

FRANCHISE DISCLOSURE DOCUMENT



HOULIHAN'S RESTAURANTS, INC.
A Delaware Corporation
8700 State Line Road, Suite 100
Leawood, Kansas 66206
(913) 901-2500
www.houlihans.com

The franchisee will operate a Houlihan's Restaurant. Houlihan's Restaurants are stylish, casual restaurants and bars with an "indie" mentality, delivering on-trend drinks and contemporary-classic food with interest and fun.

The total investment necessary to begin operating a Houlihan's franchise ranges from \$1,960,000 to \$4,194,000. This includes \$40,000 to \$50,000 that must be paid to us. If you sign a Development Agreement, you also must pay us a development fee ranging from \$10,000 to \$25,000 for each restaurant that you agree to develop.

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

You may wish to receive your franchise disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Cindy Parres, General Counsel, Houlihan's Restaurants, Inc., 8700 State Line Road, Suite 100, Leawood, Kansas 66206 and (913) 901-2500.

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

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

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

Issuance Date: January 24, 2014

STATE COVER PAGE

Your state may have a franchise law that requires us to register or file with a state administrator before offering or selling franchises in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about us or franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT GENERALLY REQUIRES YOU TO RESOLVE DISPUTES WITH HOULIHAN'S FIRST BY MEDIATION AND THEN LITIGATION ONLY IN THE CITY/JUDICIAL DISTRICT WHERE HOULIHAN'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. OUT-OF-STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US AND/OR SUE US IN THAT STATE THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT KANSAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE YOU WITH THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Certain states require franchisors to make additional disclosures related to the information contained in this disclosure document. These disclosures are contained in Exhibit J to this disclosure document.

The Effective Date: See the next page for state effective dates.

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Indiana:
Illinois:
Maryland:
Michigan:
Minnesota:
New York:
Virginia:
Wisconsin:

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of January 24, 2014.

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Exhibits

- A – List of State Administrators
- B – Agents for Service of Process
- C – Financial Statements
- D – Development Agreement
- E – Franchise Agreement
- F – Addendum to Franchise Agreement for Hotel Locations
- G – Recruiting Services Agreement
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- I – List of Developers and Franchisees
- J – Additional Information Required by Certain States
- Receipts

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “Houlihan’s” refers to Houlihan’s Restaurants, Inc., the franchisor. “You” refers to both you as a developer under the Development Agreement and you as a franchisee under all related Franchise Agreements. The developer/franchisee may be a person, corporation, partnership or limited liability company. If the developer/franchisee is a corporation, partnership or limited liability company, “you” does not include the owners of interests in the corporation, partnership or limited liability company. Unless otherwise stated, all references in this disclosure document to “Agreements” will include both the Development Agreement and the Franchise Agreement.

Houlihan’s was incorporated in Delaware on September 16, 1992 under the name Gilbert/Robinson, Inc. and is the successor to a restaurant business founded in 1962, also named Gilbert Robinson, Inc. (“G/R”). Houlihan’s maintains its principal offices at 8700 State Line Road, Suite 100, Leawood, Kansas 66206. Houlihan’s agents for service of process are listed in Exhibit B. Houlihan’s is a wholly-owned subsidiary of HRI Holding Corp. (“HHC”). HHC is a Delaware corporation formed on May 16, 2007 with the same principal place of business as Houlihan’s.

Houlihan’s develops, operates and services a system of full-service, casual dining restaurants specializing in the sale of high quality, moderately priced food and alcoholic beverages in an attractive and casual setting. Houlihan’s Restaurants are open seven days a week, serving lunch, dinner and late evening meals. G/R opened the first Houlihan’s Restaurant in 1972. As of September 29, 2013, Houlihan’s operated, either directly or through wholly owned subsidiaries, 50 restaurants. These were comprised of 35 Houlihan’s Restaurants, 10 seafood restaurants and 5 J. Gilbert’s Restaurants. As of September 29, 2013, Houlihan’s had 47 franchised Houlihan’s Restaurants and one licensed seafood restaurant.

G/R began offering franchises in 1984 only to franchisees in New York City. In January 1994, Houlihan’s began the current program of offering Houlihan’s franchises for locations outside of New York City. Houlihan’s and its predecessors have conducted a business of the type described in this disclosure document since 1972. Houlihan’s and its predecessors have never been involved in any type of business other than the restaurant businesses described in this disclosure document. In 2014, Houlihan’s plans to begin offering J. Gilbert’s franchises for sale. Except as described in this Item 1, neither Houlihan’s, nor its predecessors or its affiliates have offered franchises in any line of business other than Houlihan’s Restaurants. Houlihan’s conducts business only under its corporate name and the names described below.

Houlihan’s Restaurants

Houlihan’s largest restaurant concept is the “Houlihan’s” restaurant concept. Houlihan’s Restaurants are stylish, casual restaurants and bars with an “indie” mentality, delivering on-trend drinks and contemporary-classic food with interest and fun. Committed to originality, quality and forward style, Houlihan’s Restaurants offer new taste and everyday fare, so their adult audience can be daring in small increments and experience a sense of adventure.

Houlihan’s Restaurants are characterized by a distinctive system, the distinguishing characteristics of which include exterior and interior design, décor, color scheme and furnishings; construction specifications; signs and equipment for the premises; special recipes and menu items; procedures, specifications and formulae for preparing food and beverage products; standards, specifications and procedures for inventory, operations and manual control; initial and ongoing management training, teaching techniques and assistance; advertising and promotional programs; and financial control concepts, all of which Houlihan’s may occasionally change, improve and develop from time to time (“System”). The System is identified by means of certain trade names, service marks, trademarks, trade dress, logos, emblems and indicia of origin, including the mark “Houlihan’s” (“Marks”), to be used with the System. Every component of the System is important to Houlihan’s.

Houlihan's Other Restaurants

Seafood Restaurants. The seafood restaurants compete in the upscale casual restaurant market. These restaurants target special occasion and business entertainment diners by offering an extensive selection of seafood and steaks, a high level of service and well-appointed facilities. As of September 29, 2013, Houlihan's operated 10 seafood restaurants in the following cities: Leawood, Kansas; O'Fallon, Missouri; Creve Coeur, Missouri; and Kansas City, Missouri (operating under the name "Bristol Seafood Grill"); Atlanta, Georgia (operating under the name "Chequers Seafood and Steak"); Philadelphia, Pennsylvania and Chicago, Illinois (operating under the name "Devon Seafood Grill"); Oakbrook Terrace, Illinois; Milwaukee, Wisconsin; and Miami, Florida (operating under the name "Devon Seafood and Steak"). Houlihan's has one licensed seafood restaurant operating under the Devon Seafood Grill name in Hershey, Pennsylvania.

J. Gilbert's Restaurants. As of September 29, 2013, Houlihan's operated 5 upscale polished casual steakhouses under the name "J. Gilbert's". These Restaurants are located in Overland Park, Kansas; Des Peres, Missouri; Glastonbury, Connecticut; McLean, Virginia; and Worthington, Ohio. J. Gilbert's competes in the upscale casual restaurant market and features a menu that is printed daily and specializes in USDA choice aged steaks, chicken and seafood. We plan to begin offering J. Gilbert's restaurant franchises for sale in 2014.

Currently, we franchise only the Houlihan's concept. Houlihan's may or may not offer other franchises in the future, and it also may develop other restaurant concepts, some of which may be sold as franchises. Houlihan's expects that any of these restaurant concepts would utilize trademarks or service marks that are different from the marks described in Item 13. You would have no rights associated with any trademarks, service marks or restaurant concepts that Houlihan's may develop and use in connection with these other concepts.

Description of Franchise Offered

General. The franchise to which this disclosure document relates involves a plan for the development and operation of restaurants operating under the System and the Marks ("Restaurant(s)") within a defined geographic area ("Territory"). Pursuant to this disclosure document, you can purchase the rights to develop and operate one or more franchised Houlihan's Restaurants in a Territory under a Development Agreement (Exhibit D). Upon your execution of the Development Agreement, you will pay a nonrefundable development fee (as described in more detail in Item 5) to Houlihan's for each Restaurant you agree to develop and open under the Development Agreement. Pursuant to the terms of the Development Agreement, you will have the right to request Houlihan's consent to your development of additional Restaurants ("Additional Restaurants") in the Territory during the term of the Development Agreement. You must pay a nonrefundable development fee to Houlihan's for each Additional Restaurant when Houlihan's grants you the right to develop the Additional Restaurant. You must develop and operate the Additional Restaurants according to Houlihan's then-current standards and specifications.

Following Houlihan's consent to a site for a Restaurant, you will sign a Franchise Agreement (Exhibit E), which will identify the site and govern the construction, opening and operation of the Restaurant, and you will pay to Houlihan's an initial franchise fee (as described in Item 5). Upon Houlihan's receipt of the initial franchise fee and the signed Franchise Agreement (including the Guaranty attached to the Franchise Agreement), Houlihan's will sign the Franchise Agreement. If you develop the Restaurant in a hotel, you and Houlihan's will also sign the Addendum to the Franchise Agreement for Hotel Locations (Exhibit F). You must at all times maintain the Restaurant in strict conformance with the System and all requirements, instructions, directives and specifications as Houlihan's may occasionally establish in the set of Houlihan's manuals on restaurant operations ("Manuals") or as otherwise provided in writing or through electronic media to you by Houlihan's.

Market and Competition. The market for restaurant services is well-established. Houlihan's Restaurants compete with other national and local restaurant businesses that provide similar food and beverage products and services to the general public. The restaurant business is highly competitive in price, service, restaurant location and food quality, and is often affected by changes in consumer tastes, economic conditions, population and traffic patterns. Houlihan's believes, however, that Houlihan's Restaurants have particular appeal because of their distinctive features. Houlihan's believes that these features, combined with a high level of service, good value and a wider variety of menu items, appeal to all ages and encourage regular patronage by both families and adult groups.

Location. Houlihan's Restaurants are typically in suburban locations. They may be constructed as free-standing buildings or as in-line premises. Proximity to suburban office buildings and/or shopping malls and shopping centers is desirable.

Industry-Specific Laws and Regulations. Your Restaurant will be subject to various federal, state and local laws and regulations affecting the restaurant business, including state and local licensing, zoning, land use, construction, environmental regulations and various health, sanitation, safety and fire standards. Your Restaurant will be subject to state and local liquor licensing laws and regulations. The failure to receive or retain a liquor license, or delay in obtaining a liquor license, in a particular location could adversely affect your Restaurant's operations at that location. More stringent and varied requirements, particularly at the local level, may increase the cost and time required to develop and open Restaurants. Difficulties in obtaining necessary licenses or permits could cause delays in or cancellations of Restaurant openings. In most states, Houlihan's Restaurants are subject to "dram shop" laws, which impose liability on licensed alcoholic beverage servers for injuries or damages caused by their negligent service of alcoholic beverages to a visibly intoxicated person or to a minor if that service is the proximate cause of the injury or damage or that injury or damage is reasonably foreseeable. Your Restaurant also will be subject to employment laws, such as the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act and various state laws governing matters including minimum wages, overtime and working conditions. In addition, the Americans With Disabilities Act may require you to expend certain amounts in the future in connection with ongoing remodeling of your Restaurant to comply with the legislation. The operation of your Restaurant may require a license for baking and preparing and serving food on-premises. Your Restaurant must also comply with local fire codes. Your Restaurant will also be subject to other laws or regulations that are not specific to the industry but apply to businesses generally.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer & Director: Robert Hartnett

Mr. Hartnett has held this position since October 2001.

Chief Development Officer & Chief Financial Officer: Robert Ellis

Mr. Ellis has held the position of Chief Financial Officer since October 2001 and the position of Chief Development Officer since August 2006.

Chief Legal Officer and Vice President of Human Resources: Cynthia D. Parres

Ms. Parres has held the position of Chief Legal Officer and Vice President of Human Resources since July 2007.

Executive Vice President of Operations: Louis Ambrose

Mr. Ambrose has held this position since August 2007. From May 1997 to August 2007, he served as Houlihan's Vice President of Operations, Specialty Concepts.

Senior Vice President, Marketing: Jen Gulvik

Ms. Gulvik has held this position since March 2012. From August 2006 to March 2012 she served as Houlihan's Vice President of Marketing. From August 2002 to August 2006, she served as Houlihan's Creative Director and Brand Manager.

Vice President of Information Technology: Christopher Corp

Mr. Corp has held this position since December 2001.

Vice President, Purchasing: Murray Meikenhous

Mr. Meikenhous has held this position since July 2000.

Vice President of Operations: Amy N. Fasholt-Fisher

Ms. Fasholt-Fisher has held this position since July 2013. From June 1995 to July 2013, she served as Houlihan's Regional Operations Director.

National Franchising Development Director: Warren Lane

Mr. Lane has held this position since July 2013. From April 2002 to July 2013, he held the position of Regional Operations Director.

Director: Van Zandt Hawn

Mr. Hawn became a Director in December 2012. He has been a Managing Director of Goldner Hawn in Minneapolis, Minnesota since April 1989.

Director: Tim Johnson

Mr. Johnson became a Director in May 2009. He is the Founder of Goldner Hawn in Minneapolis, Minnesota and has been its Managing Partner since April 1989.

Director: George Shadid

Mr. Shadid became a Director in July 2007. Mr. Shadid presently provides financial consulting services to private clients. From September 2006 until 2013, he served as Chief Financial Officer of Westlake Hardware in Kansas City, Missouri. From August 2004 to August 2006, Mr. Shadid was Chief Financial Officer of American Italian Pasta Company, a publicly held company based in metropolitan Kansas City, Missouri.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

You must pay to Houlihan's both a development fee and an initial franchise fee as more specifically set forth below.

Development Fee. When you sign a Development Agreement, you must pay to Houlihan's a development fee that ranges from \$10,000 to \$25,000 for each Restaurant that you will develop under the Development Agreement. The development fee will be determined by Houlihan's in its sole discretion and will vary based on the size, income level, population density and other demographic characteristics of the Territory. The development fee is due at the time the Development Agreement is signed. If you seek to develop any Additional Restaurants under the Development Agreement, you must pay an additional development fee when you notify Houlihan's of your intention to develop each Additional Restaurant. No portion of the development fee is refundable under any circumstances; the fee is paid in consideration of the administrative and other expenses incurred by Houlihan's and for the opportunities lost or deferred as a result of the rights granted in the Development Agreement. The development fee will not be applied to the initial franchise fee due under any Franchise Agreement.

Initial Franchise Fee. The initial franchise fee is \$50,000 if you are developing one Restaurant. If you have signed a Development Agreement to develop multiple Restaurants, the initial franchise fee is \$40,000 for each Restaurant. The initial franchise fee must be paid to Houlihan's when you sign the Franchise Agreement. The initial franchise fee is fully earned when paid, is non-refundable, and is paid in consideration of the administrative and other expenses incurred by Houlihan's and for the opportunities lost or deferred as a result of the rights granted in the Franchise Agreement.

ITEM 6

OTHER FEES

TYPE OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Royalty	4% of Gross Revenues (2)	Every Wednesday based on the Gross Revenues of the preceding week	Payments are due by electronic funds transfer.
Required Marketing Expenditure	At least 1.7% and up to 4.5% of Gross Revenues		For local advertising and National Marketing Fund contributions.
National Marketing Fund Contributions	Currently, 0.7% of Gross Revenues	Same as royalty fee	The purposes for which Houlihan's may use these contributions are explained in Item 11.

TYPE OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Local Advertising	Difference between required marketing expenditure and the amount you contribute to the Marketing Fund; currently, 1.0% of Gross Revenues	Not paid to Houlihan's	The local advertising requirement is explained in Item 11.
Market Cooperative	Amount set by the cooperative.	Same as royalty fee	There currently are no Market Cooperatives. If established in your market, you must join the cooperative and your contributions will be credited against your local advertising requirements. See Item 11 for additional details.
Training	Houlihan's out-of-pocket expenses to provide the training, including food, lodging and travel expenses of the trainers	Upon demand	Houlihan's training programs are described in detail in Item 11.
Additional Training	Reasonable tuition fee	Upon demand	Houlihan's may charge a reasonable tuition fee for refresher training programs that you may be required to complete.
Reimbursement of Insurance Costs	Cost of obtaining coverage	Immediately upon receipt of invoice	If you fail to obtain and maintain the required insurance, Houlihan's may procure the insurance and charge its costs, along with any expenses incurred by Houlihan's. See Note 3 for additional information regarding the insurance coverage you must obtain.
Indemnification	The losses and expenses incurred by Houlihan's	As incurred	You must indemnify and hold Houlihan's and our affiliates harmless against all actions arising directly or indirectly from the Agreements.
Audit and Inspection Costs	Deficiency in amounts owed, plus interest	Upon completion of audit	If the deficiency exceeds 2% or if an audit is required due to your failure to comply with the Agreements, you must pay the reasonable cost of the audit, all amounts owed and interest.
Transfer Fee	\$7,500 or, if Houlihan's reasonable costs and expenses to review the transfer exceed \$7,500, that greater amount	Time of transfer	Transfers are subject to Houlihan's prior written approval.

TYPE OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Relocation Review Fee	\$2,500	At time of request for approval of the new location	If you lose the right to occupy the premises of the Restaurant, other than as the result of a default by you, then you may apply to relocate the Restaurant within the Protected Area. The relocation process is described in greater detail in Item 12.
Renewal Fee (Franchise Agreement)	\$10,000 for a 5-year renewal term	At time of renewal	
Interest	Interest on the amount owed from the date it was due until paid	When any payment is overdue	The interest rate is the lesser of the maximum rate permitted by law, or 18% per annum.
Taxes	You must reimburse Houlihan's for any taxes, fees or assessments imposed on Houlihan's in connection with licensing the Marks or payment of royalties	Within 30 days of invoice	
Software License Fee	Currently, \$7,500 per year	Upon execution of the Software License and Support Agreement (Exhibit H) and upon each anniversary of the execution date of that Agreement	
Support Service Fees and Expenses	Houlihan's regular hourly rates (currently, \$125 per hour) and the out-of-pocket expenses of Houlihan's employees who travel to the Restaurant to provide support services	As incurred	If we, in our reasonable discretion, elect to provide help desk support services for your computer system and software at your Restaurant, you must pay for the services of our employees that may be reasonably required.
Recruiting Services Fee	\$1,750 initial fee to begin search; \$1,000 - \$1,750 for each manager position; see Note 4 for additional information	50% upon engaging Houlihan's and 50% upon your hiring a candidate presented by Houlihan's	You may request Houlihan's assistance in providing certain recruiting services under the Recruiting Services Agreement (Exhibit G). You must also reimburse Houlihan's for all out-of-pocket expenses incurred by Houlihan's that are uniquely related to assisting you under the Recruiting Services Agreement.

TYPE OF FEE (1)	AMOUNT	DUE DATE	REMARKS
Costs of Enforcement	Houlihan's damages, costs and expenses	Upon demand	You must pay Houlihan's all damages, costs and expenses, including court costs and reasonable attorneys' fees incurred in successfully enforcing the terms of the Franchise Agreement and Development Agreement.
Collection Costs and Expenses	Our costs and expenses	On demand, if required	
New Product and Supplier Testing	Reasonable cost of evaluation and testing	As incurred	If you propose to purchase any items from a supplier that we have not previously approved, you must submit to Houlihan's a written request, which evidences that the supplier conforms with Houlihan's specifications. Houlihan's may require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered to Houlihan's or an independent testing facility designated by us.
800 Number, Secret Shopper, Food Safety, Responsible Beverage and Audit Programs	All costs associated with the 800 number, secret shopper, online customer satisfaction survey, food safety, responsible beverage and audit programs and other programs as Houlihan's may require.	As incurred	
Damages for Employee Raiding	Annualized compensation for final 12 months of employment with former employer	Upon demand	If you employ, seek to employ, or otherwise directly or indirectly induce any employee to leave his/her employment with Houlihan's or any other franchisee or developer of Houlihan's, you must pay Houlihan's or the other franchisee or developer of Houlihan's, as appropriate, liquidated damages.

