignment of contract by Franchisor", of the Franchise Relationship tables for both the Franchise Agreement and the Area Development Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

The following language is added to the end of the "Summary" sections of Item 17(v), entitled "Choice of forum", of the Franchise Relationship tables for both the Franchise Agreement and Area Development Agreements:

However, the choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

The following is added to the end of the “Summary” section of Item 17(W), entitled “Choice of law”, of the Franchise Relationship tables for both the Franchise Agreement and the Area Development Agreements:

provided, however, that all rights enjoyed by the franchisee and any causes of action arising in its favor from the provisions of the General Business Law of the State of New York and the regulations thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.



**ADDENDUM TO FRANCHISE AGREEMENT APPLICABLE ONLY TO  
FRANCHISEES LOCATED IN THE STATE OF NEW YORK**

This addendum (the "Addendum") to the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") is made and entered into by and between Legacy Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") and amends the Agreement as follows:

Governing Law. The following language is added to the end of Section 15.4 of the Franchise Agreement:

Notwithstanding the foregoing, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of the General Business Law of the State of New York and the regulations thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

This Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the New York Franchises Law, N.Y. Gen. Bus. Law §§ 680 to 685, are met independently without reference to this Addendum.

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

\_\_\_\_\_  
"Franchisee"

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**  
"Franchisor"

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT APPLICABLE ONLY TO  
DEVELOPERS LOCATED IN THE STATE OF NEW YORK**

This addendum (the "Addendum") to the Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") is made and entered into by and between Legacy Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Developer") and amends the Agreement as follows:

Governing Law. The following language is added to the end of Section 10.04 of the Franchise Agreement:

Notwithstanding the foregoing, all rights enjoyed by Developer and any causes of action arising in its favor from the provisions of the General Business Law of the State of New York and the regulations thereunder shall remain in force; it being the intent of the proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

This Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the New York Franchises Law, N.Y. Gen. Bus. Law §§ 680 to 685, are met independently without reference to this Addendum.

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

\_\_\_\_\_  
"Developer"

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

**LEGACY FRANCHISE GROUP, LLC**  
"Franchisor"

By: \_\_\_\_\_

Title: \_\_\_\_\_

**NORTH DAKOTA ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

Except as stated in this Addendum, the Franchise Disclosure Document (the “FDD”) shall remain unchanged. Each provision of this Addendum to the FDD shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently with respect to that provision without reference to this Addendum.

The North Dakota Securities Commissioner, the administrator of the North Dakota Franchise Investment Law, N.D.C.C. 51-19, has held the following practices to be unfair, unjust or inequitable to North Dakota franchisees under Section 51-19-09 of the North Dakota Franchise Investment Law:

- 1. Restrictive Covenants:** Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
- 2. Situs of Arbitration Proceedings:** Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.
- 3. Restrictions on Forum:** Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- 4. Liquidated Damages and Termination Penalties:** Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- 5. Applicable Laws:** Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
- 6. Waiver of Trial by Jury:** Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
- 7. Waiver of Exemplary & Punitive Damages:** Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
- 8. General Release:** Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- 9. Limitation of Claims:** Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- 10. Enforcement of Agreement:** Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

Except as stated, in this Addendum, the Franchise Disclosure Document (the “FDD”) shall remain unchanged. Each provision of this Addendum to the FDD shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently with respect to that provision without reference to this Addendum.

**ADDENDUM TO FRANCHISE AGREEMENT APPLICABLE ONLY TO  
FRANCHISEES LOCATED IN THE STATE OF NORTH DAKOTA**

This addendum (the "Addendum") to the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") is made and entered into by and between Legacy Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") and amends the Agreement as follows:

Notwithstanding anything to the contrary set forth in the Agreement, the provisions set forth below shall supersede and apply to all franchises the offer and sale of which are governed by the North Dakota Franchise Investment Law, NDCC 51-19. :

