

Provision	Section in Franchise or Other Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 18.05 – Franchise Agreement and Section 9 – Area Development Agreement	Except for claims for injunctive relief, we make seek against you, all disputes must be arbitrated in the city closest to our corporate headquarters (currently Wayzata, MN). Subject to applicable state law.
v. Choice of forum	Section 18.07 – Franchise Agreement and Section 9 – Area Development Agreement	Subject to applicable state law, disputes must be arbitrated or litigated in the city closest to our corporate headquarters (currently Wayzata, MN).
w. Choice of law	Section 18.08 – Franchise Agreement and Section 9 – Area Development Agreement	Subject to applicable state law, Minnesota law applies, provided that the Minnesota Franchise Act and other franchise-specific laws and regulations of the State of Minnesota generally do not apply to Restaurants located outside of Minnesota.

Notes

(1) If you operate multiple Franchised Restaurants pursuant to an Area Development Agreement, then, pursuant to Section 14.03 of each Franchise Agreement (i) a default under a Franchise Agreement signed pursuant to the Area Development Agreement will be a default under the Area Development Agreement as well, which may, depending upon the nature of the default, entitle us to terminate the Area Development Agreement, and (ii) a default under an Area Development Agreement will be a default under each Franchise Agreement subject thereto, which may, depending upon the nature of the default, entitle us to terminate each such Franchise Agreement. Notwithstanding the foregoing, in the event that the Area Development Agreement is terminated as a result of the failure to comply with the Development Schedule set forth therein, such termination of the Area Development Agreement will not result in a termination of a Franchise Agreement if you have fully performed and otherwise been in compliance with all of your obligations under such Franchise Agreement.

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following are historical financial performance representations for the calendar year ended December 31, 2023. As of December 31, 2023, we had one Corporate Restaurant operated by our affiliate

and 28 franchised Restaurants operated by franchisees that were open and operating for the entirety of the 2023 calendar year.

A. STATEMENT OF HISTORIC GROSS SALES FOR CORPORATE AND FRANCHISED RESTAURANTS IN CALENDAR YEAR 2023

In the tables below, we report gross Restaurant sales data from our sole Corporate Restaurant and our franchised Restaurants that were open for the entire 2023 calendar year. The disclosures present the average and median gross sales performance of these Restaurants in calendar year 2023. The information is based on revenue reports we received from our franchisees, which were not audited, and the revenue and expense reports of our Corporate Restaurant, which were also not audited. The Restaurants reported offer substantially the same products and services to the public as you will offer as a franchisee operating a franchised Restaurant. We have not excluded any Restaurants that were open and operating for 12 months or longer as of December 31, 2023.

We report this information in two tables, organized according to how long the Restaurants have been in operation. Table 1 presents gross Restaurant sales information about a subset of all Restaurants that were open and operating during all of calendar year 2023, namely, those Restaurants that have been operating for 24 months or longer as of December 31, 2023. The Restaurants reported in Table 1 include our sole Corporate Restaurant and 14 franchised Restaurants. In Table 2, we report gross Restaurant sales information for all Restaurants that were open and operating for 12 months or longer as of December 31, 2023, which consists of our sole Corporate Restaurant and 28 franchised Restaurants. In both tables, we have presented information on the average, median, high, and low gross Restaurant sales for calendar year 2023.

TABLE 1 – RESTAURANTS THAT HAVE BEEN OPERATING MORE THAN 24 MONTHS AS OF DECEMBER 31, 2023

	2023 Actual Annual Gross Restaurant Sales ⁽¹⁾		
	Corporate	Franchised ⁽²⁾	All Restaurants ⁽³⁾
Number of Restaurants	1	14	15
Average ⁽⁴⁾	\$2,537,832	\$1,760,761	\$1,812,565
Median ⁽⁵⁾	\$2,537,832	\$1,883,919	\$1,971,268
Low	\$2,537,832	\$972,804	\$972,804
High	\$2,537,832	\$2,846,953	\$2,846,953
#/% at or above average	1/100%	8/57%	8/53%
#/% below average	0/0%	6/43%	7/47%

TABLE 2 – ALL RESTAURANTS OPEN FOR ENTIRE 2023 CALENDAR YEAR

	2023 Actual Annual Gross Restaurant Sales ⁽¹⁾		
	Corporate	Franchised ⁽⁶⁾	All Restaurants ⁽⁷⁾
Number of Restaurants	1	28	29
Average ⁽⁴⁾	\$2,537,832	\$1,487,056	\$1,523,289
Median ⁽⁵⁾	\$2,537,832	\$1,365,852	\$1,407,026
Low	\$2,537,832	\$863,557	\$863,557
High	\$2,537,832	\$2,846,953	\$2,846,953
#/% at or above average	1/100%	13/46%	14/48%
#/% below average	0/0%	15/54%	15/52%

- (1) Gross Restaurant sales means the total revenue derived from the sale of goods less sales tax. This is different than the definition of Gross Sales that we use elsewhere in this disclosure document and in the Franchise Agreement, as we have not excluded discounts (including pursuant to loyalty programs), allowances and returns.
- (2) This data reflects gross Restaurant sales from 2023 of the 14 franchised Restaurants that, as of December 31, 2023, were open and had been operating 24 months or longer.
- (3) This data reflects gross Restaurant sales from 2023 of the 15 Restaurants that, as of December 31, 2023, were open and had been operating 24 months or longer, which includes 14 franchised Restaurants and one Corporate Restaurant.
- (4) This number reflects the aggregate gross Restaurant sales for all Restaurants within the stated category divided by the number of Restaurants in the stated category.
- (5) This number reflects the median gross Restaurant sales for the Restaurants in the stated category.
- (6) This data reflects gross Restaurant sales from 2023 of all 28 franchised Restaurants open and operating for all of calendar year 2023. Information from franchised Restaurants that opened after December 31, 2023, are not included as they were not open for the entire 12-month period ending December 31, 2023.
- (7) This data reflects gross Restaurant sales from 2023 for all 29 Restaurants that were open and had been operating 12 months or longer as of December 31, 2023, including 28 franchised Restaurants and one Corporate Restaurant. No franchised or Corporate Restaurants closed in 2023.