NOTES

(1) Unless otherwise noted, all fees are imposed by, collected by and payable to Houlihan's and are not refundable. Generally, all fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may reduce or waive a fee for a particular franchisee for a limited period of time.

(2) "Gross Revenues" means all revenues or receipts of any kind constituting the actual sales price, whether wholly or partly in cash, credit, check, charge account, barter, exchange or otherwise, derived from the operation of the Restaurant, including all revenues or receipts from all goods, wares and merchandise (including sales of food, beverages and tangible property of every kind and nature, promotional or otherwise) and services sold from the Restaurant premises, all catering business, special events or other

revenue derived from the utilization of the Marks and/or confidential or proprietary information licensed under the Franchise Agreement, whether or not the food is prepared at the Restaurant and whether or not the orders are taken or filled at the Restaurant. Gross Revenues will not be reduced by any (a) deductions for cash shortages incurred in connection with the transaction of business with customers; (b) credit card company charges; or (c) theft that is reimbursed by insurance or is not reported to the appropriate police authorities.

“Gross Revenues” will not include: (a) the sale of items for which cash has been refunded or, except as set forth above, not received or allowances made for merchandise if the sales of any of these items will have been previously included in Gross Revenues; (b) the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and intended to be collected from customers, if the amount is added to the selling price and actually paid by you to that governmental authority; (c) the sale of merchandise for which a gift certificate or a stored value gift card is redeemed, if the initial sale of that gift certificate or stored value gift card has been previously included in Gross Revenues; (d) the sale of meals to employees; and (e) one-time sales of furniture, fixtures and equipment. Gross Revenues are deemed received when the sale is made or product or service delivered to the customer, whichever occurs first. Each charge or sale upon installment or credit will be treated as a sale for the full price in the month during which that charge or sale is first made, regardless of the time when you receive payment (whether full or partial).

(3) During the term of the Franchise Agreement, at your expense, in a form and with insurers satisfactory to Houlihan’s, you must maintain in effect any insurance as may be required by the terms of any lease or mortgage covering the Restaurant premises. You must also maintain:

(a) Fire, extended coverage, vandalism and malicious mischief insurance for the full replacement value of the Restaurant premises, improvements and contents;

(b) Comprehensive general liability and automobile insurance with limits of at least \$2,000,000 combined for bodily injury or death and property damage with umbrella liability coverage of \$10,000,000 naming Houlihan’s, its affiliates and their respective officers, directors and employees as additional insureds. This insurance must include coverage for dram shop (or similar) liability with limits of not less than \$5,000,000 per occurrence and not less than \$10,000,000 aggregate with dedicated limits per location; and

(c) Workers compensation or similar insurance in amounts required by law (including coverage for your trainees when attending training).

The insurance must be placed with an insurance company or companies with an A.M. Best Rating of “A” and an A.M. Best Class Rating of XIV. Houlihan’s may increase the minimum policy limits for these insurance policies or require you to obtain additional types of insurance indicated in the Manuals or otherwise indicated writing.

Contemporaneously with the execution of the Franchise Agreement, during the term of the Franchise Agreement and at any time when you make any change in the coverage required by the Franchise Agreement, you must furnish Houlihan’s annually with certificates from the carriers naming Houlihan’s, its officers, directors and employees as additional insureds and evidencing that this insurance is in full force and effect. This certificate must also provide that no policy required by the Franchise Agreement may be canceled or otherwise terminated by the carrier except upon 30 days prior written notice to Houlihan’s.

If you do not obtain and maintain the insurance required by the Franchise Agreement, Houlihan's has the right to procure the insurance on your behalf (but will have no obligation to do so), and you must on demand pay Houlihan's for any and all costs or expenses associated with this payment. Houlihan's or its insurer will have the complete right to discuss with your carrier or any claimant all claims pertaining to the policies.

Your obligation to obtain and maintain the insurance required by the Franchise Agreement will not be limited in any way by reason of any insurance that may be maintained by Houlihan's, nor will your performance of that obligation relieve you of liability under the indemnity provisions of the Franchise Agreement. The insurance coverage required by the Franchise Agreement will be primary to any policies maintained by Houlihan's or its affiliates and shall contain a specific waiver of subrogation. You must pay insurance costs directly to the insurer, except if Houlihan's provides insurance on your behalf, and in that case, you must reimburse Houlihan's for the costs of the insurance.

At all times during the construction of each Restaurant to be developed under the Development Agreement, you must maintain insurance coverage protecting Houlihan's. This insurance must be in a form and with insurers satisfactory to Houlihan's.

(4) If you engage Houlihan's to provide recruiting services for more than one manager in a Restaurant, the fee for the second manager will be \$2,000, the fee for the third manager will be \$1,500 and the fee for each additional manager will be \$1,000. In addition, if you do not ask Houlihan's to provide sourcing services, the fee for a manager position will be \$1,500 (or, if applicable, the lower amount as described in the preceding sentence).

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Except as otherwise described in the following notes, this chart provides an estimate of your initial investment for a single, new Restaurant and the costs necessary to begin operation of your Restaurant. All costs listed above are estimates only. Actual costs will vary for each franchisee and each location depending upon a number of factors.

TYPE OF EXPENDITURE (1)	AMOUNT (per Restaurant) LOW RANGE	AMOUNT (per Restaurant) HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee (2)	\$10,000	\$10,000	Lump sum	Upon signing of Agreement	Houlihan's
Initial Franchise Fee (2)	\$40,000	\$50,000	Lump sum	Upon signing of Agreement	Houlihan's
Engineering and Other Development Costs	\$30,000	\$100,000	As arranged	As incurred	Suppliers, Professionals Consultants
Site Development Costs (3)	\$0	\$500,000	As arranged	As incurred	Owner of Property, Contractors, Suppliers

TYPE OF EXPENDITURE (1)	AMOUNT (per Restaurant) LOW RANGE	AMOUNT (per Restaurant) HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Building Costs (e.g. purchase, construction, remodeling, etc.) (4)	\$700,000	\$1,800,000	As arranged	As incurred	Owner of Property, Contractors, Suppliers
Furniture, Fixtures, Equipment and Signage (5)	\$700,000	\$900,000	As arranged	As incurred	Suppliers
Smallwares (e.g., dishes, silverware, other utensils, etc.) (6)	\$40,000	\$60,000	As arranged	As incurred	Suppliers
Initial Inventory (7)	\$20,000	\$30,000	As arranged	As incurred	Suppliers
Utility Expenses (8)	\$8,000	\$10,000	As arranged	As incurred	Utility and Telephone Companies
Permits and Licenses (9)	\$2,000	\$20,000	As arranged	As incurred	Governmental Authorities
Insurance Expense (10)	\$75,000	\$100,000	As arranged	As incurred	Suppliers
Hiring and Training (11)	\$125,000	\$175,000	As arranged	As incurred	Suppliers
Initial Advertising Expenses (12)	\$10,000	\$39,000	As arranged	As incurred	Suppliers
Additional Funds – 3 months (13)	\$200,000	\$400,000	N/A	N/A	N/A
Real Estate (14)	Varies	Varies	As arranged	As incurred	Owner of Property
Liquor License (15)	Varies	Varies	As arranged	As incurred	Governmental Authority
TOTAL (16)	\$1,960,000	\$4,194,000	(Estimate does not include cost of real estate or liquor license.)		

NOTES

(1) Costs paid to Houlihan's as described in this Item 7 are non-refundable. Whether any costs paid to third parties are refundable will vary based on the practice in the area where your Restaurant is located.

(2) For more information regarding the Development Fee and the Initial Franchise Fee, see Item 5.

(3) Site development costs will vary widely, depending on the size and condition of the property; development-specific requirements for landscaping, lighting, irrigation and design aesthetics; the work performed or the share of site costs borne by you and/or the landlord; and other factors. Components of site costs may include, but are not limited to, survey, grading, testing backfill, asphalt paving curbs, sidewalks, lighting, landscaping and irrigation. Houlihan's restaurants are generally located at a pad site or high visibility end cap site in highly attractive retail locations with access to substantial convenient parking and architectural design standards that allow us to incorporate certain key design elements.

(4) The estimate for building costs includes purchases of building materials, construction, remodeling, site costs, grading, pavement, asphalt, basic utilities and storm retention. However, this estimate assumes that there are no unusual site conditions and that adequate utilities are available at or adjacent to the construction site. Finally, in certain jurisdictions, the building costs may be higher than described in the chart due to factors such as the local labor costs or zoning/code requirements associated with the location.

(5) The estimate given covers the cost of the following items: (a) a kitchen and bar package; (b) equipment for exhaust and refrigeration systems; (c) exterior graphics; (d) door signage; (e) the décor package; (f) the point-of-sale system; and (g) furnishings and millwork. The lower figure assumes an in-line premises; the higher cost is for a freestanding prototype Restaurant with extensive signage and full patio.

(6) The estimate includes restaurant smallwares, such as cooking, serving and other utensils for food preparation and service.

(7) Houlihan's estimates that the range given will be sufficient to cover inventory needs for normal operations. Opening inventory reflects the costs of consumable inventory items such as food, liquor, cleaning supplies and paper goods necessary on opening day. These items must be replenished as consumed. At the time the Restaurant opens, you must stock and display the initial inventory of products, accessories, equipment and supplies required by Houlihan's in the Manuals or otherwise in writing. You must then stock and maintain all types of approved products in quantities sufficient to meet reasonably anticipated customer demand.

(8) The estimate is for one month's utility costs plus deposits. These deposits and the method of payment will depend upon the location of the Restaurant and your creditworthiness. These deposits may be refundable to you at a later time. In most cases, you will have to pay electric, gas, water and other utilities directly to the provider of the services. Some landlords cover some utility charges through common area maintenance fees or operating fees.

(9) This estimate includes the estimated cost of building and zoning permits and business operating licenses. This estimate excludes potential impact or tap fees and engineering soft costs, which will vary depending on the location. The total cost of obtaining these permits and licenses will vary according to local standards and regulations. You should consult your lawyer about the specific legal requirements for business licenses, building and zoning permits and related types of expenses in your local area or municipality.

(10) During the term of the Franchise Agreement, at your expense, you must maintain the insurance required by the terms of any lease or mortgage covering the Premises. In any event, you must maintain the insurance designated in the Franchise Agreement and the Manuals. The costs of insurance will vary depending on the bidding process, the number of employees, the location of the Restaurant and the value of equipment and improvements.

(11) Hiring expenses would include, among other things, costs such as classified advertising for employees, costs of interviewing activities and wages for your managers and hourly employees during pre-opening training. The cost will depend on the distance the trainees must travel and the type of accommodations you choose. A description of required training appears in Items 6 and 11. Hiring expenses may also include recruiting services fees paid to Houlihan's if you purchase those services from Houlihan's, as described in Item 5.

(12) The advertising you may need to purchase before opening the Restaurant includes time on local broadcast media and advertisements in local newspapers and magazines. You must advertise in the local yellow pages, online directories or their functional equivalent serving the geographic area in which the Restaurant is located. The figure also reflects Houlihan's estimate for one year of required telephone

directory advertising, which amount typically is due in a lump sum. The cost and expense for these directory advertisements will be credited by Houlihan's towards your obligation to conduct local advertising and promotion. Your advertising obligations under the Franchise Agreement are further discussed in Items 6 and 11.

(13) The need for additional funds varies, depending on a variety of factors. The figure stated in the chart is the minimum amount of additional funds Houlihan's estimates will be necessary before and during the first three months of your Restaurant's operation. Houlihan's estimates that you will need, at a minimum, \$200,000 to \$400,000 in additional cash to pay employees' salaries, vendors and other miscellaneous expenses and to cover potential negative cash flow over the Restaurant's "ramp up period". The actual amount of additional funds you will need depends on factors such as the complexity of the lease negotiation, your ability to obtain all necessary permits and licenses, the number of paid employees you hire and their rate of pay, your own management and operational skill, economic conditions, and local competition.

(14) The estimate does not include the cost of real estate, which will vary based upon the geographic location and whether you purchase unimproved real property and construct the Restaurant, construct leasehold improvements for an in line location or lease an existing location. If you lease the property, you typically will pay 6% to 8% of the Restaurant's Gross Revenues per year for rent. However, annual rent will vary widely depending on factors such as size, location and condition of the leased premises. Typical freestanding Houlihan's Restaurants will be located on sites that average 76,400 square feet and the building square footage will be approximately 5,600 to 5,800 square feet. In addition, you may incur certain construction and remodeling costs for necessary leasehold improvements. The costs associated with leasing space ranges from \$24 per square foot to \$36 per square foot (triple net) and varies by location, quality of shopping center, location within the center and degree of finish of the space.

(15) The amount necessary to obtain a liquor license varies greatly depending on the licensing authority involved and the procedure and requirements for obtaining a liquor license. The typical range is from \$2,500 to \$150,000, although costs in some jurisdictions can greatly exceed \$150,000. You must use your best efforts to obtain and maintain required state and/or local licenses permitting the sale of alcoholic beverages at the Restaurant.

(16) The figures in this chart reflect your estimated initial investment for a single Restaurant. Your actual investment will depend upon the following factors: land and building size; location and development needs; time for conversion or construction of the building; variations in décor packages; signage; liquor license requirements; number of employees hired and trained; and employee pay structure. Houlihan's has relied on its experience in operating and in granting others the right to operate Houlihan's Restaurants in compiling the estimates contained in this Item 7. Houlihan's cannot guarantee that you will not incur additional costs and expenditures in starting the business. As noted in Item 10, Houlihan's does not offer direct or indirect financing to franchisees for any items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you have no obligation under the Agreements or pursuant to any other device or practice to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate from Houlihan's or its designees, from approved suppliers, in accordance with Houlihan's standards, or in a manner approved by Houlihan's. You must at all times maintain the Restaurant in strict conformance with all requirements, instructions, directives and specifications concerning the appearance of the premises, design, furnishings, ingredients, packaging, promotional advertising, menus, menu format, recipes, smallwares, equipment, supplies, services and accounting and bookkeeping requirements, as Houlihan's may periodically

establish and modify either in the Manuals or otherwise in writing. Every component of the System is important to Houlihan's.

You must offer for sale and sell at the Restaurant all products and services as expressly authorized by Houlihan's in the Manuals or otherwise in writing. You must operate the Restaurant and prepare and sell all products sold at the Restaurant in strict compliance with Houlihan's cooking methods, specifications (including product names), standards, business practices, policies and procedures now in effect or subsequently published for Houlihan's franchisees, and comply with all requirements of the System as now or subsequently set forth in the Manuals or otherwise, including any changes that Houlihan's may occasionally make. You must begin selling any newly authorized menu items within 7 days after receipt of written notice from Houlihan's and shall cease selling any previously authorized menu item (that no longer is authorized) as soon as current inventory is used up, but in any event, not more than 30 days after receipt of written notice from Houlihan's. You can establish menu prices in your sole and absolute discretion. If you have a suggestion for a new menu item or for a change to an authorized menu item or you desire to participate in a test market program, you must submit a written application to Houlihan's as set forth in the Manuals or otherwise by Houlihan's. There are no limits on Houlihan's ability to add or delete menu items. Houlihan's does not limit the guests to whom you may sell goods or services.

All products sold or offered for sale at the Restaurant, as well as equipment, supplies and materials used in the operation of the Restaurant, must meet Houlihan's then-current standards and specifications, as established and provided to you in the Manuals or otherwise in writing. You must purchase all of these items solely from suppliers who demonstrate (to Houlihan's continuing reasonable satisfaction) the ability to meet Houlihan's standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by Houlihan's in the Manuals or otherwise in writing. If you desire to purchase these items from other than approved suppliers, you must submit to Houlihan's a written request to approve the proposed supplier, together with evidence of conformity with Houlihan's specifications. Houlihan's may require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered for evaluation and testing either to Houlihan's or to an independent testing facility designated by Houlihan's. Houlihan's may charge you a fee not to exceed the reasonable cost of the evaluation and testing. Houlihan's will, within 30 days after its receipt of the completed request and completion of the evaluation and testing, notify you in writing of its decision. Houlihan's will not unreasonably withhold its approval. You must not sell or offer for sale, or use in the operation of the Restaurant, any of the items of the proposed supplier until Houlihan's written approval is received.

As of the date of this disclosure document, Houlihan's evaluates the suppliers in accordance with the following criteria: (1) demonstrated ability to produce ordered items on a timely basis; (2) accountability with respect to quality and reliability of items; (3) competitive pricing; and (4) knowledge of the restaurant or hospitality industry. Houlihan's will inform franchisees of the suppliers utilized by it and cooperate with the franchisees in evaluating and assessing the acceptability of suppliers suggested by franchisees on a case-by-case basis. Houlihan's may occasionally revoke its approval of particular items or suppliers when Houlihan's determines, in its sole discretion, that those items or suppliers no longer meet Houlihan's standards. Upon receipt of written notice of revocation, you must cease to sell any disapproved products and cease to purchase from any disapproved supplier. Decisions regarding acceptable specifications and standards are made by Houlihan's Vice-President of Purchasing based on the experience of Houlihan's in restaurant operations and consultation with manufacturers and suppliers. These standards and specifications are furnished to franchisees and approved suppliers on request.

Houlihan's requires you to purchase uniforms and attire for all Restaurant personnel and music programming content only from Houlihan's approved supplier(s).

You must utilize Houlihan's proprietary nSuite[®] software package that Houlihan's has developed to support Houlihan's Restaurants and you must sign Houlihan's Software License and Support Agreement (Exhibit H). You also must purchase the point of sale system and the computer hardware and software

specified in the Software License and Support Agreement. Currently, the Positouch point of sale system is approved for use in Houlihan's restaurants. Please see Item 11 for additional information regarding required computer software and hardware components. As described in Item 11, you must purchase your computer hardware, software and related installation services from Houlihan's designed supplier. You must participate in all programs related to the acceptance of debit cards, credit cards, or other non-cash systems as required by Houlihan's. You also must participate in Houlihan's approved stored value gift card program and only use Houlihan's approved gift card vendors. If any hardware and/or software is required to participate in these programs, you must obtain and install it. Except as described in Item 11, currently, there are no payments to be made to Houlihan's in connection with these items. Houlihan's revenues from license fees paid by franchisees for the nSuite Software Package in the fiscal year ended September 29, 2013 were \$13,000 or less than 1% of its total revenues of \$151,170,628.

You may be required to: (1) purchase or lease and use any software program, system documentation manuals and other materials that may be specified by Houlihan's in connection with the operation of the Restaurant; (2) input and maintain in your computer system that data and information as Houlihan's prescribes in the Manuals, software programs, documentation or otherwise; and (3) purchase or lease and use any software programs, system documentation manuals and other materials when Houlihan's adopts these new or upgraded programs, manuals and materials system-wide.

You must participate in all programs related to the acceptance of debit cards, credit cards, or other non-cash systems that Houlihan's requires. You also must participate in our approved stored value gift card program and only use our approved gift card vendors. If any hardware and/or software is required to participate in these programs, you must obtain and install it. There are no payments to be made to Houlihan's in connection with these items.

Except as described in this Item 8, you do not have to purchase or lease from any sources designated by Houlihan's. No officer of Houlihan's owns an interest in any suppliers to Houlihan's Restaurants. Houlihan's estimates that your total purchases and leases from approved suppliers will represent approximately 13% to 29% of your overall purchases and leases in establishing your Restaurant, and 75% to 85% of your overall purchases and leases in operating your Restaurant.