- 1. Restrictive Covenants:** Any covenants in this Agreement restricting competition will be subject to NDCC Section 9-08-06.
- 2. Situs of Arbitration Proceedings:** Any arbitration of disputes will be at a mutually agreed upon location that is not remote from the site of the Franchisee's business.
- 3. Restrictions on Forum:** Franchisee will not be required to consent to the jurisdiction of courts outside of North Dakota.
- 4. Liquidated Damages and Termination Penalties:** Franchisee will not be required to consent to liquidated damages or termination penalties.
- 5. Applicable Laws:** North Dakota law shall govern the Agreement.
- 6. Waiver of Trial by Jury:** Franchisee will not be required to consent to the waiver of a trial by jury.
- 7. Waiver of Exemplary & Punitive Damages:** Neither party to the Agreement consents to a waiver of exemplary and punitive damage.
- 8. General Release:** Franchisee is not required to sign a general release upon renewal of the Agreement.
- 9. Limitation of Claims:** Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law shall apply to all state law claims, including, without limitation, counterclaims and cross-claims, brought by any party in matters arising under or related to the Agreement.
- 10. Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law, NDCC 51-19, are met independently without reference to this Addendum.

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

**LEGACY FRANCHISE GROUP, LLC**  
"Franchisor"

\_\_\_\_\_  
"Franchisee"

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

,

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT APPLICABLE ONLY TO  
DEVELOPERS LOCATED IN THE STATE OF NORTH DAKOTA**

This addendum (the "Addendum") to the Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") is made and entered into by and between Legacy Franchise Group, LLC ("Franchisor") and \_\_\_\_\_ ("Developer") and amends the Agreement as follows:

Notwithstanding anything to the contrary set forth in the Agreement, the provisions set forth below shall supersede and apply to all franchises the offer and sale of which are governed by the North Dakota Franchise Investment Law, NDCC 51-19. :

- 1. Restrictive Covenants:** Any covenants in this Agreement restricting competition will be subject to NDCC Section 9-08-06.
- 2. Situs of Arbitration Proceedings:** Any arbitration of disputes will be at a mutually agreed upon location that is not remote from the site of the Developer's business.
- 3. Restrictions on Forum:** Developer will not be required to consent to the jurisdiction of courts outside of North Dakota.
- 4. Liquidated Damages and Termination Penalties:** Developer will not be required to consent to liquidated damages or termination penalties.
- 5. Applicable Laws:** North Dakota law shall govern the Agreement.
- 6. Waiver of Trial by Jury:** Developer will not be required to consent to the waiver of a trial by jury.
- 7. Waiver of Exemplary & Punitive Damages:** Neither party to the Agreement consents to a waiver of exemplary and punitive damage.
- 8. General Release:** Developer is not required to sign a general release upon renewal of the Agreement.
- 9. Limitation of Claims:** Developer is not required to consent to a limitation of claims. The statute of limitations under North Dakota law shall apply to all state law claims, including, without limitation, counterclaims and cross-claims, brought by any party in matters arising under or related to the Agreement.
- 10. Enforcement of Agreement:** The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Each provision of this Addendum shall be effective only to the extent that, with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law, NDCC 51-19, are met independently without reference to this Addendum.

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

\_\_\_\_\_  
"Developer"

**LEGACY FRANCHISE GROUP, LLC**  
"Franchisor"

By: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
(print name and title of person signing)

Title: \_\_\_\_\_

,

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**FOR**  
**CURRENT OPERATING MANUAL**

Exhibit H



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**EXHIBIT I**  
**FRANCHISE COMPLIANCE CERTIFICATION**

Exhibit I

**FRANCHISE COMPLIANCE CERTIFICATION**

Franchisee Name: \_\_\_\_\_

Franchisee Address: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Date: \_\_/\_\_/20\_\_ Phone (\_\_\_\_) \_\_\_\_\_ State of Restaurant Location: \_\_\_\_\_

List all states of residence personal/organization: \_\_\_\_\_

You as an individual owner, or shareholder, owner, partner, or member of the franchise entity (“Franchisee”) and Legacy Franchise Group, LLC (the “Franchisor”) are preparing to enter into a Franchise Agreement or Area Development Agreement for the development and operation of a Country Kitchen franchised restaurant (a “Restaurant”). For ease of reference, we refer to the Franchise Agreement and Area Development Agreement as the “Franchise Agreement”. The purpose of this questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Do you agree that you received and personally reviewed Franchisor’s Franchise Disclosure Document (“FDD”) and signed the FDD receipt page indicating that your received the FDD?

Yes  No

2. Do you agree that you received the final Franchise Agreement with all blanks completed at least seven (7) calendar days before completing this Compliance Certification and before signing any agreement with Franchisor?