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

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B. STATEMENT OF PROFIT AND LOSS OF CORPORATE RESTAURANT IN CALENDAR YEAR 2023

The following is an actual profit and loss statement from 2023 for our only Corporate Restaurant. This Corporate Restaurant, which is located in the Minneapolis, Minnesota area, was open and operating during all of calendar year 2023. The gross sales reported below are also reflected in the “Corporate” and “All Restaurants” columns in Tables 1 and 2 above.

Sole Corporate Restaurant Sales and Expenses for the Calendar Year Ended December 31, 2023		
Gross Restaurant Sales ⁽¹⁾	\$2,537,832	
Cost of Goods Sold ⁽²⁾	(\$799,762)	31.51%
Labor and Benefit Costs ⁽³⁾	(\$621,570)	24.49%
Local Advertising Costs ⁽⁴⁾	(\$11,932)	0.47%
Other Operating Costs ⁽⁵⁾	<u>(\$410,422)</u>	16.17%
Net Profit <u>Before</u> Occupancy and Depreciation	\$694,146	27.35%
Occupancy Costs ⁽⁶⁾	(\$183,221)	7.22%
<u>Net Profit Before Depreciation and Franchise Fees⁽⁷⁾</u>	<u><u>\$510,925</u></u>	20.13%
Monthly Technology Fee to Franchisor under Franchise Agreement ⁽⁸⁾	(\$8,940)	0.35%
Cost of Other Reasonably Expected Monthly Fees to Franchisor Under Franchise Agreement ⁽⁸⁾	<u>(\$228,405)</u>	9.00%
Adjusted Net Profit Before Depreciation	\$273,581	10.78%

Notes:

Percentages are as a percentage of annual gross Restaurant sales.

- (1) Gross Restaurant sales means the total revenue derived from the sale of goods less sales tax. This is different than the definition of Gross Sales that we use elsewhere in this disclosure document and in the Franchise Agreement, as we have not excluded discounts (including pursuant to loyalty programs), allowances and returns.
- (2) Includes food and beverage costs as well as the cost of disposables (cups, utensils, napkins, etc.).
- (3) Includes direct labor costs and overtime, as well as management salaries and bonuses. Additionally, included in the category are employee benefits costs comprised of payroll taxes, and paid time-off. This Corporate Restaurant receive occasional support from staff of Parent, whose salaries are not charged back to these Restaurants. Employee compensation and employee benefit costs vary significantly from state to state and are in part dependent upon the employee benefit plans you will select as a franchisee.
- (4) Local advertising costs consist of actual costs incurred for this Corporate Restaurant with third parties. If you purchase a franchise, your required local marketing expenditure will range from 0% to 4.5% of Gross Sales. We have a required local marketing expenditure of 4.5% of Gross Sales, however you have the ability to reduce this requirement by meeting certain standards. If you do

not meet these standards, your local advertising costs could be significantly higher than the figures shown here.

- (5) Operating costs include all other Corporate Restaurant operating costs, such as costs of supplies, utilities, repair and maintenance, insurance, monthly POS system costs, and bank/credit card charges. However, these costs exclude occupancy costs and depreciation.
- (6) Occupancy costs include rent, percentage rent, common area maintenance, real estate taxes, and promotional and other miscellaneous lease expenses.
- (7) The expenses presented do not include the initial franchise fee described in Item 5 (or any initial startup or pre-opening costs/fees), or other fees that you will be responsible for pay to the franchisor if you purchase a franchise.
- (8) The other reasonably expected monthly fees payable to us included in these lines are our Technology Fee of \$745 per month, the Royalty Fee of 7% of Gross Sales, and the currently charged National Marketing Fee of 2% of Gross Sales.

Typically, restaurants achieve lower returns in their first year of operation. Sales and costs will vary from Restaurant to Restaurant and will depend upon many variables and factors, including size, location, type of business premises, seasonality, socio economic conditions of the population surrounding the Restaurant, competition, general economic conditions, the condition and attractiveness of the Restaurant, relationships with customers, the reputation for quality of service at the Restaurant, how effectively the operator participates in our programs and market, and the efficiency with which the operator operates the Restaurant.

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

Written substantiation for the financial performance representation will be made available to prospective franchisees upon request.

Other than the above financial performance representation, we do not make any financial performance representations about a franchisee's future financial performance or the past financial performance of company-owned outlets or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Steele Smiley, Crisp & Green Franchising LLC, 746 Mill Street East, Wayzata, Minnesota 55391, 952-855-8400, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2021, 2022, and 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	4	12	+8
	2022	12	28	+16
	2023	28	45	+17
Company Owned*	2021	3	3	0
	2022	3	1	-2
	2023	1	1	0
Total Outlets	2021	7	15	+8
	2022	15	29	+14
	2023	29	46	+17

* Corporate Restaurants are owned and operated by our affiliates.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021, 2022, and 2023

State	Year	Number of Transfers
Minnesota	2021	0
	2022	0
	2023	4
North Carolina	2021	0
	2022	0
	2023	1
Total*	2021	0
	2022	0
	2023	5

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