Houlihan's negotiates purchase arrangements with some of its suppliers (including price terms) for the benefit of its franchisees, but it is under no obligation to do so. Under some of these arrangements, Houlihan's franchisees receive lower prices based on the individual franchisee's purchases; Houlihan's does not receive lower prices or any other consideration based on the franchisees' purchases. These suppliers may offer you the same pricing terms for these items as are available to Houlihan's, assuming you establish credit terms with these suppliers that are equivalent or more advantageous than those provided by Houlihan's. If Houlihan's is requested to assist in the negotiation of purchase arrangements with suppliers, including financing or credit terms, you may be requested to provide adequate assurance to Houlihan's that your payment obligation will be satisfied in a timely manner. There are currently no purchasing or distribution cooperatives in existence.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement (FA) and Development Agreement (DA)	Disclosure Document Item
a. Site selection and acquisition/lease	FA: Sections 3.10 & 3.11 DA: Sections 5 & 6.1	Items 6, 8 & 11
b. Pre-opening purchases/leases	FA: Sections 3.6, 3.10, 3.11, 6.1.5, 6.1.10 & 6.1.11.1 DA: Section 5.1	Items 6, 7 & 8
c. Site development and other pre-opening requirements	FA: Section 3 DA: Section 5	Items 6, 7, 8 & 11
d. Initial and ongoing training	FA: Section 7 DA: Not Applicable	Items 7 & 11
e. Opening	FA: Section 4 DA: Not Applicable	Item 11
f. Fees	FA: Sections 9 & 10 DA: Section 3	Items 5, 6 & 7
g. Compliance with standards and policies/Operating Manuals	FA: Section 6 DA: Not Applicable	Items 8 & 11
h. Trademarks and proprietary information	FA: Sections 6.1.12 & 12 DA: Section 7.4	Items 13 & 14
i. Restrictions on products/services offered	FA: Section 6 DA: Not Applicable	Items 8 & 16
j. Warranty and customer service requirements	FA: Section 6.3.2 DA: Not Applicable	Item 11
k. Territorial development and sales quotas	FA: Section 1.2 DA: Section 1	Item 12
l. Ongoing product/service purchases	FA: Sections 6.1.3, 6.1.4, 6.1.5, 6.1.7 & 6.1.8 DA: Not Applicable	Item 8
m. Maintenance, appearance and remodeling requirements	FA: Section 6.1.9 DA: Not Applicable	Items 6 & 11
n. Insurance	FA: Section 13 DA: Not Applicable	Items 6 & 7

Obligation	Section in Franchise Agreement (FA) and Development Agreement (DA)	Disclosure Document Item
o. Advertising	FA: Section 10 DA: Not Applicable	Items 6, 7 & 11
p. Indemnification	FA: Section 23 DA: Section 13	Item 6
q. Owner's participation/management/staffing	FA: Sections 6.2.3, 6.2.5, 6.3.2 & 6.3.6 DA: Sections 7.2, 7.3 & 7.4	Items 11 & 15
r. Records/reports	FA: Sections 3.7 & 11 DA: Not Applicable	Item 6
s. Inspections and audits	FA: Sections 3.5, 6.2.4, 7.2.2 & 11.4 DA: Not Applicable	Items 6 & 11
t. Transfer	FA: Section 17 DA: Section 9	Item 17
u. Renewal	FA: Section 2 DA: Not Applicable	Item 17
v. Post-termination obligations	FA: Section 19 DA: Section 11	Item 17
w. Non-competition covenants	FA: Section 16 DA: Section 8	Item 17
x. Dispute resolution	FA: Section 29 DA: Section 17	Item 17

ITEM 10

FINANCING

Financing is your sole responsibility. Occasionally, Houlihan's may make available to you names and addresses of financial institutions that may be interested in providing certain types of financing for qualified franchisees. These financial institutions are not affiliates or agents of Houlihan's. Houlihan's has no control over the terms of any financing arrangement between you and any of these financial institutions or over whether you will be considered eligible to obtain financing from any of these financial institutions.

Under the Franchise Agreement, Houlihan's will obtain a priority security interest in: (1) all of your interests in the Franchise Agreement or any Houlihan's Development Agreement; and (2) all of your general intangibles (collectively the "Collateral"). You must authorize Houlihan's to file a financing statement to perfect the security interest in the Collateral and to appoint Houlihan's as your attorney-in-fact for purposes of attaining this perfection.

Except as otherwise provided in this disclosure document, neither Houlihan's nor any affiliate of Houlihan's currently offers, either directly or indirectly, any financing arrangements to any franchisee. Houlihan's does not receive any fee for the placing of financing for any franchisee. Neither Houlihan's nor any

affiliate receives payment from any person or persons for placing your financing with a lender. Houlihan's will not guarantee your note, lease or other obligations.

ITEM 11

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

Except as listed below, Houlihan's is not required to provide you with any assistance.

Houlihan's Obligations Before Opening

Before the Restaurant opens, Houlihan's will:

1. Within 30 days after our receipt of all information that we may reasonably require, advise you whether we have consented to the site. (Development Agreement, Sections 5.1.1 and 6.2)
2. Provide site selection counseling and assistance as we deem advisable. (Development Agreement, Section 6.1)
3. Determine whether to approve the lease for the site. (Franchise Agreement, Sections 3.10 and 3.11; Development Agreement, Section 5.2)
4. Provide 1 set of Houlihan's detailed plans, specifications and designs for a prototype of a Houlihan's Restaurant, including exterior and interior design and layout, fixtures, furnishings and signs. (Development Agreement, Section 6.3; Franchise Agreement, Section 3.2)
5. Determine whether to consent to the use of your registered architect and/or registered engineer who you retain to prepare your final construction plans for the Restaurant ("Plans") and consent to the Plans. (Franchise Agreement, Sections 3.1 and 3.2)
6. Determine whether to consent to the contractors who will construct your Restaurant. (Franchise Agreement, Section 3.3)
7. Inspect the premises to determine if construction is proceeding according to the Plans. (Franchise Agreement, Section 3.5)
8. Following issuance of a certificate of occupancy for your Restaurant, Houlihan's will use its best efforts to conduct a final inspection to determine if you have complied with the Plans and the Agreements. (Franchise Agreement, Section 3.9)
9. Loan you one written or electronic set of the Manuals. (Franchise Agreement, Section, 5.1) Houlihan's will permit you to review the Manuals at our headquarters or as otherwise arranged before you purchase a franchise.
10. Houlihan's will provide on-site, construction pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 5.5)
11. Provide a five-day Owner Orientation Program to your Controlling Principal (as defined in Item 15). (Franchise Agreement, Section 7.1).
12. Provide initial training to your General Manager (as defined in Item 15), kitchen manager and 3 assistant managers, and subject to availability, other managerial employees as you desire to have trained. The details of the initial training are described later in this Item 11. (Franchise Agreement, Section 7.2)

13. Provide a pre-opening training team to you at the Restaurant. The details of the pre-opening training team are described later in this Item 11. (Franchise Agreement, Section 7.4)

Houlihan's Obligations After Opening

After the Restaurant opens, Houlihan's will:

1. Consult with you, occasionally, concerning the operations of the Restaurant. Houlihan's may also inspect the Restaurant and its operations, provide criticism, suggestions and assistance with respect thereto and require changes to bring the operation of the Restaurant into compliance with Houlihan's standards. (Franchise Agreement, Section 5.2)
2. Provide you advice and written materials concerning techniques of managing and operating the Restaurant, including, but not limited to, required and suggested inventory and sales methods, new developments and improvements in the layout and design of Houlihan's Restaurants, and new developments in products and marketing techniques. (Franchise Agreement, Section 5.6)
3. Provide ongoing training programs to new General Managers, kitchen managers or assistant managers. The ongoing training programs are described later in this Item 11. (Franchise Agreement, Section 7.5)
4. Provide additional training or refresher training. The additional training or refresher training is described in Item 11. (Franchise Agreement, Section 7.6)
5. Review and approve all local advertising materials submitted and proposed for use by you. (Franchise Agreement, Section 10.2.1)
6. Collect, administer and spend marketing monies paid by franchisees into the Marketing Fund, while that Fund is in existence. (Franchise Agreement, Section 10.2.2)

Advertising

You must make annual expenditures for local advertising and promotions and weekly contributions to the national marketing fund ("Fund") or a market cooperative totaling at least 1.7% of the Gross Revenues of the Restaurant. Houlihan's may reallocate and/or increase your required total annual expenditures for these local advertising and promotions and/or contributions to the Fund and/or a market cooperative up to an amount not exceeding 4.5% of Gross Revenues of the Restaurant. In addition, you must participate in marketing programs each calendar year that are mandated by Houlihan's. Expenditures made for participation in these programs will be credited to your local advertising obligations.

National Marketing Fund. Currently, you must contribute 0.7% of your weekly Gross Revenues to the Fund. With the exception of certain franchisees who operate Houlihan's Restaurants under different agreements previously issued by Houlihan's and its predecessor, all franchisees of Houlihan's Restaurants must contribute to the Fund at the 0.7% rate. Contributions to the Fund will be credited against your local advertising requirements as specified below.

Houlihan's, which administers the Fund, will direct all advertising programs with sole discretion to approve or disapprove the creative concepts, material and media used in these programs and the placement and allocation of monies in the Fund. The Fund is intended to maximize general public recognition, acceptance and use of the System and Marks. Houlihan's has no obligation under the terms of the Franchise Agreement to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from expenditures from the Fund. Houlihan's utilizes the Fund for creative development of the brand.

The Fund may be used to advertise in various media and venues (including print, radio, email, digital web and television) at the local, regional or national level. Advertising and marketing will be generated by Houlihan's in-house marketing group in cooperation with outside consultants, freelancers, and national and regional advertising and marketing firms. The Fund, all contributions thereto, and earnings thereon, may be used to satisfy any and all costs of maintaining, administering, creating, directing, conducting and preparing advertising, marketing, public relations and/or promotional programs and materials, retail support programs and any other activities that Houlihan's believes will enhance the image of the System and Marks, including marketing research and surveys; the cost of preparing and conducting television, radio, email, digital web, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; point-of-sale promotional materials and premiums used for merchandising purposes; public relations activities; customer satisfaction activities; employing advertising agencies and/or public relations agencies to assist therein; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other advertising or marketing materials and services to the Restaurants.

You must make contributions to the Fund, to Houlihan's or to a bank account specified by Houlihan's. All sums paid by you to the Fund will be separately accounted for by Houlihan's and will not be used to defray any of Houlihan's general operating expenses, except for those reasonable administrative costs and overhead as Houlihan's may incur in activities reasonably related to the administration, direction and implementation of the Fund and advertising programs for franchisees and the System and Marks, including but not limited to costs of personnel for creating and implementing advertising, promotional and marketing programs. The Fund is not, and shall not be, an asset of Houlihan's.

Houlihan's, upon request, will provide you with an annual accounting of receipts and disbursements of the Fund. It is anticipated that all contributions to and earnings of the Fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Fund at the end of that taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year and finally from contributions. Although Houlihan's intends the Fund to be of perpetual duration, Houlihan's maintains the right to terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions. Amounts reflected in the account at the end of each year will be used for the following year.

Although company owned Houlihan's Restaurants are not contractually obligated to contribute to the Fund, Houlihan's independently expends sums of money on advertising and marketing, which is intended to enhance the general public recognition and acceptance of the Marks in the markets served by its restaurants. During Houlihan's last fiscal year, Houlihan's expended 59% of the monies on creative production and development, 12% on research, 5% on public relations, 16% on email and digital marketing, 5% on photography usage and licensing and 3% on cause marketing. The term "creative development" means the generation and production of materials to be used in advertising appearing in the following media: print, radio, television, email, search engine marketing, outdoor signs, point-of-sale equipment, internet/web, direct mail, special event marketing and guerrilla marketing.

There are no local or regional advertising cooperatives. Houlihan's is not required to spend any amount on advertising in the area where you are generally located.

Local Advertising. At your sole cost and expense, you must obtain bold type listings in the white pages directory of the local public telephone utility under the name "Houlihan's." You also must participate and pay your pro rata share of the cost of yellow pages advertising to be placed by Houlihan's on behalf of all other local Houlihan's Restaurants. All of your local advertising, unless otherwise approved in advance by Houlihan's in writing, must utilize only the following: (1) newspapers, magazines and other similar periodicals; (2) radio and television; (3) outdoor advertising by signs displayed on billboards or buildings;

(4) transit advertising; (5) Internet and/or electronic mail; and (6) direct mail. If you desire to use a form of advertising medium not set forth above, you must submit a description of the medium to Houlihan's for prior written approval. You may not use any of your own advertising materials, except as described below. You must obtain Houlihan's approval of all advertising and promotional plans and material before use if those plans and materials have not been prepared by Houlihan's or previously approved by Houlihan's during the past year. If you wish to deviate from the materials contained in the Manuals, you must submit in each instance the proposed advertising copy and materials to Houlihan's for approval in advance of the commitment by you to production or publication. You must submit these unapproved plans and material to Houlihan's (by personal delivery, through the mail, return receipt requested, or email), and Houlihan's will approve or disapprove these plans and materials within 20 days from the date of receipt by Houlihan's. You must not use these plans or materials until they have been approved by Houlihan's. You must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Houlihan's.

Market Cooperative. We may designate any geographic area for the purposes of establishing a market advertising and promotional cooperative fund ("Market Cooperative"). If a Market Cooperative is established for an area that includes your Restaurant, then you must become a member of the Market Cooperative. Any contributions to a Market Cooperative will be credited against your local advertising expenditures. You will submit your contributions to the Market Cooperative at the same time and in the same manner as the Royalty Fee and Fund contributions. Each Market Cooperative will be organized and the bylaws and organizational documents will be made available to you upon request. Every company owned and franchised restaurant in the market will have one vote in the Market Cooperative. We may terminate any Market Cooperative once all monies in the cooperative have been expended for advertising and promotional purposes.

Computer Systems

You must utilize Houlihan's proprietary nSuite® Software Package and certain required computer hardware components, including point of sale systems, kitchen systems and back office administrative systems. Houlihan's company-operated restaurants have used components of the nSuite Software Package since 2002. The principal function of the nSuite Software Package is to support the Restaurant's point-of-sale system, collect sales and sales tax information and to operate the Restaurant. All costs associated with the nSuite Software Package, computer system, point of sale system, hardware and software, and the delivery and installation cost of all hardware and software, shall be at your expense. Houlihan's will have the ability to retrieve data and information from your computer system, including electronically polling the daily sales, menu mix and other data of the Restaurant.

You must sign Houlihan's Software License and Support Agreement (Exhibit H) and pay to Houlihan's an annual \$7,500 license fee for each Restaurant for the license to use the nSuite® Software Package. The license fee is due upon execution of the Software License and Support Agreement and upon each anniversary of the execution date of that Agreement. Under the Software License and Support Agreement, Houlihan's will also provide telephonic help desk support services for your point of sale equipment and the nSuite Software Package at no additional cost. If Houlihan's, in its reasonable discretion, elects to provide support services at your Restaurant, you must pay Houlihan's regular hourly rate for the services of its employees and you must reimburse Houlihan's for all out-of-pocket expenses that Houlihan's incurs in providing these services, including reasonable lodging, meals and transportation expenses of Houlihan's employees or agents and the cost of any service or maintenance providers.

You must purchase the computer hardware and software that is specified in the Software License and Support Agreement from the designated supplier that Houlihan's specifies in the Software License and Support Agreement. Currently, we estimate that your total initial investment in hardware, software and training will be approximately \$50,000.

To ensure full operational efficiency and communication capability between Houlihan's computer system and the computer systems of all Houlihan's Restaurants, you must keep your computer system in

good maintenance and repair and make additions, changes, modifications, substitutions and replacements to your computer hardware, software, telephone and power lines and other computer-related facilities as directed by Houlihan's, and on the dates and within the times specified by Houlihan's. In addition, Houlihan's may require you to: (1) add memory, ports and other accessories or peripheral equipment or additional, new or substitute software to your original computer system; and (2) replace or upgrade your entire computer system with a larger system. There is no limitation on the cost to upgrade or update the computer system.

Site Selection

Houlihan's does not select a site for you; you select the site for your Restaurant, subject to our consent. The selection and development of a Restaurant at any site must be approved by Houlihan's. Before acquisition by lease or purchase of a site for a Restaurant in the Territory designated in the Development Agreement, you must submit a site submission package to Houlihan's, in the form required by Houlihan's, for our approval. The site submission package must include the following: a site description, market feasibility study, demographic information, site plans, a letter of intent or other evidence satisfactory to Houlihan's confirming your favorable prospects for obtaining the site and other information or materials that Houlihan's may reasonably require. If the site is to be leased, the lease must include specific provisions as set forth in the Development Agreement and the Franchise Agreement.

Within 30 days after receipt of the required documents and any additional information that we may reasonably require, we will advise you in writing whether we have approved a particular site. No site will be deemed approved unless Houlihan's has expressly approved the site in writing. We have no obligation to visit a proposed site. If a proposed site is not approved, nothing in the Franchise Agreement will prohibit you from proposing other sites, and Houlihan's will review these other proposed sites as discussed above.

Houlihan's approval of the use of a prospective Restaurant site or rendering assistance in the selection of a site for a Restaurant does not constitute a representation, promise or guarantee by Houlihan's that a Restaurant operated at that site will be profitable or otherwise successful. The extent and nature of assistance by Houlihan's may vary periodically and will be subject to the availability of Houlihan's real estate staff. You will sign the Franchise Agreement for the Restaurant after Houlihan's approves the site but before you commence construction.

Time Between Agreement Signing and Opening

The typical length of time between the signing of a Franchise Agreement or the first payment of consideration for that Restaurant and the opening of that Restaurant is approximately 18 months. This time frame will vary depending on when you finalize your site selection and begin construction. Factors affecting approval of a site and your start-up time include selecting a site satisfactory to Houlihan's, obtaining any necessary financing, completing the acquisition (or leasing) of the site, obtaining architectural drawings and permits, soliciting bids and completing all renovation, remodeling or new construction of the Restaurant (new construction being the most time consuming alternative), complying with local ordinances (including obtaining liquor licenses), purchasing and installing fixtures and equipment, purchasing inventory, hiring and training personnel and attending Houlihan's pre-opening training programs.

Training Programs

Owner Orientation Program. Before you open your first Houlihan's Restaurant, your Controlling Principal shall attend, and satisfactorily complete our Owner Orientation Program. The Owner Orientation Program will last five days and will be conducted at our corporate headquarters in Leawood, Kansas and/or at Restaurants operated by us or one of our affiliates in the greater metropolitan Kansas City area. We may extend the length of the Owner Orientation Program. Your owners may also choose to attend the Owner Orientation Program. We will bear all administrative expenses for the Owner Orientation Program, provided

that you shall pay all travel, living and other expenses incurred by your owners while attending the Owner Orientation Program.

Initial Training. Houlihan's will provide an initial training program to your General Manager and that number of kitchen managers, assistant managers and other personnel as Houlihan's requires and, subject to availability of space in the training session and Houlihan's prior written approval, those other managerial employees as you desire to have trained in the operation of the Restaurant. Before you open a new Restaurant, at least 5 day-to-day managers (the General Manager, the kitchen manager, and 3 assistant managers) of the Restaurant must successfully complete the training program. After opening the Restaurant, you must continuously employ at the Restaurant at least 1 General Manager, 1 kitchen manager and 3 assistant managers, each of whom has successfully completed the initial training program. Pre-opening training will take place at Houlihan's Restaurants operated by Houlihan's (or an affiliate of Houlihan's) in the greater metropolitan Kansas City area, or, in Houlihan's discretion, at your Restaurant or the location of another existing Houlihan's Restaurant. The training course will last approximately 8 weeks and must be completed no earlier than 50 days and no later than 28 days before the scheduled opening of the Restaurant. The training will include actual performance by the trainees of jobs performed in the operation of the Restaurant. There will be no tuition fee charged for this initial training program, however, you must pay all expenses incurred by your employees while attending the training program, such as all travel, living and food costs (including, but not limited to, the cost of any meals served at the Houlihan's Restaurant during the training program). You must reimburse Houlihan's for all out-of-pocket expenses incurred by Houlihan's in presenting all or part of the initial training program.