Yes  No

3. Do you agree that you received the FDD at least 14 calendar days (10 business days) if you are a prospect in New York or Michigan before you signed any agreements with Franchisor or paid any money or other consideration to Franchisor?

Yes  No

4. You have received and personally reviewed the Franchise Agreement and each related agreement attached to it?

Yes  No

5. Do you understand all of the information contained in the Franchise Agreement and each related agreement provided to you?

Yes  No

If no, what parts of the Franchise Agreement and/or related agreements do you not understand?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including designated locations or states for mediation and any judicial proceedings, a waiver of a jury trial, and other waivers and limitations?

Yes  No

7. Do you understand all of the information contained in the FDD and any State-Specific Disclosures and State-Specific Amendments to Agreements included in the FDD?

Yes  No

If no, what parts do you not understand?

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8. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Country Kitchen Restaurant as a franchised business?

Yes  No

If no, do you wish to have more time to do so? Yes  No

9. Do you understand that the success or failure of your franchised Country Kitchen Restaurant will depend heavily upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes  No

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or to the best of your knowledge, information and belief, to any person or entity on your behalf) concerning the actual or possible revenues, profits or operating costs of a Country Kitchen Restaurant operated by any of its franchisees that is contrary to the information contained in the FDD?

Yes  No

11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or to the best of your knowledge, information and belief, to any person or entity on your behalf) concerning the total amount of revenue the Country Kitchen Restaurant will or may generate?

Yes  No

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or to the best of your knowledge, information and belief, to any person or entity on your behalf) regarding the amount of money you may earn in operating the Country Kitchen Restaurant as a franchised business?

Yes  No

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or to the best of your knowledge, information and belief, to any person or entity on your behalf) regarding the costs you may incur in operating a Country Kitchen Restaurant, that is contrary to or different from the information contained in the FDD?

Yes  No

14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to you (or to the best of your knowledge, information and belief, to any person or entity on your behalf) concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes  No

15. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?

Yes  No

16. Do you understand that Franchisor retains the right, directly or through others, to develop and franchise other similar franchises (but not under the "Country Kitchen" name) or different franchise systems inside or outside of your Marketing Area and/or Development Area and/or to operate Country Kitchen Restaurants at Captive Facilities located within your Marketing Area and/or Development Area?

Yes  No

17. Do you understand that all disputes or claims you may have arising out of or relating to the Franchise Agreement must be heard in the courts of Wisconsin (if not resolved informally or by mediation) unless your state's franchise laws require that such state's laws apply?

Yes  No

18. Do you understand that the Franchise Agreement contains the entire agreement between you and the Franchisor concerning the franchise for the Country Kitchen Restaurant, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes  No

19. If you have answered "Yes" to any of questions 10-14, please provide a full explanation of each "yes" answer in the following blank lines. If you have answered "no" to each of questions 10-14, then please leave the following lines blank.

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20. Do you understand that the Franchise Agreement and Development Agreement contain restrictions on your use of Confidential Information and ability to disclose Confidential Information to third parties, as well as restrictions regarding public statements and communications with the media, and that any failure (whether intentional or accidental) to comply with these restrictions shall constitute a material event of default and the Franchisor may immediately terminate the Franchise Agreement and/or Development Agreement without any notice to you or opportunity to cure?

Yes  No

21. Do you understand that maintaining uniformity in every component of the operation of the System is essential to the success of the entire chain of Country Kitchen Restaurants, including a designated menu, uniformity of food and beverage specifications, preparation methods, quality and appearance and uniformity of service?

Yes  No

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY.

**PRINCIPAL OWNER(S) FOR FRANCHISEE APPLICANT:**

Signed: \_\_\_\_\_ Date of Signature \_\_\_\_/\_\_\_\_/20\_\_

Printed Name: \_\_\_\_\_

Signed: \_\_\_\_\_ Date of Signature \_\_\_\_/\_\_\_\_/20\_\_

Printed Name: \_\_\_\_\_

Signed: \_\_\_\_\_ Date of Signature \_\_\_\_/\_\_\_\_/20\_\_

Printed Name: \_\_\_\_\_

Signed: \_\_\_\_\_ Date of Signature \_\_\_\_/\_\_\_\_/20\_\_

Printed Name: \_\_\_\_\_

**EXHIBIT J**  
**FINANCIAL STATEMENTS**

Exhibit J





## **Legacy Franchise Group, LLC**

Financial Statements

August 31, 2021, 2020 and 2019

**Legacy Franchise Group, LLC**

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August 31, 2021, 2020 and 2019