The above-described initial training program includes in-store, task-oriented training and training seminars. The course is conducted immediately before each Restaurant opens. The training covers the following functions: seater/greeter, waiter/waitress, food runner, bartender, administration, kitchen operation and management. Each trainee's performance of the tasks listed above will be observed and evaluated and written tests covering the functions described above will be administered to trainees on Houlihan's behalf.

In addition, your General Manager and those kitchen managers, assistant managers and other personnel whom we designate must attend and successfully complete food safety and responsible beverage serving courses approved by us and any other local or state required food safety and responsible beverage serving course(s). We do not currently offer these courses. You must pay all tuition or other fees charged by any third party instructor in connection with these courses and all travel, living and other expenses incurred by your employees while attending these courses. You must provide us evidence that you have satisfied your food safety and responsible beverage serving training obligation before we will authorize the opening of the Restaurant.

You must hire third party vendors approved by us to conduct periodic audits of the Restaurant to confirm that your operation of the Restaurant meets the vendors' highest food safety, sanitation and responsible beverage standards. You must pay all fees charged by the third party vendors in connection with these audits. Upon our reasonable request you must provide, or direct your vendors to provide, a copy of the audit results to us.

For a period of approximately 2 weeks beginning at least 8 days before the opening of the Restaurant, Houlihan's will send to the Restaurant a pre-opening training team to assist you in training the employees necessary for the opening and the initial and continued operation of the Restaurant. You must give Houlihan's at least 30 days' advance notice of the opening. Houlihan's will not send a pre-opening training team to the Restaurant until: (1) you have installed a fully operational and approved point-of-sale system at the Restaurant; (2) you have hired adequate staff to operate the Restaurant as determined by Houlihan's; (3) the minimum number of Restaurant managers, as required by Houlihan's, have completed Houlihan's initial training program and any required food safety and responsible beverage serving courses; and (4) the Restaurant has received a certificate of occupancy. Houlihan's will provide the training team without payment of tuition or any other charge to you, but you must pay for all out-of-pocket expenses of the trainers, including all travel, living and

food costs. At Houlihan's request, before the arrival of the pre-opening training team, the General Manager of the Restaurant, or the person to whom the General Manager reports, may be required to attend the pre-opening training of another Houlihan's Restaurant for a period of up to 3 days. You must pay all expenses incurred by your employee while attending this pre-opening training, such as all travel, living and food costs (including the cost of any meals served at the Houlihan's Restaurant during the pre-opening training).

Houlihan's will provide ongoing training programs for new managers in the event of the resignation, termination, disability, incapacity or death of existing managers and, at the option of Houlihan's, if you expand the new Restaurant business. These programs will be made available to you, subject to availability of training facilities and other resources, on the same terms and conditions as the initial training. New managers must attend and successfully complete the first available ongoing training program offered by Houlihan's. You do not have to pay a tuition fee for the training program for these new managers, however, you must reimburse Houlihan's for any out-of-pocket expenses incurred by Houlihan's in providing this ongoing training. You must pay all costs incurred by your employees who attend the training, such as all travel, living, food costs (including the cost of any meals served at the Houlihan's Restaurant during the ongoing training). In addition, new managers must attend and successfully complete the food safety and responsible beverage serving courses approved by us and any other local or state required food safety and responsible beverage serving course(s) as described above. You must pay all tuition or other fees charged by any third party instructor in connection with these courses and all travel, living and other expenses incurred by your employees while attending these courses.

In addition to the pre-opening training team, Houlihan's may provide, at your expense, any other on-site pre-opening and opening supervision and assistance as Houlihan's determines is advisable. You do not have to pay a fee or any other charge for these additional services, but you must pay for all of Houlihan's out-of-pocket expenses incurred in the provision of these additional services including, without limitation, all travel, living and food costs.

Occasionally, we may require that you and your employees complete refresher training to improve the operations and quality at the Restaurant or to learn new techniques for the operation of the Restaurant or the preparation of menu items. This training will be required as we, in our sole discretion, determine necessary to maintain compliance with our standards and will be at a location designated by us. We may charge a reasonable tuition fee for this training.

TRAINING PROGRAMS

Our training programs, as described above, include instruction on the days as outlined in the following charts. Each day will consist of 10 hour of instruction.

OWNER ORIENTATION PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Orientation, Culture, Service, Host	2	7	Restaurant in Kansas City metropolitan area
FOH Management, Bar, POS	2	7	Restaurant in Kansas City metropolitan area
Kitchen Management, Systems	0	9	Restaurant in Kansas City metropolitan area
BOH Line Functions, Line Check	0	9	Restaurant in Kansas City metropolitan area

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Daily Systems, IT Applicants	0	9	Restaurant in Kansas City metropolitan area
Totals	4	41	

INITIAL TRAINING SCHEDULE FOR RESTAURANT GENERAL MANAGER

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Orientation	6	N/A	Restaurant Site
Prepatory work	6	54	Restaurant Site
Broiler	2	18	Restaurant Site
Fry	2	18	Restaurant Site
Sauté	3	27	Restaurant Site
Pantry	3	27	Restaurant Site
Kitchen Management	5	45	Restaurant Site
Server Training	12	18	Restaurant Site
Bar Management	3	27	Restaurant Site
Host (Seater/ Greeter)	2	18	Restaurant Site
Front of House Management	6	36	Restaurant Site
Restaurant Closing	6	36	Restaurant Site
Restaurant Opening	2	18	Restaurant Site
Totals	58	342	

Materials for this program include Culture & Brand collateral, MIT manual and workbook, recipe manuals, station manuals, server training manual, host manual, bar manual, cook manual and online resources.

INITIAL TRAINING SCHEDULE FOR CHEF/SOUS CHEF

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Orientation	6	N/A	Restaurant Site
Prepatory work	9	90	Restaurant Site
Broiler	4	36	Restaurant Site
Fry	3	27	Restaurant Site
Sauté	5	45	Restaurant Site
Pantry	5	45	Restaurant Site
Kitchen Management	10	115	Restaurant Site
Totals	42	358	

Materials for this program include the Culture & Brand collateral, MIT manual and workbook, recipe manuals, station manuals, cook manual and online resources.

INITIAL TRAINING SCHEDULE FOR RESTAURANT MANAGEMENT

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Orientation	6	N/A	Restaurant Site
Preparatory work	3	27	Restaurant Site
Broiler	2	18	Restaurant Site
Fry	2	18	Restaurant Site
Sauté	3	27	Restaurant Site
Pantry	3	27	Restaurant Site
Kitchen Management	5	20	Restaurant Site
Server Training	15	20	Restaurant Site
Bar Management	8	32	Restaurant Site
Host (Seater/ Greeter)	6	14	Restaurant Site
Front of House Management	20	80	Restaurant Site
Restaurant Closing	4	18	Restaurant Site
Restaurant Opening	4	18	Restaurant Site
Totals	81	319	

Materials for this program include Culture & Brand collateral, MIT manual and workbook, recipe manuals, station manuals, server training manual, host manual, bar manual, cook manual and online resources.

INITIAL TRAINING SCHEDULE FOR RESTAURANT STAFF

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	TRAINING LOCATION
Cooks/ Kitchen	5	40	Restaurant Site
Server	20	25	Restaurant Site
Host (Seater/Greeter)	20	20	Restaurant Site
Bar	25	25	Restaurant Site
Totals	70	110	

Materials for this program include Culture & Brand collateral, recipe manuals, station manuals, server training manual, host manual, bar manual, and cook manual.

Amanda Stone supervises our training programs. Ms. Stone has been our Director of Training and Communications since March 2013. From 2000 to March 2013, she held other positions with us including Sr. Marketing Manager and various operations and marketing roles with our support center. Ms. Stone may act as an instructor at the training programs or may supervise and arrange for our other qualified personnel to act as instructors.

ITEM 12

TERRITORY

Development Agreement

If you enter into a Development Agreement, Houlihan's will grant to you, subject to the terms and conditions of the Development Agreement, development rights to establish and operate a specified number of Houlihan's Restaurants at specific locations to be designated in the Franchise Agreements signed as provided in the Development Agreement and in accordance with a development schedule set forth in the Development Agreement. Each Restaurant developed under the Development Agreement must be located in the geographic area described in the Development Agreement ("Territory"). The Territory typically consists of one or more Areas of Dominant Influence. The size of the Territory will be determined on a case-by-case basis, and varies depending on a variety of factors, including geographic location and the number of Restaurants to be developed. Expressly excluded from the Territory are any areas contained within a 3-mile radius of any existing Houlihan's Restaurants located within the Territory as of the date of the Development Agreement. If one of these existing Houlihan's Restaurants ceases to operate as a Houlihan's Restaurant, the corresponding excluded radius will remain in place and not thereby expire, terminate or become part of the Territory. In addition, we may, in the exercise of our sole discretion, permit the Protected Area (as defined below) for a Houlihan's Restaurant located outside the Territory to include a portion of the Territory.

The System, including the products sold under the Marks, has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which may not be available for direct operation by you. Accordingly, Houlihan's reserves to itself the rights, among others, on any terms and conditions Houlihan's deems advisable, and without granting you any rights therein, to: (1) sell or distribute, directly or indirectly, or license others to sell or distribute any products or services under any proprietary marks (including the Marks) at locations other than Houlihan's Restaurants (such as, but not limited to, supermarkets, groceries, gourmet shops, mail order, the Internet and electronic media) within or outside the Territory and without regard to proximity to any Houlihan's Restaurant established and operated under the Development Agreement; and (2) acquire, establish and/or operate, and license others to acquire establish and/or operate Houlihan's Restaurants at airports, railroad stations, bus terminals, highway travel plazas, hospitals, stadia, concert venues, sports arenas, amusement parks, schools, colleges, universities, military facilities, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any other similar captive market location not reasonably available for direct operation by you within or outside the Territory (notwithstanding the proximity to any Houlihan's Restaurant established and operated hereunder).

Except as described in the preceding paragraph, provided that you are in compliance with the Development Agreement, Houlihan's will not establish or operate, nor license any other person to establish or operate, a Houlihan's Restaurant in the Territory during the term of the Development Agreement. This does not prohibit Houlihan's from: (1) acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, a Houlihan's Restaurant at any location outside the Territory; and (2) acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, any business or restaurant of any kind that does not operate as a Houlihan's Restaurant or use the Marks at any location within or outside the Territory (notwithstanding its proximity to any Houlihan's Restaurant established and operated hereunder).

These restrictions do not apply to Houlihan's Restaurants in operation in the Territory as of the date of the Development Agreement. Houlihan's reserves all rights to use and license the System and Marks except as expressly granted to you pursuant to the Development Agreement.

As stated in Item 1, during the term of the Development Agreement, subject to the provisions of that Agreement, you may request that we allow you to develop one or more Houlihan's Restaurants within the

Territory in addition to those provided in the Development Schedule. We will, in our sole discretion, approve or disapprove your request, or require additional information, as we deem appropriate, to assist with our evaluation of your request. You may not develop any additional Houlihan's Restaurants (other than those specified in the Development Schedule) without our prior, written approval.

Franchise Agreement

If you enter into a Franchise Agreement, Houlihan's will grant to you, subject to the terms and conditions of the Franchise Agreement and provided that you are in compliance with that Agreement, the limited exclusive right to operate a Houlihan's Restaurant in a limited geographic area ("Protected Area"). The size of the Protected Area will vary, based upon relevant factors such as population and household densities, and will be bounded by designated streets, highways and geographic features, or will be a designated radius from the Restaurant premises. Except as reserved to Houlihan's, during the term of the Franchise Agreement, Houlihan's will not establish or operate, nor license any other person to establish or operate, a Houlihan's Restaurant in the Protected Area.

The System, including the products sold under the Marks, has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which are not practically available to you. Accordingly, Houlihan's reserves to itself the rights, among others, on any terms and conditions Houlihan's deems advisable, and without granting you any rights therein, to: (1) sell or distribute, directly or indirectly, or license others to sell or distribute any products or services under any proprietary marks (including the Marks) at locations other than Houlihan's Restaurants (such as, but not limited to, supermarkets, groceries and gourmet shops) within or outside the Protected Area and without regard to proximity to the Restaurant established and operated hereunder; and (2) acquire, establish and/or operate, and license others to acquire establish and/or operate Houlihan's Restaurants at airports, railroad stations, bus terminals, highway travel plazas, hospitals, stadia, concert venues, sports arenas, amusement parks, schools, colleges, universities, military facilities, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any other similar captive market location not reasonably available to you within or outside the Protected Area (notwithstanding the proximity to the Restaurant established and operated hereunder).

This grant of limited exclusivity does not prohibit Houlihan's from: (1) acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, a Houlihan's Restaurant at any location outside the Protected Area; and (2) acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, any business or restaurant of any kind that does not operate as a Houlihan's Restaurant or use the Marks at any location within or outside the Protected Area (notwithstanding its proximity to the Restaurant established and operated hereunder). These restrictions do not apply to Houlihan's Restaurants in operation in the Protected Area as of the date of the Franchise Agreement. Houlihan's reserves all rights to use and license the System and Marks except as expressly granted to you pursuant to the Franchise Agreement.

If you lose the right to occupy the Restaurant premises during the term of the Franchise Agreement or any renewal, other than as a result of default by you, then you may apply to Houlihan's for the right to relocate the Restaurant. You must notify Houlihan's of the termination or non-renewal of your lease at least 30 days in advance of the Restaurant's projected last day of business. In order for you to obtain Houlihan's approval of a relocation, at the time of the request, you must: (1) be in compliance with the terms of the Franchise Agreement and the terms of any related or successor agreement; (2) open the Restaurant at a location selected and approved in accordance with site selection criteria specified by Houlihan's within 270 days from the approval of the relocation; and (3) pay Houlihan's a relocation review fee of \$2,500, which fee will be due and payable at the time of the request for the approval of the new location for the Restaurant. If you fail to relocate the Restaurant after Houlihan's has approved your relocation request, you will be in default of the Franchise Agreement.

Although you must be open for business during specified hours set forth in the Manuals, if your Restaurant is totally or partially destroyed by casualty or the Premises is taken by condemnation, then you will be entitled to rebuild or restore the Restaurant or relocate the Premises, as the case might be, within 270 days after that casualty or condemnation at the Premises or another Houlihan's-approved location within the Protected Area. You must give Houlihan's prompt notice of casualty or condemnation. If you desire to relocate the Restaurant after occurrence of a casualty or condemnation, you must follow the relocation procedures set forth above. Failure to rebuild or restore the Restaurant or relocate the Premises will constitute a default under the Franchise Agreement. The term of the Franchise Agreement will not be extended as a consequence of that taking or destruction.

* * *

There are no circumstances under which the Territory or the Protected Area may be altered before the expiration or termination of the Development Agreement or the Franchise Agreement, respectively. Continuation of your territorial exclusivity does not depend upon achievement of a certain sales volume, market penetration, or other contingency.

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. As disclosed in Item 1, Houlihan's has established and operates other restaurant businesses including Bristol Seafood Grill, Braxton Seafood Grill, Devon Seafood Grill and J. Gilbert's that sell food products and services that are similar to the products and services offered and sold at Houlihan's Restaurants. Those restaurants may solicit or accept orders within your Territory or Protected Area. Houlihan's reserves the right to establish additional franchised or company-owned restaurant businesses that provide similar products or services under a different trade name or trademark. Houlihan's operates these restaurant concepts from its corporate headquarters in Leawood, Kansas.

ITEM 13

TRADEMARKS

You will be licensed by the Franchise Agreement to use the Marks at your Restaurant. You are prohibited from using the Marks as part of your corporate or other legal name. Houlihan's has registered the following principal trademarks on the Principal Register of the United States Patent and Trademark Office ("USPTO").

MARK	REGISTRATION NUMBER	REGISTRATION DATE
Houlihan's	1,835,780	05/10/94
Houlihan's	2,018,664	11/26/96
Houlihan's	2,899,555	11/02/04
H	3,040,743	1/10/06
THE H LIST	3,127,861	08/08/06
LIVE FULL	3,276,715	08/07/07
HOULIHAN'S RESTAURANT + BAR	3,358,755	12/25/07

For each of the marks listed above, Houlihan's has filed all affidavits and renewal applications, if required.

Houlihan's also claims common law rights in the Marks, as well as unregistered marks, which have been used in interstate commerce.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor is there any pending infringement, opposition or cancellation proceeding, nor any pending material federal or state court litigation involving the Marks that may be relevant to their use in any state. There are no agreements currently in effect that significantly limit the rights of Houlihan's to use or license the use of the Marks. There are no infringing uses or superior prior rights actually known to Houlihan's that could materially affect your use of the Marks in any state.

You must promptly notify Houlihan's of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks or any challenge to Houlihan's ownership of, Houlihan's right to use and to license others to use, or your right to use, the Marks. Houlihan's has the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement. Houlihan's has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Houlihan's will defend you against any third-party claim, suit or demand arising out of your authorized use of the Marks. If Houlihan's, in its sole discretion, determines that you have used the Marks in accordance with the Franchise Agreement, the cost of this defense, including the cost of any judgment or settlement, will be borne by Houlihan's. If Houlihan's, in its sole discretion, determines that you have not used the Marks in accordance with the Franchise Agreement, the cost of this defense, including the cost of any judgment or settlement, will be borne by you. If any litigation arises that concerns your use of the Marks, you must sign all documents and do those acts as may, in the opinion of Houlihan's, be necessary to carry out this defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except if that this litigation is the result of your use of the Marks in a manner inconsistent with the terms of the Franchise Agreement, Houlihan's will reimburse you for out-of-pocket costs in doing these acts.

Houlihan's reserves the right to add to, modify and update the Marks, including the color, typeface, and other appearance of the Marks, and all materials and signage bearing the Marks and to withdraw specified Marks or substitute different proprietary marks for use in identifying the System and Houlihan's Restaurants (collectively, "Changes"). Except for Changes of the Marks required as part of a remodeling described in the Franchise Agreement, Houlihan's shall bear the costs of modifying your signs and advertising materials to conform to Houlihan's new Marks, but shall otherwise have no obligation or liability to you as a result of any of these Changes.

You are not permitted to have a website or use any of the Marks or any other word, name, symbol or device that is likely to cause confusion with any of the Marks through the Internet or other future technological avenue ("Electronic Presence") without Houlihan's prior written consent, which Houlihan's can withhold for any or no reason. In connection with this consent, Houlihan's can establish those requirements as it deems appropriate, including without limitation obtaining prior written approval of: **(1)** any Internet domain name and home page addresses; **(2)** the proposed form and content (including any visible and non-visible content such as meta-tags) of any Electronic Presence related to the Restaurant; **(3)** all website pages, materials and content; **(4)** use of all hyperlinks and other links; and **(5)** any modifications. You must abide by Houlihan's restrictions on the use of any materials (including text, video clips, photographs, images and sound bites) in which any third party has any ownership right. Houlihan's may designate the form and content of your Electronic Presence and/or require that any Electronic Presence be hosted by Houlihan's or a third party designated by Houlihan's, using an Electronic Presence that Houlihan's owns and/or controls. In addition, Houlihan's may require you to establish hyperlinks to Houlihan's Electronic Presence or another Electronic Presence designated by Houlihan's. Houlihan's has no immediate plans to permit you to establish an Electronic Presence.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Houlihan's does not own or have licenses for any registered patents that are material to the franchise. Houlihan's claims copyrights in original materials used in the System, including the Manuals and promotional materials. Houlihan's also owns the following copyrights:

Copyright	Registration No.	Registration Date	Duration	Does Houlihan's Intend to Renew This Copyright?
nLine (computer program for inventory management)	TXu 1-065-174	11/20/2002	The shorter of 120 years from date of creation (2002) or 95 years from publication. As of this date, the work is unpublished.	N/A
Houlihan's Restaurant Building Prototype	VA 1-369-463	03/21/2007	95 years from date of publication (2006)	N/A
theSink (computer program for personnel scheduling management) [*not currently licensed to franchisees]	TXu 1-768-009	10/11/2011	The shorter of 120 years from date of creation (2010) or 95 years from publication. As of this date, the work is unpublished	N/A

There are no current determinations of the Copyright Office (Library of Congress) or any court regarding these copyrights, and Houlihan's right to use the copyrights is not materially limited by any agreement or known infringing use. Houlihan's does not have any copyright licenses that are material to the franchise.

Houlihan's will indemnify you against any claim that the nLine software infringes any U.S. copyright or patent provided that: (1) Houlihan's is given prompt notice of the claim; (2) Houlihan's is given immediate and complete control over the defense and/or settlement of the claim and you fully cooperate with Houlihan's in the defense and/or settlement; (3) you do not prejudice in any manner Houlihan's conduct of that claim; and (4) the alleged infringement is not based on use of the Software in a manner prohibited by the Software License and Support Agreement, in a manner for which the Software was not designed, or in a manner not in accordance with the published description of the Software.

If a final injunction is obtained against the use of any part of the Software by reason of infringement of a U.S. copyright or patent, Houlihan's shall have the right, at its option, either to: (1) procure for you the right to continue to use the Software; (2) modify the Software so that it becomes non-infringing; or (3) terminate the Software License and Support Agreement without penalty.

Confidential Information

Franchise Agreement. You and your principals, managers and other employees will receive valuable specialized training, trade secrets and confidential information, including information regarding the methods

and techniques of Houlihan's and the System related to the arrangement and operation of the Restaurant that are beyond the present skills and experience possessed by you, your principals, managers and other employees (collectively, "Confidential Information"). You and your principals must acknowledge that the Confidential Information provides a competitive advantage and will be valuable to you in the development and operation of the Restaurant, and that gaining access to the Confidential Information described above is, therefore, a primary reason why you are entering into the Franchise Agreement.

You must not, at any time during or after the term of the Franchise Agreement, communicate, divulge or use for the benefit of any other person, persons, partnership, association, limited liability company or corporation any Confidential Information of Houlihan's. You may divulge Confidential Information only to those of your employees as must have access to it in connection with their employment. All of this information, knowledge and know-how, including the Manuals and all drawings, materials, equipment, recipes, computer and point of sale programs and output from these programs, all financial information concerning Houlihan's and all other data that Houlihan's designates as confidential will be deemed confidential for purposes of the Franchise Agreement. You may not, at any time, without Houlihan's prior written approval, copy, duplicate, record or otherwise reproduce any part of these materials or information or otherwise make them available to any unauthorized person.

You must, before arranging any training or disclosing any Confidential Information, require your General Manager and those other supervisory or managerial employees as Houlihan's designates to sign covenants similar to those set forth in the Franchise Agreement (including covenants applicable upon the termination of a person's relationship with you). Every covenant required must be in a form satisfactory to Houlihan's, including specific identification of Houlihan's as a third party beneficiary of these covenants with the independent right of enforcement.

Development Agreement. You and your principals, managers and other employees will receive valuable specialized training, trade secrets and confidential information, including, without limitation, information regarding the site selection and other methods and techniques of Houlihan's and the System related to the development of the Restaurants that are beyond the present skills and experience possessed by you, your principals, managers and other employees (collectively "Confidential Development Information"). You must acknowledge that the Confidential Development Information provides a competitive advantage and will be valuable to them in the development of the Restaurants, and that gaining access to Confidential Development Information is, therefore, a primary reason why you are entering into the Development Agreement.

You must not, at any time during or after the term of the Development Agreement, communicate, divulge or use for the benefit of any other person, persons, partnership, association, limited liability company or corporation any Confidential Development Information of Houlihan's. You may divulge this Confidential Development Information only to those of your employees as must have access to it in connection with their employment. All of this information, knowledge and know-how, including all drawings, materials, equipment, recipes, computer and point of sale programs and output from these programs, all financial information concerning Houlihan's and all other data which Houlihan's designates as confidential will be deemed confidential for purposes of the Development Agreement. You may not, at any time, without Houlihan's prior written approval, copy, duplicate, record or otherwise reproduce any part of these materials or information or otherwise make them available to any unauthorized person.

You must, before arranging any training or disclosing any Confidential Development Information, require your Representative (as defined in Item 15), Regional Manager (as defined in Item 15), if applicable, and those other of your supervisory or managerial employees as Houlihan's designates to sign covenants similar to those set forth in the Development Agreement (including covenants applicable upon the termination of a person's relationship with you). Every covenant required must be in a form satisfactory to Houlihan's, including, without limitation, specific identification of Houlihan's as a third party beneficiary of these covenants with the independent right of enforcement.

Software License and Support Agreement. You must maintain the confidentiality of the Software, its user, system and installation documentation and the published description of the Software (collectively “Confidential Software Information”). You may not, without Houlihan’s prior written consent: (1) modify any Confidential Software Information; (2) reverse engineer, decompile, decrypt, or disassemble the Confidential Information or attempt to do so; (3) transfer, rent lease, lend or sublicense any Confidential Information to anyone for any purpose; or (4) reveal or disclose any Confidential Software Information for any purpose to any other person, firm, corporation or other entity, other than your employees with a need to know this Confidential Software Information to perform employment responsibilities consistent with your rights under the Software License and Support Agreement. You must safeguard and protect the Confidential Software Information from theft, piracy or unauthorized access in a manner at least consistent with the protections you use to protect your own most confidential information. You must inform your employees of their obligations under the Software License and Support Agreement and shall take those steps as may be reasonable in the circumstances, or as may be reasonably requested by Houlihan’s, to prevent any unauthorized disclosure, copying or use of the Confidential Software Information. You must notify Houlihan’s immediately upon discovery of any prohibited use or disclosure of the Confidential Software Information, or any other breach of these confidentiality obligations, and shall fully cooperate with Houlihan’s to help Houlihan’s regain possession of the Confidential Software Information and prevent the further prohibited use or disclosure of the Confidential Software Information.

Manuals

You must at all times treat the Manuals and everything in them as confidential and must not disclose or permit the disclosure of the content of the Manuals, or any part of them, to any person or entity without Houlihan’s written consent. At all times, Houlihan’s will retain title to the Manuals and all of the recipes and materials contained in these Manuals. Houlihan’s may provide amendments and supplements to the Manuals, new manuals or other written operational directives to you, and you must abide by and comply with the requirements and procedures contained therein.

Customer Data

All data that you collect from customers and potential customers in connection with the Restaurant (“Customer Data”) is deemed to be owned exclusively by Houlihan’s, and you must provide the Customer Data to us at any time that we request it. You have the right to use Customer Data during the term of the Franchise Agreement or any renewal of that Agreement, but only in connection with operating the Restaurant and only in accordance with the policies that we establish from time to time. You may not sell, transfer, or share Customer Data without our prior express written authorization. However, if you transfer the Restaurant, as part of the transfer, you must also transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Restaurant.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Upon execution of the Development Agreement, you must designate an individual who (1) owns an equity interest in you; and (2) is fully authorized to act for you in all transactions with Houlihan’s concerning your obligations under the Development Agreement (“Representative”). A qualified Representative must be designated at all times during the term of the Development Agreement. If you enter a Development Agreement to develop 4 or more Restaurants, you must designate an individual approved by Houlihan’s to supervise the Restaurants (“Regional Manager”). You must notify Houlihan’s of the identity of the Regional Manager no later than 90 days before the opening of the 5th Restaurant.

Upon execution of the Franchise Agreement, you must designate an individual who will have full-time responsibility for overall management of the day-to-day operations of the Restaurant and who will devote best efforts and constant personal attention to operations ("General Manager"). If the franchisee is an individual, Houlihan's recommends "on-premises" supervision by the franchisee. You must also employ a kitchen manager, three assistant managers and other personnel required by Houlihan's. You must require that the General Manager and each of your employees who serve as managers maintain his or her principal personal residence within a usual driving time of not more than approximately one hour from the Restaurant. Houlihan's reserves the right to require that, as a condition of his or her employment, the General Manager successfully complete an interview process and a psychological profile test in a manner satisfactory to Houlihan's. The General Manager must have the right to earn at least 10% of the net operating profits of the Restaurant or have a 10% interest in your equity and voting rights.

If you are owned by more than one individual, you must designate one of your owners as your Controlling Principal who will be the person with whom we communicate regarding all financial and operational matters and whom will have the authority to bind you with respect to all financial and operational decisions related to the Restaurant. The Controlling Principal must at all times have at least a 20% equity ownership interest in you. The Controlling Principal may serve as the General Manager and must successfully complete the Owner Orientation Program and any additional training that we require. You must designate a replacement within 30 days after your Controlling Principal ceases to qualify as a Controlling Principal. The Controlling Principal must sign a personal guaranty of your obligations under the Franchise Agreement.

Except as described above, Houlihan's does not have the right to approve any of the managers. Some managers must attend and complete Houlihan's training program as described in Item 11. During the term of the Agreements, except as otherwise approved in writing by Houlihan's, you must devote requisite time, energy and best efforts to meet your obligations under the Agreements, and must require your General Manager and Regional Manager to devote full time, energy and best efforts to the management and operation of the Restaurant.

As described in Item 14, you must, before arranging any training or disclosing any confidential information, require your principals, General Manager, Representative, Regional Manager and those other supervisory or managerial employees as Houlihan's designates, to sign confidentiality and non-competition covenants in a form satisfactory to Houlihan's.

The success of your efforts to operate a Restaurant to maximize sales and profits rests solely with you. Houlihan's will make those recommendations as it deems appropriate to assist your efforts. However, you alone will establish any requirements regarding (1) employment policies, wages, hours of labor, assignments and responsibilities of employees; (2) the price charged for any product sold in or at the Restaurant, or the individual or individuals to whom these products may be sold, provided that you may be required to comply with the reasonable restrictions on the maximum prices of specific goods and services offered and sold by you as Houlihan's may reasonably require periodically in the Manuals or otherwise in writing; and (3) the source from which you obtain any item or service used in or at the Restaurant for which Houlihan's has not established an approved supplier. You must actively operate the Restaurant and keep it open for business as required in the Manuals and your lease, if any.

To meet the financial standards required by Houlihan's, unless waived or modified in writing by Houlihan's, all owners of a legal or beneficial interest in you must sign a guaranty assuming and agreeing to discharge all of your obligations to Houlihan's and agreeing to be bound by the confidentiality and noncompetition restrictions described in Item 17 ("Guaranty"). Houlihan's may require any guarantor to provide personal financial statements. The form of Guaranty is attached to the Development Agreement (Exhibit D) and the Franchise Agreement (Exhibit E).

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must not offer for sale any product or service, or install or use any equipment, material, furnishings, concept, ingredient, supply, vending machine, entertainment device, marketing plan or other component of the Restaurant unless and until the product itself, labeling, method of marketing and method of delivery have been approved in writing by Houlihan's, in its sole discretion, as being consistent with all applicable specifications and with the System. You must sell only goods and services Houlihan's specifies. You must use the Restaurant premises solely for the operation of the Restaurant, keep the Restaurant open and in normal operation for the minimum hours and days as Houlihan's may specify and refrain from using or permitting the use of the Restaurant for any other purpose or activity at any time without first obtaining the written consent of Houlihan's.

The System may be supplemented, improved and otherwise modified occasionally by Houlihan's. You must comply with all reasonable requirements of Houlihan's in that regard, including, without limitation, offering and selling new or different products or services as specified by Houlihan's. For a description of restrictions on purchases of certain goods and services, see Item 8 above.

Except as described in this disclosure document, and except for other limitations imposed by applicable liquor laws or regulations, you are not restricted by the Franchise Agreement, or any other practice or custom of Houlihan's, with respect to the goods or services which you may offer or with respect to the customers whom you may solicit.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following tables list certain important provisions of the Development Agreement and the Franchise Agreement. You should read these provisions in the agreements attached to this disclosure document.

DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary
a. Term of the franchise	2	The term is from the date of execution to the earlier of the date the last Restaurant specified in the Development Schedule opens or is required to be opened.
b. Renewal or extension of the term	Not Applicable	
c. Requirements for you to renew or extend	Not Applicable	

Provision	Section in Development Agreement	Summary
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	10	We may terminate upon default.
g. "Cause" defined – defaults which can be cured	10.3	You have 10 days to cure monetary defaults. You have 30 days to cure defaults other than those listed in h.
h. "Cause" defined – defaults which cannot be cured	10.1. and 10.2.	Non-curable defaults include: insolvency; petition in bankruptcy; receiver appointed; final judgment remains unsatisfied for 30 days; dissolution; execution is levied against you; suit in foreclosure; property is levied and sold; failure to obtain consent to a site; failure to comply with the Development Schedule; commencement of construction before execution of Franchise Agreement; unauthorized disclosure of confidential information; material violation of the confidentiality or non-competition covenants; breach of any warranties, representations or covenants; unauthorized transfer; material misrepresentation; felony conviction that is likely to materially and adversely affect Houlihan's, you or the System; your termination of the Development Agreement; multiple defaults in a 12-month period; and defaults under other agreements with Houlihan's.
i. Your obligations on termination/ non-renewal	11	Obligations include: payment of monies owed; termination of development rights; loss of exclusivity; forfeiture of development fee; cessation of use of and return confidential information and materials; and compliance with confidentiality and non-competition covenants.
j. Assignment of contract by Houlihan's	9	There are no restrictions on Houlihan's right to assign.
k. "Transfer" by you – definition	9	Includes any sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of any interest in you, your business, or the Development Agreement.
l. Houlihan's approval of transfer by franchisee	9.2	We have the right to consent to transfers.
m. Condition for Houlihan's approval of transfer	8.2.2	Conditions include: monetary obligations satisfied; not in default; you sign a general release; transferee assumes obligations in the Development Agreement and/or signs a new standard form of Development Agreement; transferee meets Houlihan's criteria for new developers; you remain liable for obligations incurred before the transfer; transfer fee of \$5,000 paid; and guarantees signed.
n. Houlihan's right of first refusal to acquire your business	9.3	We may match any offer for your business.
o. Houlihan's option to purchase your business	Not Applicable	
p. Your death or disability	9.4	Upon death, transfer to a third party approved by Houlihan's within 12 months. Upon permanent disability, transfer to third party approved by Houlihan's within 270 days.

Provision	Section in Development Agreement	Summary
q. Non-competition covenants during the term of the Development Agreement	8.2.1	No diversion of any business or customer to any competitor; no employment or inducement to leave employment of any person employed by Houlihan's or any franchisee or developer; no interest in any restaurant (1) offering the same or substantially similar sit-down, casual dining services as those offered in Houlihan's Restaurants; or (2) any food items that are the same as or substantially similar to the menu items of Houlihan's Restaurants, and which business is or is intended to be located within the Territory, a radius of 10 miles of any Houlihan's Restaurant in the Territory, a radius of 10 miles of any Houlihan's Restaurant or the United States.
r. Non-competition covenants after the Development Agreement is terminated or expires	8.2.2	No activity described in q. for two years within the Territory, a radius of 10 miles of any Houlihan's Restaurant in the Territory or a radius of 10 miles of any Houlihan's Restaurant.
s. Modification of this agreement	16	No modification generally without signed agreement, but Houlihan's can modify the System and the Manuals.
t. Integration/merger clauses	16	The Development Agreement and the documents referred to therein and the exhibits constitute the entire, full and complete agreement between you and Houlihan's. Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17.2	Except for claims related to the payment of monies and injunctive relief, all claims or controversies arising out of, or relating to, the Development Agreement must be first submitted to mediation administered by JAMS.
v. Choice of forum	17.3	Any claim, controversy or dispute under the Development Agreement must be brought in a court in the judicial district in which Houlihan's has its principal place of business.
w. Choice of law	17.1	Kansas law applies.
x. Other – Liquidated Damages	8.2.1.2 and 8.2.2.2	If you employ, seek to employ or induce any employee to leave his/her employment with Houlihan's or any other franchisee or developer of Houlihan's, you must pay Houlihan's or the other developer or franchisee liquidated damages in an amount equal to the annualized compensation for that employee for the final 12 months of their employment with their former employer.

FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	2.1	10 years from the date the Restaurant opens for business
b. Renewal or extension of the term	2.2	You have the option to renew the Franchise Agreement for two successive terms of five years each.
c. Requirements for you to renew or extend	2.2	Requirements include: in compliance with the Franchise Agreement; satisfy requirements for new franchisees; sign a general release; give written notice of your desire to renew; and pay a renewal fee. We also may require you to sign our then-current form of Franchise Agreement, which may contain terms and conditions substantially different from your original Franchise Agreement, including, without limitation, a reduced Protected Area and higher royalty fees and/or advertising contributions.
d. Termination by you	Not Applicable	
e. Termination by Houlihan's without cause	Not Applicable	
f. Termination by Houlihan's with cause	18	Houlihan's may terminate upon default.
g. "Cause" defined - defaults which can be cured	18.3	You have 10 days to cure monetary defaults. You have 30 days to cure defaults other than those discussed in h.
h. "Cause" defined - defaults which cannot be cured	18.1 and 18.2	Non-curable defaults include: insolvency; petition in bankruptcy; receiver appointed; final judgment remains unsatisfied for 30 days; dissolution; execution is levied against you; suit in foreclosure; property is levied and sold; failure to open as required; failure to relocate; failure to obtain and maintain a liquor license; failure to continuously operate the Restaurant; misuse of any Mark; unauthorized use of the Manuals or any confidential information; material violation of any of the confidentiality and non-competition covenants; material misrepresentation or omission; felony conviction that is likely to materially and adversely affect Houlihan's, you or the System; submission of any reports that understate Gross Revenues or Royalty Fees by more than 2% for any period; unauthorized transfer; your termination of the Franchise Agreement without cause; failure to comply with other agreements with Houlihan's; or multiple defaults in any 12-month period. For hotel locations only, non-curable defaults also include: failure to provide notice of change in operating name or brand of the hotel or temporary or permanent cessation of hotel business, or hotel changes its name or ceases hotel business operations.