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## Independent Auditors' Report

To the Member of  
Legacy Franchise Group, LLC

We have audited the accompanying financial statements of Legacy Franchise Group, LLC, which comprise the balance sheets as of August 31, 2021, 2020 and 2019 and the related statements of income and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy Franchise Group, LLC as of August 31, 2021, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly US, LLP*

Madison, Wisconsin  
November 3, 2021

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

**Legacy Franchise Group, LLC**

Balance Sheets

August 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 535,995	\$ 418,811	\$ 203,428
Accounts receivable, net	161,330	155,144	175,384
Accounts receivable, other	38,304	32,889	45,658
Inventories	2,926	4,803	2,676
Prepaid expenses	5,739	1,422	7,233
Current portion of notes receivable	15,174	428	8,713
Total current assets	<u>759,468</u>	<u>613,497</u>	<u>443,092</u>
<b>Furniture and Equipment, Net</b>	<u>10,606</u>	<u>15,730</u>	<u>11,956</u>
<b>Other Assets</b>			
Notes receivable, less current portion	7,811	-	2,799
Franchise rights, net	21,714	61,137	105,983
Total other assets	<u>29,525</u>	<u>61,137</u>	<u>108,782</u>
Total assets	<u>\$ 799,599</u>	<u>\$ 690,364</u>	<u>\$ 563,830</u>
<b>Liabilities and Member's Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 8,812	\$ 19,497	\$ 15,096
Accrued payroll and payroll taxes	48,468	41,501	32,181
Accrued expenses	10,631	11,339	16,913
Deferred revenues	18,014	44,169	34,305
Gift certificate liability	102,467	100,552	96,741
Current maturities of long-term debt	31,020	62,906	-
Total current liabilities	219,412	279,964	195,236
<b>Long-Term Liabilities</b>			
Long-term debt, less current portion	<u>127,229</u>	<u>50,129</u>	<u>-</u>
Total liabilities	346,641	330,093	195,236
<b>Member's Equity</b>	<u>452,958</u>	<u>360,271</u>	<u>368,594</u>
Total liabilities and member's equity	<u>\$ 799,599</u>	<u>\$ 690,364</u>	<u>\$ 563,830</u>

See notes to financial statements

2

**Legacy Franchise Group, LLC**Statements of Income and Member's Equity  
Years Ended August 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenue</b>			
Initial franchise fee income	\$ 23,000	\$ 30,000	\$ 30,000
Franchise fee income	771,501	708,660	970,529
Advertising fee income	214,972	214,561	281,102
Vendor rebate income	142,438	164,731	225,920
Termination fee income	-	-	173,500
Convention fee income	29,290	20,020	30,130
Operating fee income	<u>-</u>	<u>8,764</u>	<u>17,771</u>
Total revenue	<u>1,181,201</u>	<u>1,146,736</u>	<u>1,728,952</u>
<b>Operating Expenses</b>			
Depreciation	5,124	4,077	3,039
Amortization	39,423	44,845	55,909
Other operating expenses	<u>838,509</u>	<u>845,317</u>	<u>1,112,419</u>
Total operating expenses	<u>883,056</u>	<u>894,239</u>	<u>1,171,367</u>
Operating income	<u>298,145</u>	<u>252,497</u>	<u>557,585</u>
<b>Other Income</b>	<u>144,542</u>	<u>39,180</u>	<u>17,574</u>
Net income	442,687	291,677	575,159
<b>Member's Equity, Beginning</b>	360,271	368,594	503,435
Distributions	<u>(350,000)</u>	<u>(300,000)</u>	<u>(710,000)</u>
<b>Member's Equity, Ending</b>	<u>\$ 452,958</u>	<u>\$ 360,271</u>	<u>\$ 368,594</u>

See notes to financial statements

**Legacy Franchise Group, LLC**

## Statements of Cash Flows

Years Ended August 31, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>			
Net income	\$ 442,687	\$ 291,677	\$ 575,159
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	5,124	4,077	3,039
Bad debt expense	-	-	5,365
Amortization of franchise rights	39,423	44,846	55,909
Gain on extinguishment of debt, see Note 5	(113,035)	-	-
Changes in assets and liabilities:			
Accounts receivable	(6,186)	20,240	(11,358)
Accounts receivable, other	(5,415)	12,769	(7,265)
Inventories	1,877	(2,127)	(1,091)
Prepaid expenses	(4,317)	5,811	18,978
Accounts payable	(10,685)	4,401	7,528
Accrued payroll and payroll taxes	6,967	9,320	1,470
Accrued expenses	(708)	(5,578)	(1,138)
Deferred revenues	(26,155)	9,864	(8,330)
Gift certificate liability	1,915	3,811	6,226
Net cash flows from operating activities	<u>331,492</u>	<u>399,111</u>	<u>644,492</u>
<b>Cash Flows From Investing Activities</b>			
Issuance of notes receivable	(24,971)	-	(5,000)
Collections on notes receivable	2,414	11,084	13,023
Purchase of fixed assets	-	(7,847)	(7,726)
Net cash flows from investing activities	<u>(22,557)</u>	<u>3,237</u>	<u>297</u>
<b>Cash Flows From Financing Activities</b>			
Paycheck Protection Program funding, see Note 5	158,249	113,035	-
Distributions to member	(350,000)	(300,000)	(710,000)
Net cash flows from financing activities	<u>(191,751)</u>	<u>(186,965)</u>	<u>(710,000)</u>
Net change in cash and cash equivalents	117,184	215,383	(65,211)
<b>Cash and Cash Equivalents, Beginning</b>	<u>418,811</u>	<u>203,428</u>	<u>268,639</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 535,995</u>	<u>\$ 418,811</u>	<u>\$ 203,428</u>

See notes to financial statements

## Legacy Franchise Group, LLC

Notes to Financial Statements

August 31, 2021, 2020 and 2019

### 1. Summary of Significant Accounting Policies

#### Nature of Operations

Legacy Franchise Group, LLC (the Company or Legacy) is a closely held, for profit company, d/b/a Country Kitchen International (CKI). The Company is engaged as a franchisor of Country Kitchen Restaurants in North America.

The following table summarizes the franchise activity for the Company:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Franchises at the beginning of the period	25	31	35
Franchises closed	(1)	(7)	(5)
Franchises opened	<u>1</u>	<u>1</u>	<u>1</u>
Franchises at the end of the period	<u>25</u>	<u>25</u>	<u>31</u>

#### Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

#### Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of \$30,000 for the years ended August 31, 2021, 2020, and 2019.

The allowance for doubtful accounts is maintained at a level that is management's best estimate of probable bad debts incurred as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the receivables, past collection experience, current economic conditions, volume, growth and composition of the receivables and other relevant factors. The allowance is increased by provisions for bad debts charged against income. Accounts are written off after the Company determines that the account will not be collected and all reasonable attempts at collection have failed. The Company does not charge finance fees on past due accounts.

#### Inventory

Inventory consists of supplies and gift cards held at the corporate location and are valued at the net asset value (NAV) using the first-in, first-out (FIFO) method.

#### Furniture, Equipment and Maintenance

Furniture and equipment are stated at cost. Major expenditures for property (including major maintenance) are capitalized. Minor maintenance, repairs and renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation of fixed assets is calculated using straight-line methods over the estimated economic useful lives of the assets, which range from three to five years. Accumulated depreciation was \$66,909, \$61,785, and \$57,707 as of August 31, 2021, 2020 and 2019, respectively.

## Legacy Franchise Group, LLC

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Notes to Financial Statements

August 31, 2021, 2020 and 2019

### Franchise Rights

The Company has franchise rights that are a result of purchasing franchise and license agreements at inception of the Company (see Note 2). These franchise rights are amortized over the lesser of the life of the franchise agreement or ten years using the straight-line method. The franchise agreements have expiration dates ranging from December 2021 to September 2030.

### Impairment of Long-Lived Assets

The Company reviews long-lived assets, including furniture and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying value of an asset to the undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized to the extent that the book value exceeds fair market value. Additionally, the Company writes off franchise fees when it is known a franchisee will close a store.

### Gift Cards

The Company administers a gift card program for its franchisees. Unredeemed gift cards are presented as a liability on the balance sheet. The Company periodically recognizes gift card breakage based on historical redemption patterns, which represents the portion of its gift card obligation for which management believes the probability of redemption is remote.