Provision	Section in Franchise Agreement	Summary
i. Your obligations on termination/non-renewal	19	Obligations include: payment of amounts owed; termination of limited exclusivity; cease use of confidential information and materials; return or destroy property belonging to Houlihan's; continued observance of covenants; cease use of any Internet advertising; cease operating the restaurant as a Houlihan's Restaurant; discontinue use of any Marks; cancel all fictitious or assumed names; de-identify restaurant premises; cancel or transfer telephone numbers; provide notice to Houlihan's within 30 days after termination or expiration that you have taken these actions.
j. Assignment of contract by Houlihan's	17.1	There are no restrictions on our right to transfer or assign.
k. "Transfer" by you – definition	17.2	Includes any sale, assignment, transfer, conveyance, gift, pledge, mortgage or other encumbrance of any interest in you, your business, the Restaurant, the Franchise Agreement or the assets used in the Restaurant.
l. Houlihan's approval of transfer by you	17.2	We have the right to approve all transfers.
m. Conditions for Houlihan's approval of transfer	17.2.2	Conditions include: all monetary obligations satisfied; not in default of any agreement; you sign a general release; transferee enters into a written agreement assuming obligations under the Franchise Agreement or signs a new standard form of franchise agreement; transferee meets criteria for new franchisees; you remain liable for all of the obligations to Houlihan's before the transfer; transfer fee paid; Restaurant refurbished; transferee completes all then-current training programs; you conduct a customer service audit.
n. Houlihan's right of first refusal to acquire your business	17.3	Houlihan's has the right to match any bona fide offer for your business.
o. Houlihan's option to purchase your business	20	We can purchase some or all of your assets upon termination or earlier expiration of the Franchise Agreement at a price agreed upon or set by appraisers.
p. Your death or disability	17.4.1.	Upon death, transfer to a third party approved by Houlihan's within 12 months. Upon the permanent disability, transfer to third party approved by Houlihan's within 270 days.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	16.2	No diversion of any business or customer to any competitor; no employment or inducement to leave employment of any person employed by Houlihan's or any franchisee or developer; no interest in any restaurant (1) offering the same or substantially similar sit-down, casual dining services as those offered in Houlihan's Restaurants; or (2) any food items that are the same as or substantially similar to the menu items of Houlihan's Restaurants, and which business is or is intended to be located within the Protected Area, a radius of 10 miles from the Restaurant, a radius of 10 miles of any Houlihan's Restaurant or the United States.
r. Non-competition covenants after the franchise is terminated or expires	16.2	No activity described in q. for two years within the Protected Area, a radius of 10 miles of the Restaurant or a radius of 10 miles of any Houlihan's Restaurant.
s. Modification of the agreement	27	No modification generally without signed agreement, but Houlihan's can modify the System and the Manuals.
t. Integration/ merger clauses	27	The Franchise Agreement and the documents referred to therein constitute the entire agreement between you and Houlihan's and supersede all prior agreements. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	29.2	Except for injunctive relief and claims for payment, all claims or controversies arising out of, or relating to, the Franchise Agreement must be first submitted to mediation administered by JAMS.
v. Choice of forum	29.3	Except for claims submitted to mediation, any claim, controversy or dispute under the Franchise Agreement must be brought in a court in the judicial district in which Houlihan's has its principal place of business.
w. Choice of law	29.1	Kansas law applies.
x. Other – Liquidated Damages	16.2.1.2 and 16.2.2.2	If you employ, seek to employ, or induce any employee to leave his/her employment with Houlihan's or any other franchisee or developer of Houlihan's, you must pay Houlihan's or the other franchisee liquidated damages in an amount equal to the annualized compensation for that employee for the final 12 months of their employment with their former employer.

ITEM 18

PUBLIC FIGURES

Houlihan's does not use any public figure to promote its franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Houlihan's Restaurant, however, we may provide you with the actual records of that restaurant. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our General Counsel, Cynthia Parres, at (913) 901 2500, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Restaurant Summary
For Years 2011 to 2013⁽¹⁾

Restaurant Type	Year	Restaurants at Start of the Year	Restaurants at End of the Year	Net Change
Franchised	2011	61	52	-9
	2012	52	47	-5
	2013	47	47	0
Company Owned	2011	33	33	0
	2012	33	35	+2
	2013	35	35	0
Total Outlets	2011	94	85	-9
	2012	85	82	-3
	2013	82	82	0

Table No. 2
Transfers of Restaurants from Franchisees to New Owners
(Other than Houlihan's)
For Years 2011 to 2013⁽¹⁾

Outlet Type	Year	Number of Transfers
Total	2011	0
	2012	0
	2013	0

Table No. 3
Status of Franchised Restaurants For Years 2011 to 2013⁽¹⁾

State	Year	Restaurants At Start of Year	Restaurants Opened	Terminations	Non-Renewals	Reacquired by Houlihan's	Ceased Operations – Other Reason	Rests. at End of the Year ⁽²⁾
California	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Delaware	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Florida	2011	5	0	0	0	0	1	4
	2012	4	0	0	0	0	1	3
	2013	3	0	0	0	0	0	3
Georgia	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	2	3
	2013	3	0	0	0	0	0	3
Illinois	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	1	0	0	0	2
Indiana	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Iowa	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

State	Year	Restaurants At Start of Year	Restaurants Opened	Terminations	Non- Renewals	Reacquired by Houlihan's	Ceased Operations – Other Reason	Rests. at End of the Year ⁽²⁾
Kansas	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Maryland	2011	2	0	0	0	0	1	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Minnesota	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	1	4
	2013	4	0	0	0	0	0	4
Missouri	2011	4	0	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
New Jersey	2011	14	1	0	0	0	0	15
	2012	15	0	0	0	0	0	15
	2013	15	0	0	0	0	0	15
New York	2011	5	0	0	0	0	2	3
	2012	3	0	0	0	0	1	2
	2013	2	0	0	0	0	0	2
Ohio	2011	4	0	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Pennsylvania	2011	3	0	0	0	0	1	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Virginia	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Wisconsin	2011	2	0	0	0	0	2	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Total	2011	61	1	0	0	0	10	52
	2012	52	0	0	0	0	5	47
	2013	47	1	1	0	0	0	47

Table No. 4
Status of Company-Owned Restaurants
For Years 2011 to 2013⁽¹⁾

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired from Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Rests. at End of Year
Arkansas	2011	0	0	0	0	0	0
	2012	0	1	0	0	0	1
	2013	1	0	0	0	0	1
Georgia	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
Illinois	2011	9	0	0	0	0	9
	2012	9	0	0	1	0	8
	2013	8	0	0	0	0	8
Indiana	2011	2	0	0	0	0	2
	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
Kansas	2011	4	0	0	0	0	4
	2012	4	0	0	0	0	4
	2013	4	1	0	1	0	4
Maryland	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	1	0	0
Michigan	2011	1	0	0	0	0	1
	2012	1	1	0	0	0	2
	2013	2	0	0	0	0	2
Missouri	2011	6	0	0	1	0	5
	2012	5	0	0	0	0	5
	2013	5	0	0	0	0	5
Ohio	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	1	0	0	0	1
Pennsylvania	2011	5	0	0	0	0	5
	2012	5	0	0	0	0	5
	2013	5	0	0	0	0	5

State	Year	Restaurants at Start of Year	Restaurants Opened	Restaurants Reacquired from Franchisees	Restaurants Closed	Restaurants Sold to Franchisees	Rests. at End of Year
Texas	2011	5	0	0	0	0	5
	2012	5	1	0	0	0	6
	2013	6	0	0	0	0	6
Total	2011	34	0	0	1	0	33
	2012	33	3	0	1	0	35
	2013	3	2	0	2	0	35

NOTES

(1) The numbers for 2011-2013 are as of fiscal year end September 25, 2011 and September 30, 2012, and September 29, 2013 respectively. If multiple events occurred that affected an outlet, this table shows the event that occurred last in time.

(2) Attached as Exhibit I is a list our developers and the franchised Houlihan's Restaurant locations including the name of the franchisee, address of the Restaurant and a telephone number for the Restaurant as of September 29, 2013. Exhibit I also contains a list of every franchisee that had a franchise agreement for a Houlihan's Restaurant terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our last fiscal year or who has not communicated with Houlihan's within 10 weeks of the issuance date of this disclosure document.

If you buy a Houlihan's franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Table No. 5
Projected Openings as of September 29, 2013

STATE	FRANCHISE AGREEMENTS SIGNED AS OF SEPTEMBER 29, 2013 BUT OUTLET NOT OPENED AS OF THAT DATE	PROJECTED NEW FRANCHISED RESTAURANTS IN FISCAL YEAR 2014	PROJECTED COMPANY OWNED RESTAURANTS IN FISCAL YEAR 2014
NJ	0	1	0
TOTALS	0	1	0

* * * * *

During our last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict their ability to speak openly with you about their experience with us. We are not aware of any trademark-specific franchisee organizations associated with the System and no independent franchisee organizations have asked to be included in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C are the Audited Consolidated Financial Statements for our parent company, HRI Holding Corp. (“HHC”), for the fiscal years ended September 29, 2013, September 30, 2012, and September 25, 2011. You have not been provided with financial statements for Houlihan’s. Therefore you do not have knowledge of how this specific company has performed. However, HHC has agreed absolutely and unconditionally to guarantee to assume the duties and obligations of Houlihan’s under the franchise agreements entered into by Houlihan’s, should Houlihan’s become unable to perform its duties and obligations. A copy of Houlihan’s guarantee is included with Exhibit C.

ITEM 22

CONTRACTS

The following agreements related to a franchised Houlihan’s Restaurant are attached as exhibits to this disclosure document:

Exhibit D	Development Agreement
Exhibit E	Franchise Agreement
Exhibit F	Addendum to Franchise Agreement for Hotel Locations
Exhibit G	Recruiting Services Agreement
Exhibit H	Software License and Support Agreement

ITEM 23

RECEIPTS

The last two pages of this disclosure document are detachable receipt pages. You should sign and date both copies of the receipt as of the date you received this disclosure document. Keep one copy for your records and return the other signed copy to us.

EXHIBIT A
LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

CALIFORNIA

California Commissioner of Business Oversight
Department of Business Oversight
320 West Fourth Street, Suite 750
Los Angeles, California 90013-2344
(213) 876-7500
Toll Free: (866) 275-2677

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Office of the Attorney General
Franchise Bureau
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Secretary of State
Franchise Section
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Department of Attorney General – Consumer Protection
Division
G. Mennen Williams Building
525 W. Ottawa St. P.O. Box 30212
Lansing, MI 48933 Lansing, MI 48909
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

NEW YORK

Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-8211

NORTH DAKOTA

North Dakota Securities Department
600 Boulevard Avenue, State Capitol
Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

RHODE ISLAND

Department of Business Regulation
Securities Division
Bldg. 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
445 E. Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

Department of Financial Institutions
Securities Division – 3rd Floor
150 Israel Road, S.W.
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Office of the Commissioner of Securities
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703
(608) 261-9555

UTAH

State of Utah, Division of Consumer Protection
160 East Three Hundred South
Salt Lake City, Utah 84145-0804
(801) 530-6601

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

LIST OF AGENTS FOR SERVICE OF PROCESS

If a state is not listed, Houlihan's Restaurants, Inc. 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 Houlihan's Restaurants, Inc. has appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Florida

Corporation Service Company
1201 Hays Street
Tallahassee, Florida 32301

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana

Secretary of State
Franchise Section
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Michigan Attorney General's Office
Consumer Protection Div., Franchise Section
525 West Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Commissioner of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

New York

New York Secretary of State
New York State Department of State
Division of Corporations
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231
(518) 473-2492

Texas

CSC - Lawyers Incorporating Service
211 E 7th Street
Suite 620
Austin, Texas 78701-3218

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

Wisconsin

Wisconsin Commissioner of Securities
Department of Financial Institutions
Division of Securities
201 W. Washington Avenue, Suite 300
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT C
FINANCIAL STATEMENTS

**HRI HOLDING CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements
Fiscal Years Ended September 29, 2013 and September 30, 2012

HRI HOLDING CORP. AND SUBSIDIARIES

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Consolidated Balance Sheets as of September 29, 2013 and September 30, 2012	2
Consolidated Statements of Operations for fiscal years ended September 29, 2013 and September 30, 2012	3
Consolidated Statements of Stockholders' Equity for fiscal years ended September 29, 2013 and September 30, 2012	4
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913-234-1100 fx
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

HRI HOLDING CORP.

We have audited the accompanying consolidated financial statements of HRI Holding Corp. and its subsidiaries, which comprise the consolidated balance sheets as of September 29, 2013 and September 30, 2012, and the related consolidated statements of operations, stockholders' 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HRI Holding Corp. and its subsidiaries as of September 29, 2013 and September 30, 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leawood, Kansas
December 23, 2013

HRI HOLDING CORP. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

September 29, 2013 AND September 30, 2012

(Dollars in thousands, except per share amounts)

	<u>September 29, 2013</u>	<u>September 30, 2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,403	\$ 1,113
Receivables, net	3,333	3,079
Inventories	2,028	1,837
Deferred income tax benefit	428	475
Other current assets, net	<u>2,077</u>	<u>1,506</u>
Total current assets	9,269	8,010
PROPERTY, EQUIPMENT AND LEASEHOLDS, Net	51,624	49,244
DEFERRED INCOME TAX BENEFIT	10,503	10,615
OTHER ASSETS, Net	<u>1,497</u>	<u>1,512</u>
TOTAL ASSETS	<u><u>\$ 72,893</u></u>	<u><u>\$ 69,381</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion - long term debt	\$ 1,875	\$ 1,875
Accounts payable	4,449	4,946
Accrued interest	338	18
Accrued liabilities	<u>9,673</u>	<u>9,715</u>
Total current liabilities	16,335	16,554
LONG TERM DEBT, less current portion	27,925	25,800
OTHER LIABILITIES	<u>13,170</u>	<u>12,169</u>
Total liabilities	<u>57,430</u>	<u>54,523</u>
STOCKHOLDERS' EQUITY:		
Common stock - par value \$.01 per share; 3,000,000 authorized; 2,296,366 issued and outstanding	24	24
Additional paid-in capital	29,746	29,746
Additional paid-in capital - stock appreciation rights	2,043	2,054
Treasury stock - 115,674 shares	(2,318)	(2,318)
Accumulated deficit, net of distributions	<u>(14,032)</u>	<u>(14,648)</u>
Total stockholders' equity	15,463	14,858
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 72,893</u></u>	<u><u>\$ 69,381</u></u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FISCAL YEARS ENDED September 29, 2013 AND September 30, 2012
(Dollars in thousands)

	<u>September 29, 2013</u>	<u>September 30, 2012</u>
Revenues:		
Company restaurant sales	\$ 145,295	\$ 137,261
Royalty income and franchise revenues	<u>5,875</u>	<u>6,308</u>
Total operating revenues	<u>151,170</u>	<u>143,569</u>
Cost of Company restaurant sales:		
Food and beverage costs	48,802	44,661
Labor costs	46,474	43,188
Operating expenses	<u>34,029</u>	<u>31,636</u>
Total cost of Company restaurant sales	<u>129,305</u>	<u>119,485</u>
Gross profit	21,865	24,084
General and administrative expenses	(9,811)	(9,995)
Pre-opening expenses	(1,268)	(1,991)
Depreciation expense	(8,957)	(7,668)
Interest expense	(1,560)	(986)
Transaction costs	8	(459)
Compensation cost - SARs	(24)	(33)
Loss on disposition of property, equipment and leaseholds	(98)	(268)
Other income, net	<u>1,011</u>	<u>880</u>
Income before income taxes	<u>1,166</u>	<u>3,564</u>
Income tax expense, current	(391)	(526)
Income tax expense, deferred	<u>(159)</u>	<u>(876)</u>
Total income tax expense	<u>(550)</u>	<u>(1,402)</u>
Net income	<u>\$ 616</u>	<u>\$ 2,162</u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FISCAL YEARS ENDED September 29, 2013 AND September 30, 2012
(Dollars in thousands)

	<u>Common Stock Shares</u>	<u>Amount</u>	<u>Additional Paid-In Capital</u>	<u>Additional Paid-In Capital - Stock Appreciation Rights</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balance, September 25, 2011	2,297,366	\$ 24	\$ 29,746	\$ 2,021	\$ (2,293)	\$ (16,810)	\$ 12,688
Purchase of treasury stock	(1,000)	-	-	-	(25)	-	(25)
Stock appreciation rights vested	-	-	-	33	-	-	33
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,162</u>	<u>2,162</u>
Balance, September 30, 2012	2,296,366	\$ 24	\$ 29,746	\$ 2,054	\$ (2,318)	\$ (14,648)	\$ 14,858
Purchase of treasury stock	-	-	-	-	-	-	-
Stock appreciation rights vested	-	-	-	50	-	-	50
Stock appreciation rights redeemed	-	-	-	(61)	-	-	(61)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616</u>	<u>616</u>
Balance, September 29, 2013	<u>2,296,366</u>	<u>\$ 24</u>	<u>\$ 29,746</u>	<u>\$ 2,043</u>	<u>\$ (2,318)</u>	<u>\$ (14,032)</u>	<u>\$ 15,463</u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED September 29, 2013 AND September 30, 2012
(Dollars in thousands)

	<u>September 29, 2013</u>	<u>September 30, 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 616	\$ 2,162
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,957	7,668
Loss on disposition of property, equipment and leaseholds	98	268
Deferred income taxes	159	876
Amortization of deferred costs	81	147
Stock appreciation rights compensation cost	24	33
Changes in operating assets and liabilities:		
Receivables, net	(254)	(487)
Inventories	(191)	(238)
Other current assets, net	(571)	492
Other assets, net	(118)	(294)
Accounts payable	(497)	390
Accrued interest	320	(52)
Accrued liabilities	(42)	(848)
Other liabilities	1,001	827
Net cash provided by operating activities	<u>9,583</u>	<u>10,944</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(11,595)	(14,122)
Net proceeds from disposition of property, equipment and leaseholds	<u>212</u>	<u>259</u>
Net cash used in investing activities	<u>(11,383)</u>	<u>(13,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	-	(25)
Proceeds from long term debt	13,639	13,881
Payments on long term debt	(11,514)	(10,906)
Stock appreciation rights redeemed	<u>(35)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,090</u>	<u>2,950</u>
Net change in cash and cash equivalents	290	31
CASH AND CASH EQUIVALENTS, Beginning of period	1,113	1,082
CASH AND CASH EQUIVALENTS, End of period	<u>\$ 1,403</u>	<u>\$ 1,113</u>

HRI HOLDING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED SEPTEMBER 29, 2013 AND SEPTEMBER 30, 2012

1. ORGANIZATION

HRI Holding Corp. ("HHC") and its subsidiaries (together, the "Company") own and operate full service restaurants in 15 states. At September 29, 2013, the Company operated 51 restaurants, including 36 Houlihan's, nine wholly-owned seafood restaurants and one joint-venture seafood restaurant, and five J. Gilbert's steakhouses. At September 29, 2013 the Company also franchised 47 Houlihan's and licensed one Devon seafood restaurant in 15 states.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year - The Company reports fiscal year results of operations based on 52 or 53-week periods ending on the Sunday closest to September 30th. The fiscal year ended September 29, 2013 was comprised of 52 weeks and the fiscal year ended September 30, 2012 was comprised of 53 weeks. References to years are to the fiscal years then ended.

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the consolidated financial statements include workers' compensation, medical, general liability reserves, stock appreciation rights and the calculation of deferred taxes. Actual results could differ from those estimates.

Income Taxes - Deferred tax assets and liabilities are established for the temporary differences between the financial accounting and tax basis of the Company's assets and liabilities. The Company periodically assesses the realization of deferred income taxes. This evaluation is primarily based upon current operating results and expectations of future taxable income. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company files income tax returns in the U.S. federal and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

The Company's policy is to evaluate uncertain tax positions under guidance as prescribed by ASC 740, *Income Taxes*. As of September 29, 2013 and September 30, 2012, the Company has not identified any uncertain tax positions requiring recognition in the consolidated financial statements. In addition, there has been no interest or penalties recognized in the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Cash and cash equivalents include bank checking accounts of approximately \$1,403,000 and \$1,113,000 at September 29, 2013 and September 30, 2012, respectively. At times the Company maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of the institutions and believes the Company's risk is negligible. Temporary cash investments are carried at cost, which approximates fair market value.