### Revenue Recognition

The Company adopted the provisions and expanded requirements described in Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and all related amendments (collectively, ASC 606 or new revenue standard), on September 1, 2020. There were no material changes to how the Company recognizes revenue upon adoption of the ASU.

Revenue is recognized when control of the promised products or services are transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to for those products and services. In general, the Company determines revenue recognition through the following steps:

- Identification of the contract or contracts, with the customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when or as, the Company satisfies a performance obligation



## Legacy Franchise Group, LLC

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Notes to Financial Statements

August 31, 2021, 2020 and 2019

The following policies apply to the Company's major categories of revenue transactions.

### Initial Franchise Fee Income

Initial franchise fees are recognized by the Company when substantially all of its initial obligations as a franchisor have been met, which is typically when the location opens for business. The Company elected the ASU No. 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606) practical expedient, which states that when applying Topic 606, privately held franchisors that enter into a franchise agreement may account for certain preopening services distinct from the franchise license. The Company considers the initial franchise fee a standalone price for preopening services. There is no revenue from the initial franchise fee allocated to the franchise license. The Company's preopening services consist of assistance in the selection of a site, training of franchisee's personnel, bookkeeping, inspection, testing, and other quality control programs, which meet the criteria of the practical expedient to be recognized when the obligation is satisfied, which is typically when the location opens for business.

The Company recognizes termination fees for closed stores as income when it has no obligations remaining under the franchise agreement and a settlement agreement has been reached with the former franchisee.

### Franchise Fee Income

Franchise fees are recognized as income on a monthly basis based on a percentage of sales. The franchise fees are generally equal to 4 percent of the franchise gross revenues. In return for franchise fees, the Company is obligated to provide each franchisee with operating support, use of trade names and trademarks and restaurant consultation to maintain consistent operating standards.

### Advertising Fee Income

The Company also receives advertising fees under advertising production agreements that are recognized as income on a monthly basis based on a percentage of sales. See Note 8 for further information.

### Vendor Rebate Income

The Company receives rebates from the franchisees' suppliers for the purchase of their products. Rebate revenue is earned in accordance with various agreements with vendors as purchases of goods are made by restaurants. Franchisor rebate receivables in the amount of \$26,341, \$18,862, and \$28,396 are included in other receivables as of August 31, 2021, 2020 and 2019, respectively.

### Convention Fee Income

The Company receives funds from vendors to attend the annual franchisee convention. The funds are recognized when the annual convention occurs and convention expenses are netted with convention income.

### Operating Fee Income

The Company receives operating fees from a licensee in return for use of trade names and trademarks and assistance with menu development and in-house graphic design services.

## Legacy Franchise Group, LLC

Notes to Financial Statements

August 31, 2021, 2020 and 2019

### Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. As such, the Company's income, losses and credits are included in the income tax returns of the members.

The Company accounts for income taxes in accordance with accounting principles generally accepted in the United States of America (GAAP). The principles clarify the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods and disclosures. The Company has no significant uncertain tax positions.

The Company files U.S. federal and state income tax returns. The Company is not currently under examination by any taxing jurisdiction.

### Estimates

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

### Common Control Arrangements

The Company adopted Accounting Standard Update (ASU) 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. As a result, the Company is no longer evaluating whether entities under common control need to be consolidated as a variable interest entity.

## 2. Franchise Rights

A summary of the franchise rights as of August 31 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Franchise rights cost	\$ 765,385	\$ 765,385	\$ 947,824
Accumulated amortization	<u>(743,671)</u>	<u>(704,248)</u>	<u>(841,841)</u>
Net franchise rights	<u>\$ 21,714</u>	<u>\$ 61,137</u>	<u>\$ 105,983</u>

All remaining cost will be amortized during 2022.

## 3. Notes Receivable

The Company carries its notes receivable with franchisees and an unrelated party at the principal amount due. The Company evaluates these loans based on the past payment history and credit worthiness of the borrowers to determine if the loans will not be collected. There were no amounts considered past due as of August 31, 2021, 2020, and 2019. Interest is accrued monthly and ranges up to 3 percent.