Accounts Receivable - The Company grants credit to all qualified customers. Accounts receivable are carried at cost, less allowance for doubtful accounts. On a periodic basis, the Company evaluates accounts receivable and establishes an allowance for doubtful accounts, based on age, history of past write-offs and collections and current credit conditions. An account is written-off when it is determined that all collection efforts have been exhausted. The allowance for doubtful accounts was approximately \$9,000 as of September 29, 2013 and September 30, 2012.

Royalties Receivable - Royalties due from franchisees are carried at cost, less allowance for doubtful accounts. On a periodic basis, the Company evaluates franchise royalties receivable and establishes an allowance for doubtful accounts, based on age, history of past write-offs and collections and current credit conditions. An account is written off when it is determined that all collection efforts have been exhausted. The allowance for doubtful accounts was approximately \$113,000 and \$122,000 as of September 29, 2013 and September 30, 2012, respectively.

Inventories - Inventories consist primarily of food and liquor and are stated at cost. Costs are determined using the average cost method.

Property, Equipment and Leaseholds - Property and equipment are depreciated on a straight-line basis over their estimated useful lives (software, furniture, fixtures and equipment - 1 to 20 years, and prototype costs - 3 to 5 years). Leaseholds are amortized on a straight-line basis over the shorter of their estimated useful lives or terms of the leases.

Losses on disposition of properties in the normal course of business are recognized when the assets are disposed. Gains on disposition of properties in the normal course of business are recognized at the date of sale.

Long-lived Assets and Certain Identifiable Intangibles - The Company evaluates long-lived assets for impairment using a discounted cash flows method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company analyzes potential impairments of assets on a restaurant-by-restaurant basis.

Investment in Winghaven - The Company has invested approximately \$624,000 of equity capital as of September 29, 2013 for a 30% interest in the limited liability company, Winghaven Restaurant Partners, LLC. The investment is recorded using the equity method. The carrying amount of the investment was a liability of approximately \$427,000 and \$356,000 as of September 29, 2013 and September 30, 2012, respectively, and is included in other liabilities on the consolidated balance sheet. The Company has also recorded a liability of approximately \$110,000 as of September 29, 2013 and September 30, 2012, for its pro-rata share of an unsecured guarantee of debt financing, which is subject to a cap of approximately \$650,000 as of September 29, 2013 and September 30, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Liquor Licenses - Transferrable liquor licenses are recorded and carried at cost.

Gift Cards and Certificates - The Company records a liability in the period in which a gift card is issued and proceeds are received. As gift cards are redeemed, or when the likelihood of redemption becomes remote, this liability is reduced and revenue is recognized. During the years ended September 29, 2013 and September 30, 2012, the Company recognized approximately \$290,000 and \$182,000, respectively, in gift card income due to the remote likelihood of redemption by the customer.

Operating Leases - Certain of the Company's lease agreements contain tenant improvement allowances, rent holidays, and/or rent escalation clauses. The Company recognizes these expenses on a straight-line basis over the terms of the leases. For tenant improvement allowances, the Company records a deferred rent liability in either accrued liabilities or other non-current liabilities on the consolidated balance sheet and amortizes the deferred rent over the terms of the leases as reductions to occupancy costs in the consolidated statement of operations.

Pre-opening Expenses - The Company expenses certain costs as incurred in connection with the opening of new or converted restaurants (principally rent, smallwares and the cost associated with training managers and staff).

Company Restaurant Sales - Sales from Company operated restaurants are recognized when food and beverages are sold. Company restaurant sales are reported net of sales taxes collected. Sales taxes are remitted to the appropriate taxing authorities.

Franchise Revenues - Revenues in the form of development and franchise fees are recognized upon opening of the restaurants to which they relate. In addition, upon termination of a development agreement, any remaining deferred revenue relating to such agreement is recognized. Franchise revenues stated in the accompanying consolidated statement of operations include franchise and development fees of approximately \$157,000 and \$0 for the years ended September 29, 2013 and September 30, 2012, respectively.

Advertising Costs - The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended September 29, 2013 and September 30, 2012 were approximately \$695,000 and \$729,000, respectively.

Transaction Costs - The Company expensed approximately \$459,000 in transaction costs for the year ended September 30, 2012. These costs were incurred as the Company evaluated a potential ownership change.

Cash Flow Disclosures - The Company paid approximately \$1,161,000 and \$892,000 in interest and approximately \$755,000 and \$292,000 in income taxes during the years ended September 29, 2013 and September 30, 2012, respectively. The Company received approximately \$2,000 and \$19,000 in refunds during the years ended September 29, 2013 and September 30, 2012, respectively, for tax overpayments related to tax years 2010 and 2011.

Self-insurance - The Company has elected to self-insure certain costs of employee medical programs and workers' compensation and general liability insurance. The reserves recorded at September 29, 2013 and September 30, 2012 reflect the Company's estimated liability.

Treasury Stock - As of September 29, 2013 and September 30, 2012, the Company held 115,674 shares of common stock.

3. RECEIVABLES

Receivables are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Customer and credit cards	\$ 2,022	\$ 1,715
Royalties receivable	830	954
Tenant improvement allowances receivable	489	141
Other	114	400
Allowance for doubtful accounts	(122)	(131)
	<u>\$ 3,333</u>	<u>\$ 3,079</u>

4. OTHER CURRENT ASSETS

Other current assets are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Prepaid occupancy	\$ 1,031	\$ 995
Prepaid insurance	224	191
Income tax receivable	495	132
Other	327	188
	<u>\$ 2,077</u>	<u>\$ 1,506</u>

5. PROPERTY, EQUIPMENT AND LEASEHOLDS

Property, equipment and leaseholds are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Leasehold and land improvements	\$ 73,552	\$ 65,817
Software, furniture, fixtures and equipment	40,178	35,907
Prototype costs	1,654	1,589
Assets not in service as of year end	280	3,463
	<u>115,664</u>	<u>106,776</u>
Less: Accumulated depreciation	<u>64,040</u>	<u>57,532</u>
	<u>\$ 51,624</u>	<u>\$ 49,244</u>

6. OTHER ASSETS

Other assets are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Non-qualified deferred compensation plan assets	\$ 858	\$ 902
Liquor licenses	476	528
Deferred debt issuance costs	110	29
Other	53	53
	<u>\$ 1,497</u>	<u>\$ 1,512</u>

7. LONG TERM DEBT AND CREDIT FACILITIES

The Company has a credit agreement with Wells Fargo Capital Finance, Inc. that provides for a term loan of \$15,000,000 and a revolving credit facility of up to \$25,000,000. In March 2013, the credit agreement was amended; extending the maturity date from May 2014 to May 2016, adjusting the financial covenant thresholds through the maturity date, and updating the applicable multiples and applicable margins to reflect current market rates. The term loan and any borrowings against the revolving credit facility bear interest at a rate equal to Wells Fargo's base rate or the LIBOR rate, plus the greater of an applicable margin or a specified minimum margin. The applicable margin will depend on the Company's senior leverage ratio at the end of each calendar quarter. The Company elected the base rate as the interest option and their leverage ratio qualified for a 3.25% applicable margin, as of September 29, 2013. For the year ended September 30, 2012, the Company qualified for a 2.50% applicable margin. Effective interest rates were 6.5% and 2.9% at September 29, 2013 and September 30, 2012, respectively. The term loan is set to mature in May 2016. Monthly amortization of principal began in May 2012. The credit agreement also provides for certain mandatory prepayments of the term loan and any borrowings against the revolving credit facility from the proceeds of asset sales, extraordinary receipts, and proceeds from stock or indebtedness issuance. The credit agreement includes financial and non-financial covenants, with which the Company was in compliance as of September 29, 2013 and September 30, 2012. The amended credit facility also provides for up to \$2,000,000 in letters of credit to be used by the Company, with any amounts outstanding reducing the availability under the revolving credit facility.

As of September 29, 2013 and September 30, 2012, approximately \$1,035,000 and \$810,000, respectively, in letters of credit were outstanding in connection with workman's compensation and surety bonds. Substantially all of the Company's assets are pledged as collateral under the credit agreement.

7. LONG TERM DEBT AND CREDIT FACILITIES - Continued

Long term debt is comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Term note payable	\$ 12,344	\$ 14,219
Revolver borrowing	17,456	13,456
	29,800	27,675
Less current portion	1,875	1,875
Noncurrent portion	<u>\$ 27,925</u>	<u>\$ 25,800</u>

Contractual Maturities of Long-Term Debt - Contractual maturities of long-term debt as of September 29, 2013, for each of the following fiscal years (in thousands):

Fiscal year:	
2014	\$ 1,875
2015	1,875
2016	<u>26,050</u>
Total	<u>\$ 29,800</u>

8. STOCK BASED COMPENSATION

The Company maintains an incentive compensation plan under which stock options and stock appreciation rights (SARs) may be granted to employees, officers, consultants or independent contractors. The Company has 363,000 SARs outstanding as of September 29, 2013. The exercise price is equal to the fair value of the underlying common stock on the date of grant. The Company expects the SARs to be settled in stock. The SARs are accounted for as equity awards under the provisions of ASC 718. There are two tranches of SARs, 283,000 of the outstanding awards vest ratably over four years on the anniversary of the grant date, or automatically in the event of a change of control (as defined in the plan). Compensation expense is recognized over the vesting period. The remaining 80,000 outstanding awards vest solely upon and are subject to a change of control/sale of the company. As these awards are contingent upon a future event, there is no compensation expense recorded. All SARs expire ten years from the date of grant. During the year ended September 29, 2013, 7,000 fully-vested SARs were satisfied and 20,000 non-vested SARs were forfeited upon employment termination of two former officers.

For the 283,000 SARs which vest ratably, the Black-Scholes option pricing model was used to determine fair value as of the respective grant dates, using the following assumptions: risk-free interest rate ranging between 1.53% - 4.49%, obtained from the US Daily Treasury Yield Curve Rate derived for the expected term of 5 years, price volatility rate between 23.2% - 77.0%, based on the historical volatility of a peer-group of public companies over the expected term, and no expected dividend yield. The Company recognizes compensation costs over the vesting period. Expenses for these SARs included in the accompanying consolidated statement of operations for the years ended September 29, 2013 and September 30, 2012 were \$24,000 and \$33,000, respectively. As of September 29, 2013 and September 30, 2012, there was \$52,000 and \$101,000, respectively, of unrecognized compensation expense related to non-vested SARs granted under the plan. That cost is expected to be

8. STOCK BASED COMPENSATION - Continued

recognized over a weighted average period of 1.45 years as of September 29, 2013 and 2.45 years as of September 30, 2012.

SARs transactions for the year ending September 29, 2013 are summarized below:

	Stock Appreciation Rights	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding at beginning of period	290,000	\$ 13.52	\$ 7.41
Granted	-	-	-
Exercised	-	-	-
Adjustments	-	-	-
Redeemed	(7,000)	15.00	8.77
Outstanding at end of period	<u>283,000</u>	<u>\$ 13.49</u>	<u>\$ 7.37</u>
Exercisable at end of period	277,000	\$ 13.33	\$ 7.28

SARs Contingent Awards:

	Stock Appreciation Rights	Weighted Average Exercise Price
Outstanding at beginning of period	100,000	\$ 28.00
Granted	-	-
Exercised	-	-
Adjustments	-	-
Forfeited	(20,000)	28.00
Outstanding at end of period	<u>80,000</u>	<u>\$ 28.00</u>

9. LEASES

The operating leases generally provide for payment of minimum annual rent, real estate taxes, insurance and maintenance and, in some cases, contingent rent (calculated as a percentage of sales) in excess of minimum rent. Most leases contain renewal options.

Total rental expense for all operating leases is composed of the following (in thousands):

	Year Ended September 29, 2013	Year Ended September 30, 2012
Minimum rent	\$ 9,483	\$ 8,675
Contingent rent	<u>273</u>	<u>324</u>
	<u>\$ 9,756</u>	<u>\$ 8,999</u>

9. LEASES - Continued

The aggregate value of future minimum lease payments on non-cancelable operating leases as of September 29, 2013, for each of the following five fiscal years are (in thousands):

Fiscal year:	
2014	\$ 10,948
2015	10,280
2016	9,293
2017	8,245
2018	6,925
Thereafter	29,592
	<u>\$ 75,283</u>

10. ACCRUED LIABILITIES

Accrued liabilities are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Employee compensation, taxes, medical, and benefits	\$ 3,594	\$ 3,879
Gift cards and certificates	1,350	1,363
Sales and property taxes	1,200	1,371
Occupancy	1,393	1,075
Workers' compensation and general liability reserves - current	908	787
Other	1,228	1,240
	<u>\$ 9,673</u>	<u>\$ 9,715</u>

11. OTHER LIABILITIES

Other liabilities are comprised of the following (in thousands):

	September 29, 2013	September 30, 2012
Deferred rent	\$ 10,441	\$ 9,632
Workers' compensation and general liability reserves - long term	1,058	894
Non-qualified deferred compensation plan liabilities	927	960
Investment in Winghaven	427	356
Deferred franchise development fee income and other	207	217
Winghaven unsecured guarantee	110	110
	<u>\$ 13,170</u>	<u>\$ 12,169</u>

12. INCOME TAXES

The Company provides deferred income taxes to reflect the impact of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

Income tax expense was computed as follows (in thousands):

	Year Ended September 29, 2013	Year Ended September 30, 2012
Current income taxes		
Federal	\$ (133)	\$ (351)
State and local	(157)	(172)
Prior year over/(under) accrual	(101)	(3)
Total current income tax expense	<u>(391)</u>	<u>(526)</u>
Deferred income taxes		
Temporary differences	398	210
Tax credit carryforward	(435)	(1,069)
Net operating loss carryforward	(122)	6
Change in deferred tax valuation allowance	-	(23)
Total deferred income tax expense	<u>(159)</u>	<u>(876)</u>
Total income tax expense	<u>\$ (550)</u>	<u>\$ (1,402)</u>

The reconciliation of income tax computed at the U.S. federal statutory tax rate to the Company's effective income tax rate is as follows (in thousands):

	Year ended September 29, 2013	Year ended September 30, 2012
Expected tax expense at statutory tax rates	\$ (455)	\$ (1,390)
Change in valuation allowances	-	(23)
Permanent differences	(33)	(31)
Other	(62)	42
Total income tax expense	<u>\$ (550)</u>	<u>\$ (1,402)</u>

12. INCOME TAXES - Continued

Deferred income taxes result from temporary differences between the financial statement and tax basis of the Company's assets and liabilities. The source of the differences and their cumulative tax effects are as follows (in thousands):

	September 29, 2013	September 30, 2012
Current:		
Assets:		
Accruals and reserves	\$ 607	\$ 621
Liabilities:		
Prepaid expenses	(179)	(146)
	<u>\$ 428</u>	<u>\$ 475</u>
Noncurrent:		
Assets:		
General business credit carryforwards	\$ 4,645	\$ 5,080
Insurance reserves	691	642
Accrued straight-line rent	1,354	1,292
Net operating loss carryforwards	415	537
Development fees	85	91
Tenant improvements	3,227	2,820
Other	796	804
Less: Valuation allowance	(119)	(119)
Liabilities:		
Excess tax depreciation	(510)	(411)
Other	(81)	(121)
	<u>\$ 10,503</u>	<u>\$ 10,615</u>

The Company has total general business credit carryforwards of approximately \$4,645,000 as of September 29, 2013. The tax credit carryforwards will expire from 2024 through 2028. The availability of such business credit carryforwards is subject to statutory limitations. To the extent general business credits are not utilized in a year, the unused limitation increases the subsequent year limitation amount.

The Company has net operating loss carryforwards with various state taxing authorities of approximately \$6,009,000 which expire from 2021 through 2032.

13. BENEFIT PLANS

The Company maintains incentive compensation and related plans for certain employees of the Company. Under the plans, participants generally are eligible to receive cash bonuses based on the Company's performance. Total expenses for these plans included in the accompanying consolidated statement of operations for the years ended September 29, 2013 and September 30, 2012 were approximately \$1,052,000 and \$1,697,000, respectively.

Substantially all of the Company's salaried employees are eligible to participate in either a defined contribution plan authorized under Section 401(k) of the Internal Revenue Code or a non-qualified deferred compensation plan. The non-qualified deferred compensation plan is in place for highly compensated employees who are not eligible to participate in the 401(k) plan. Plan assets under the non-qualified deferred compensation plan totaled approximately \$858,000 and \$902,000 at September 29, 2013 and September 30, 2012, respectively; and is included in other assets. Plan assets are invested in various mutual funds held by a third-party custodian. Amounts payable under the non-qualified deferred compensation plan totaled approximately \$927,000 and \$960,000 at September 29, 2013 and September 30, 2012, respectively; and is included in other liabilities. The Company's expenses relating to these plans included in the accompanying consolidated statement of operations for the years ended September 29, 2013 and September 30, 2012 were approximately \$62,000.

14. CONTINGENCIES AND COMMITMENTS

Litigation - The Company is currently involved in various claims and pending legal actions arising in the normal course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. In the opinion of management, these matters are adequately covered by insurance, or if not so covered, are without merit or are of such a nature or involve amounts that would not have a material adverse impact on the business or consolidated financial position.

Contracts - The Company is a party to executive employment agreements with its chief executive officer and chief financial officer. Each agreement provides for severance payments equal to one year's base salary to the executive in the event of the termination of employment by the Company without "just cause" (as defined in the agreements) or termination of the officers for "just grounds" (as defined in the agreements). The base salaries of such executives at the end of fiscal 2013 and 2012 aggregated approximately \$880,000.

The Company is a party to employment agreements with seven of its current employees and one former employee, other than the two officers identified above, pursuant to which the Company has agreed to make severance payments equal to six months' base salary to such employees in the event of the termination of employment by the Company without "just cause" (as defined in the agreements) or termination of the employees for "just grounds" (as defined in the agreements). The base salaries of such employees at the end of fiscal 2013 and 2012 aggregated approximately \$1,522,000 and \$1,599,000, respectively.

15. RELATED PARTY TRANSACTIONS

A limited liability company controlled by the Company's management owns common stock of the Company representing approximately 17% of the outstanding common stock of the Company as of September 29, 2013 and September 30, 2012.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 23, 2013, which is the date the consolidated financial statements were available to be issued.

There have been no subsequent events that occurred during such period that would require disclosure in these consolidated financial statements or would be required to be recognized in the consolidated financial statements as of or for the year ended September 29, 2013.

**HRI HOLDING CORP.
AND SUBSIDIARIES**

Consolidated Financial Statements
Fiscal Years Ended September 30, 2012 and September 25, 2011

HRI HOLDING CORP. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

HRI HOLDING CORP.