**Legacy Franchise Group, LLC**

Notes to Financial Statements

August 31, 2021, 2020 and 2019

Information on these loans is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Note receivable from closed franchisee with monthly installment of \$250, at an interest rate of 0 percent. The note receivable matured and was repaid in full in January 2020.	\$ -	\$ -	\$ 1,031
Note receivable from active franchisee with monthly installment of \$443, including interest of 3 percent. The note receivable was repaid in full in March 2020.	-	-	7,528
Note receivable from active franchisee with a monthly installment totaling \$215, at an interest rate of 3 percent. The note was repaid in full in October 2020	-	428	2,953
Note receivable from active franchisee with a monthly installment totaling \$221, at an interest rate of 3 percent. The note receivable matures in October 2024 and is personally guaranteed by the owner of the franchise.	8,014	-	-
Note receivable from active franchisee with a monthly installment totaling \$250, at an interest rate of 3 percent. The note receivable matures in October 2022 and is personally guaranteed by the owner of the franchise.	<u>14,971</u>	<u>-</u>	<u>-</u>
Total	22,985	428	11,512
Less current portion	<u>(15,174)</u>	<u>(428)</u>	<u>(8,713)</u>
Long-term portion	<u>\$ 7,811</u>	<u>\$ -</u>	<u>\$ 2,799</u>

The estimated future collections of the notes are as follows for the year ended August 31:

2022	\$ 15,174
2023	4,881
2024	2,649
2025	<u>281</u>
Total	<u>\$ 22,985</u>

## Legacy Franchise Group, LLC

Notes to Financial Statements  
August 31, 2021, 2020 and 2019

### 4. Accrued Expenses

Accrued expenses consist of the following at August 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Consulting fees	\$ 739	\$ 1,048	\$ 2,088
Other accrued expenses	9,892	9,898	3,396
Travel expenses	-	-	11,429
Interest expense	-	393	-
Total	<u>\$ 10,631</u>	<u>\$ 11,339</u>	<u>\$ 16,913</u>

### 5. Paycheck Protection Program

On April 27, 2020, the Company received loan proceeds in the amount of \$113,035 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Company met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during July of 2021. Legal release was received during August of 2021, therefore, the Company recorded forgiveness income of \$113,035 within the other income section of its statement of income and member's equity for the year ended August 31, 2021.

On January 26, 2021, the Company received loan proceeds in the amount of \$158,249 under the PPP Second Draw Loan which was established as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) and is administered through the SBA. The same terms of the first PPP loan apply to the PPP Second Draw Loan. The Company has not yet applied for loan forgiveness.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the Acts, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

## Legacy Franchise Group, LLC

Notes to Financial Statements  
August 31, 2021, 2020 and 2019

### 6. Long-Term Debt

Long-term debt consists of the following at August 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
PPP loan, see Note 5	\$ -	\$ 113,035	\$ -
PPP second draw loan, see Note 5	158,249	-	-
Less current portion	<u>(31,020)</u>	<u>(62,906)</u>	<u>-</u>
Long-term portion	<u>\$ 127,229</u>	<u>\$ 50,129</u>	<u>\$ -</u>

The following is a schedule by year of minimum future principal payments to be made on long-term debt as of August 31:

Years ending August 31:	
2022	\$ 31,020
2023	31,332
2024	31,647
2025	31,965
2026	32,285
2027	<u>-</u>
Total	<u>\$ 158,249</u>

### 7. Leases

The Company leases office space under an operating lease from an entity controlled by the owner. The lease requires monthly rent payments of \$8,000 and expires on February 28, 2022. Minimum future lease payments under this noncancelable operating lease for the year ending August 31, 2021 are \$48,000.

Rent expense under all operating leases was \$78,000, \$53,000 and \$48,000 for the years ended August 31, 2021, 2020 and 2019, respectively.

## Legacy Franchise Group, LLC

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Notes to Financial Statements  
August 31, 2021, 2020 and 2019

### 8. Advertising Production Agreements

The Company and franchisees throughout North America have entered into advertising production agreements. The franchisees pay monthly fees, generally equal to 1 percent of gross revenues, to the Company for production expenses, new menu development, etc. The Company collects the fees and incurs related expenses. A portion of the Company's overhead is allocated to advertising production expense. Unexpended advertising production revenue is considered a liability on the Company's balance sheet. There was no liability outstanding at August 31, 2021, 2020 and 2019. The Company expenses all advertising costs as incurred. Total advertising related costs were \$341,359, \$372,898 and \$453,720 for the years ended August 31, 2021, 2020 and 2019, respectively, which includes advertising for franchisees in accordance with franchise agreements and advertising done by the Company for potential new franchisees.

The Company has the ability to employ cooperative advertising and designated market area (DMA) advertising. Country Kitchen franchisees located within viable cooperative territories pay ongoing monthly fees, generally equal to a maximum of 3 percent of gross revenues, to be used exclusively in their market area toward electronic media. If a franchisee is not located within an active area, the franchisee expends 3 percent of gross revenues on local advertising or as otherwise indicated in the individual contract. There were no DMA agreements in place as of August 31, 2021, 2020, and 2019.

### 9. Commitments and Contingencies

#### Litigation

The Company is involved in various claims and legal actions arising out of the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial statements.

#### Other

The Company has commitments under a royalty agreement to pay royalty fees in exchange for the right to enter into franchise agreements in certain parts of the United States. The royalty payments are 0.50 percent of franchise sales. This agreement expires based on the expiration of the underlying franchise license agreements. Total amounts paid under the agreement were \$4,547, \$4,701 and \$5,872 for the years ended August 31, 2021, 2020 and 2019, respectively and are netted against franchise fee income.

### 10. Business and Credit Concentration

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

There is a concentration of credit risk with respect to trade receivables from the Company's franchisees. However, the concentration risk is reduced due to the geographical dispersion of the franchisees throughout the country. In addition, franchisees are required to provide personal guarantees to support their obligations to the Company. The Company routinely assesses the financial strength of its franchisees, but generally requires no collateral.

## Legacy Franchise Group, LLC

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Notes to Financial Statements

August 31, 2021, 2020 and 2019

### 11. Simple IRA

The Company has a SIMPLE IRA plan for the Company's employees. Employees are eligible to participate in the plan if they earn at least \$5,000 in compensation for the calendar year and have received at least \$5,000 in any preceding calendar year. The plan requires a matching contribution of 100 percent of the first 3 percent of compensation that an employee contributes. The employer contribution was \$11,831, \$10,842 and \$13,814 for the years ended August 31, 2021, 2020 and 2019, respectively.

### 12. Subsequent Events

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

### 13. New Accounting Pronouncements

#### Leases

During February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05's issuance. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

**EXHIBIT K**  
**STATE EFFECTIVE DATES PAGE**

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
California	
Florida	October 2, 2021
Minnesota	
New York	
North Dakota	
Wisconsin	

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**  
**RECEIPTS**

**RECEIPT**  
**(YOUR COPY)**

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

If Legacy Franchise Group, 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.

New York law and Rhode Island law both require that Legacy Franchise Group, LLC, give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Legacy Franchise Group, 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, D.C. 20580 and the applicable state franchise agency listed in EXHIBIT A.

ISSUANCE DATE: December 16, 2021

The Franchisor is: Legacy Franchise Group, LLC, 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562 (608) 203-7602. The franchise seller(s) for this Country Kitchen franchise is Charles Mocco, our Chief Executive Officer.

Legacy Franchise Group authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated December 16, 2021 that included the following exhibits:

- |   |  |   |                                    |
|---|--|---|------------------------------------|
| A | List of State Franchise Administrators     | G | State Addendum                     |
| B | List of Agents for Service of Process      | H | Table of Contents for Manual       |
| C | Franchise Agreement                        | I | Franchise Compliance Certification |
| D | Area Development Agreement (if applicable) | J | Financial Statements               |
| E | List of Franchised Outlets                 | K | State Effective Dates              |
| F | Sample Release                             | L | Receipts                           |

PLEASE SIGN AND DATE BOTH RECEIPTS AND RETURN ONE COPY TO: Legacy Franchise Group, LLC, 6405 Century Avenue, Ste. 001, Middleton, Wisconsin 53562 email to [cmocco@countrykitchen.net](mailto:cmocco@countrykitchen.net), or via Fax: (608) 826-9080

\_\_\_\_\_/ \_\_\_\_/20  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Franchisee's Copy

**RECEIPT**

**(FRANCHISOR COPY – SIGN AND RETURN)**

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_____/ ____/20	_____	_____
Date	Signature	Printed Name