We have audited the accompanying consolidated balance sheets of HRI Holding Corp. and Subsidiaries as of September 30, 2012 and September 25, 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HRI Holding Corp. and Subsidiaries as of September 30, 2012 and September 25, 2011, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Leawood, Kansas
January 11, 2013

Mayer Hoffman McCann P.C.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2012 AND September 25, 2011
(Dollars in thousands, except per share amounts)

	September 30, 2012	September 25, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,113	\$ 1,082
Receivables, net	3,079	2,592
Inventories	1,837	1,599
Deferred income tax benefit	475	533
Other current assets, net	1,506	1,998
Total current assets	8,010	7,804
PROPERTY, EQUIPMENT AND LEASEHOLDS, Net	49,244	43,116
DEFERRED INCOME TAX BENEFIT	10,615	11,433
OTHER ASSETS, Net	1,512	1,566
TOTAL ASSETS	\$ 69,381	\$ 63,919
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion - long term debt	\$ 1,875	\$ 781
Accounts payable	4,946	4,556
Accrued interest	18	70
Accrued liabilities	9,715	10,563
Total current liabilities	16,554	15,970
LONG TERM DEBT, less current portion	25,800	23,919
OTHER LIABILITIES	12,169	11,342
Total liabilities	54,523	51,231
STOCKHOLDERS' EQUITY:		
Common stock - par value \$.01 per share; 3,000,000 authorized; 2,297,366 issued and outstanding	24	24
Additional paid-in capital	29,746	29,746
Additional paid-in capital - stock appreciation rights	2,054	2,021
Treasury stock - 115,674 and 114,674 shares, respectively	(2,318)	(2,293)
Accumulated deficit, net of distributions	(14,648)	(16,810)
Total stockholders' equity	14,858	12,688
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 69,381	\$ 63,919

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FISCAL YEARS ENDED September 30, 2012 AND September 25, 2011
(Dollars in thousands)

	<u>September 30, 2012</u>	<u>September 25, 2011</u>
Revenues:		
Company restaurant sales	\$ 137,261	\$ 136,196
Royalty income and franchise revenues	6,308	6,783
Total operating revenues	<u>143,569</u>	<u>142,979</u>
Cost of Company restaurant sales:		
Food and beverage costs	44,661	42,905
Labor costs	43,188	43,977
Operating expenses	<u>31,636</u>	<u>32,837</u>
Total cost of Company restaurant sales	<u>119,485</u>	<u>119,719</u>
Gross profit	24,084	23,260
General and administrative expenses	(9,995)	(9,069)
Pre-opening expenses	(1,991)	(307)
Depreciation expense	(7,668)	(7,964)
Interest expense	(986)	(1,143)
Transaction costs	(459)	-
Compensation cost - SARs	(33)	(403)
Gain (loss) on disposition of property, equipment and leaseholds	(268)	(253)
Other income, net	<u>880</u>	<u>244</u>
Income before income taxes	<u>3,564</u>	<u>4,365</u>
Income tax expense, current	(526)	(487)
Income tax expense, deferred	(876)	(679)
Total income tax expense	<u>(1,402)</u>	<u>(1,166)</u>
Net income	<u>\$ 2,162</u>	<u>\$ 3,199</u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FISCAL YEARS ENDED September 30, 2012 AND September 25, 2011
(Dollars in thousands)

	<u>Common Stock</u>		<u>Additional</u>	<u>Additional</u>			<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Paid-In Capital -</u>	<u>Treasury</u>	<u>Accumulated</u>	<u>Stockholders'</u>
			<u>Capital</u>	<u>Stock Appreciation</u>	<u>Stock</u>	<u>Deficit</u>	<u>Equity</u>
				<u>Rights</u>			
Balance, September 26, 2010	2,297,366	\$ 24	\$ 29,746	\$ 1,618	\$ (2,293)	\$ (13,117)	\$ 15,978
Distributions	-	-	-	-	-	(6,892)	(6,892)
Stock appreciation rights	-	-	-	403	-	-	403
Net income	-	-	-	-	-	3,199	3,199
Balance, September 25, 2011	2,297,366	24	29,746	2,021	(2,293)	(16,810)	12,688
Purchase of treasury stock	-	-	-	-	(25)	-	(25)
Stock appreciation rights	-	-	-	33	-	-	33
Net income	-	-	-	-	-	2,162	2,162
Balance, September 30, 2012	<u>2,297,366</u>	<u>\$ 24</u>	<u>\$ 29,746</u>	<u>\$ 2,054</u>	<u>\$ (2,318)</u>	<u>\$ (14,648)</u>	<u>\$ 14,858</u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED September 30, 2012 AND September 25, 2011
(Dollars in thousands)

	<u>September 30, 2012</u>	<u>September 25, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,162	\$ 3,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,668	7,964
Loss on disposition of property, equipment and leaseholds	268	253
Deferred income taxes	876	679
Amortization of deferred costs	147	201
Stock appreciation rights	33	403
Changes in operating assets and liabilities:		
Receivables, net	(487)	38
Inventories	(238)	11
Other current assets, net	492	(137)
Other assets, net	(294)	29
Accounts payable	390	521
Accrued interest	(52)	(26)
Accrued liabilities	(848)	(1,431)
Other liabilities	827	(343)
Net cash provided by operating activities	<u>10,944</u>	<u>11,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14,122)	(3,112)
Net proceeds from disposition of property, equipment and leaseholds	<u>259</u>	<u>27</u>
Net cash used in investing activities	<u>(13,863)</u>	<u>(3,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(25)	-
Proceeds from long term debt	13,881	11,950
Payments on long term debt	(10,906)	(14,050)
Payment of distributions	-	(6,892)
Net cash (used in) provided by financing activities	<u>2,950</u>	<u>(8,992)</u>
Net change in cash and cash equivalents	31	(716)
CASH AND CASH EQUIVALENTS, Beginning of period	<u>1,082</u>	<u>1,798</u>
CASH AND CASH EQUIVALENTS, End of period	<u>\$ 1,113</u>	<u>\$ 1,082</u>

See accompanying notes to consolidated financial statements.

HRI HOLDING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND SEPTEMBER 25, 2011

1. ORGANIZATION

HRI Holding Corp. ("HHC") and its subsidiaries (together, the "Company") own and operate full service restaurants in 14 states. At September 30, 2012, the Company operated 48 restaurants, including 34 Houlihan's, eight wholly-owned seafood restaurants and one joint-venture seafood restaurant, and five J. Gilbert's steakhouses. At September 30, 2012 the Company also franchised 47 Houlihan's and licensed one Devon seafood restaurant in 15 states.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year - The Company reports fiscal year results of operations based on 52 or 53-week periods ending on the Sunday closest to September 30th. The fiscal year ended September 30, 2012 was comprised of 53 weeks and the fiscal year ended September 25, 2011 was comprised of 52 weeks. References to years are to the fiscal years then ended.

Use of Estimates - The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the consolidated financial statements include workers' compensation, medical, general liability reserves, stock appreciation rights and the calculation of deferred taxes. Actual results could differ from those estimates.

Income Taxes - Deferred tax assets and liabilities are established for the temporary differences between the financial accounting and tax basis of the Company's assets and liabilities. The Company periodically assesses the realization of deferred income taxes. This evaluation is primarily based upon current operating results and expectations of future taxable income. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company files income tax returns in the U.S. federal and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2007.

The Company's policy is to evaluate uncertain tax positions under guidance as prescribed by ASC 740, *Income Taxes*. As of September 30, 2012 and September 25, 2011, the Company has not identified any uncertain tax positions requiring recognition in the consolidated financial statements. In addition, there has been no interest or penalties recognized in the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents - Cash and cash equivalents include bank checking accounts and certificates of deposit of approximately \$1,113,000 and \$1,082,000 at September 30, 2012 and September 25, 2011, respectively. At times the Company maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of the institutions and believes the Company's risk is negligible. Temporary cash investments are carried at cost, which approximates fair market value.

Accounts Receivable - The Company grants credit to all qualified customers. Accounts receivable are carried at cost, less allowance for doubtful accounts. On a periodic basis, the Company evaluates accounts receivable and establishes an allowance for doubtful accounts, based on age, history of past write-offs and collections and current credit conditions. An account is written-off when it is determined that all collection efforts have been exhausted. The allowance for doubtful accounts was approximately \$9,000 and \$10,000 as of September 30, 2012 and September 25, 2011, respectively.

Royalties Receivable - Royalties due from franchisees are carried at cost, less allowance for doubtful accounts. On a periodic basis, the Company evaluates franchise royalties receivable and establishes an allowance for doubtful accounts, based on age, history of past write-offs and collections and current credit conditions. An account is written off when it is determined that all collection efforts have been exhausted. The allowance for doubtful accounts was approximately \$122,000 and \$156,000 as of September 30, 2012 and September 25, 2011, respectively.

Inventories - Inventories consist primarily of food and liquor and are stated at cost. Costs are determined using the average-cost method.

Property, Equipment and Leaseholds - Property and equipment are depreciated on a straight-line basis over their estimated useful lives (software, furniture, fixtures and equipment - 1 to 20 years, and prototype costs - 3 to 5 years). Leaseholds are amortized on a straight-line basis over the shorter of their estimated useful lives or terms of the leases.

Losses on disposition of properties in the normal course of business are recognized when the assets are disposed. Gains on disposition of properties in the normal course of business are recognized at the date of sale.

Long-lived Assets and Certain Identifiable Intangibles - The Company evaluates long-lived assets for impairment using a discounted cash flows method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company analyzes potential impairments of assets on a restaurant-by-restaurant basis.

Investment in Winghaven - The Company has invested approximately \$621,000 of equity capital as of September 30, 2012 for a 30% interest in the limited liability company, Winghaven Restaurant Partners, LLC. The investment is recorded using the equity method. The carrying amount of the investment was a liability of approximately \$356,000 and \$304,000 as of September 30, 2012 and September 25, 2011, respectively, and is included in other liabilities on the consolidated balance sheet. The Company has recorded a liability of approximately \$110,000 and \$108,000 as of September 30, 2012 and September 25, 2011, respectively, for its pro-rata share of an unsecured guarantee of debt financing, which is subject to a cap of approximately \$650,000 as of September 30, 2012 and September 25, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Liquor Licenses - Transferrable liquor licenses are recorded and carried at cost.

Gift Cards and Certificates - The Company records a liability in the period in which a gift card is issued and proceeds are received. As gift cards are redeemed, or when the likelihood of redemption becomes remote, this liability is reduced and revenue is recognized. During the years ended September 30, 2012 and September 25, 2011, the Company recognized approximately \$182,000 and \$202,000, respectively, in gift card income due to the remote likelihood of redemption by the customer.

Operating Leases - Certain of the Company's lease agreements contain tenant improvement allowances, rent holidays, and/or rent escalation clauses. The Company recognizes these expenses on a straight-line basis over the terms of the leases. For tenant improvement allowances, the Company records a deferred rent liability in either accrued liabilities or other non-current liabilities on the consolidated balance sheet and amortizes the deferred rent over the terms of the leases as reductions to occupancy costs in the consolidated statement of operations.

Pre-opening Expenses - The Company expenses certain costs as incurred in connection with the opening of new or converted restaurants (principally rent, smallwares and the cost associated with training managers and staff).

Company Restaurant Sales - Sales from Company operated restaurants are recognized when food and beverages are sold. Company restaurant sales are reported net of sales taxes collected. Sales taxes are remitted to the appropriate taxing authorities.

Franchise Revenues - Revenues in the form of development and franchise fees are recognized upon opening of the restaurants to which they relate. In addition, upon termination of a development agreement, any remaining deferred revenue relating to such agreement is recognized. Franchise revenues stated in the accompanying consolidated statement of operations include franchise and development fees of approximately \$0 and \$173,000 for the years ended September 30, 2012 and September 25, 2011, respectively.

Advertising Costs - The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2012 and September 25, 2011 were approximately \$729,000 and \$432,000, respectively.

Transaction Costs - The Company expensed approximately \$459,000 in transaction costs for the year ended September 30, 2012. These costs were incurred as the Company evaluated a potential ownership change.

Cash Flow Disclosures - The Company paid approximately \$892,000 and \$968,000 in interest and approximately \$292,000 and \$761,000 in income taxes during the years ended September 30, 2012 and September 25, 2011, respectively. The Company received approximately \$19,000 and \$176,000 in refunds during the years ended September 30, 2012 and September 25, 2011, respectively, for tax overpayments related to tax years 2009 and 2010.

Self-insurance - The Company has elected to self-insure certain costs of employee medical programs and workers' compensation and general liability insurance. The reserves recorded at September 30, 2012 and September 25, 2011 reflect the Company's estimated liability.

Treasury Stock - As of September 30, 2012 and September 25, 2011, the Company held 115,674 and 114,674 shares of common stock, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Reclassifications - Certain items from the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation.

3. RECEIVABLES

Receivables are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Customer and credit cards	\$ 1,715	\$ 1,475
Royalties receivable	954	1,049
Tenant improvement allowances receivable	141	132
Other	400	101
Allowance for doubtful accounts	(131)	(165)
	<u>\$ 3,079</u>	<u>\$ 2,592</u>

4. OTHER CURRENT ASSETS

Other current assets are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Prepaid occupancy	\$ 995	\$ 940
Prepaid insurance	191	156
Income tax receivable	132	384
Other	188	518
	<u>\$ 1,506</u>	<u>\$ 1,998</u>

5. PROPERTY, EQUIPMENT AND LEASEHOLDS

Property, equipment and leaseholds are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Leasehold and land improvements	\$ 65,817	\$ 60,611
Software, furniture, fixtures and equipment	35,907	31,977
Assets not in service as of year end	3,463	822
Prototype costs	1,589	1,416
	<u>106,776</u>	<u>94,826</u>
Less: Accumulated depreciation	<u>57,532</u>	<u>51,710</u>
	<u>\$ 49,244</u>	<u>\$ 43,116</u>

6. OTHER ASSETS

Other assets are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Non-qualified deferred compensation asset	\$ 902	\$ 743
Liquor licenses	528	694
Deferred debt issuance costs	29	76
Other	53	53
	<u>\$ 1,512</u>	<u>\$ 1,566</u>

7. LONG TERM DEBT AND CREDIT FACILITIES

The Company has a credit agreement with Wells Fargo Capital Finance, Inc. that provides for a term loan of \$15,000,000 and a revolving credit facility of up to \$25,000,000. The term loan and any borrowings against the revolving credit facility bear interest at a rate equal to Wells Fargo's base rate or the LIBOR rate, plus an applicable margin. The applicable margin will depend on the Company's senior leverage ratio at the end of each calendar quarter. The Company elected the LIBOR rate as the interest option and their leverage ratio qualifies for a 2.5% applicable margin, as of September 30, 2012. For the year ended September 25, 2011, the Company qualified for a 2.75% applicable margin. The term loan is set to mature in May 2014 with monthly amortization of principal beginning in May 2012. The credit agreement also provides for certain mandatory prepayments of the term loan and any borrowings against the revolving credit facility from the proceeds of asset sales, extraordinary receipts, and proceeds from stock or indebtedness issuance. The credit agreement includes financial and non-financial covenants, with which the Company was in compliance as of September 30, 2012 and September 25, 2011. The credit facility also provides for up to \$5,000,000 in letters of credit to be used by the Company, with any amounts outstanding reducing the availability under the revolving credit facility.

As of September 30, 2012 and September 25, 2011, approximately \$810,000 and \$863,000, respectively, in letters of credit were outstanding in connection with workman's compensation and surety bonds. Substantially all of the Company's assets are pledged as collateral under the credit agreement.

7. LONG TERM DEBT AND CREDIT FACILITIES - Continued

Long term debt is comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Term note payable	\$ 14,219	\$ 15,000
Revolver borrowing	13,456	9,700
	27,675	24,700
Less current portion	1,875	781
Noncurrent portion	<u>\$ 25,800</u>	<u>\$ 23,919</u>

Contractual Maturities of Long-Term Debt - Contractual maturities of long-term debt as of September 30, 2012, for each of the following fiscal years (in thousands):

Fiscal year:	
2013	\$ 1,875
2014	25,800
Total	<u>\$ 27,675</u>

8. STOCK BASED COMPENSATION

The Company maintains an incentive compensation plan under which stock options and stock appreciation rights may be granted to employees, officers, consultants or independent contractors. Exercise price is equal to the fair value of the underlying common stock on the date of grant. The Company expects the SARs to be settled in stock. The SARs are accounted for as equity awards under the provisions of ASC 718. SARs issued prior to September 25, 2011 vest ratably over four years on the anniversary of the grant date, or automatically in the event of a change of control (as defined in the plan). The SARs expire ten years from the date of grant.

SARs transactions for year ending September 30, 2012 are summarized below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding at beginning of period	290,000	\$ 13.52	\$ 7.41
Granted	-	-	-
Exercised	-	-	-
Adjustments	-	-	-
Forfeited	-	-	-
Outstanding at end of period	<u>290,000</u>	<u>\$ 13.52</u>	<u>\$ 7.41</u>
Exercisable at end of period	281,000	\$ 13.29	\$ 7.26

8. STOCK BASED COMPENSATION - Continued

The Black-Scholes option pricing model was used to determine fair value as of the grant date, using the following assumptions: risk-free interest rate ranging between 1.53% - 4.49%, obtained from the US Daily Treasury Yield Curve Rate derived for the expected term of 5 years, price volatility rate between 23.2% - 77.0%, based on the historical volatility of a peer-group of public companies over the expected term, and no expected dividend yield.

In December 2010, the Board of Directors authorized a distribution of \$3 per outstanding share of common stock. The incentive compensation plan allows for an adjustment to the exercise price for the SARs and as a result of the distribution, the exercise price for the SARs was adjusted by \$3.

The Company recognizes compensation costs over the vesting period. Expenses for these SARs included in the accompanying consolidated statement of operations for the years ended September 30, 2012 and September 25, 2011 were \$33,000 and \$403,000, respectively. As of September 30, 2012 and September 25, 2011, there was \$101,000 and \$134,000, respectively, of unrecognized compensation expense related to non-vested SARs granted under the plan. That cost is expected to be recognized over a weighted average period of 2.45 years as of September 30, 2012 and 3.34 years as of September 25, 2011.

On September 14, 2012, the Company granted 100,000 SARs at a price of \$28.00 each under the Company's stock incentive plan that vest solely upon and subject to a change of control/sale of the company. The SARs expire ten years from the date of grant. As the awards are contingent, there is no compensation expense recorded for these grants.

9. LEASES

The operating leases generally provide for payment of minimum annual rent, real estate taxes, insurance and maintenance and, in some cases, contingent rent (calculated as a percentage of sales) in excess of minimum rent. Most leases contain renewal options.

Total rental expense for all operating leases is composed of the following (in thousands):

	Year Ended September 30, 2012	Year Ended September 25, 2011
Minimum rent	\$ 8,675	\$ 8,706
Contingent rent	324	641
	<u>\$ 8,999</u>	<u>\$ 9,347</u>

9. LEASES - Continued

The aggregate value of future minimum lease payments on non-cancelable operating leases as of September 30, 2012, for each of the following five fiscal years are (in thousands):

Fiscal year:	
2013	\$ 10,452
2014	10,025
2015	9,522
2016	8,585
2017	7,536
Thereafter	34,459
	<u>\$ 80,579</u>

10. ACCRUED LIABILITIES

Accrued liabilities are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Employee compensation, taxes, medical, and benefits	\$ 3,879	\$ 4,804
Gift cards and certificates	1,363	1,333
Sales and property taxes	1,371	1,569
Occupancy	1,075	940
Workers' compensation and general liability reserves - current	787	748
Other	1,240	1,169
	<u>\$ 9,715</u>	<u>\$ 10,563</u>

11. OTHER LIABILITIES

Other liabilities are comprised of the following (in thousands):

	September 30, 2012	September 25, 2011
Deferred rent	\$ 9,632	\$ 9,262
Non-qualified deferred compensation liability	960	789
Workers' compensation and general liability reserves - long term	894	662
Deferred franchise development fee income and other	217	217
Investment in Winghaven	356	304
Winghaven unsecured guarantee	110	108
	<u>\$ 12,169</u>	<u>\$ 11,342</u>

12. INCOME TAXES

The Company provides deferred income taxes to reflect the impact of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

Income tax expense was computed as follows (in thousands):

	Year Ended September 30, 2012	Year Ended September 25, 2011
Current income taxes		
Federal	\$ (351)	\$ (302)
State and local	(172)	(186)
Prior year over/(under) accrual	(3)	1
Total current income tax expense	<u>(526)</u>	<u>(487)</u>
Deferred income taxes		
Temporary differences	210	(182)
Tax credit carryforward	(1,069)	(932)
Net operating loss carryforward	6	21
Change in deferred tax valuation allowance	(23)	414
Total deferred income tax expense	<u>(876)</u>	<u>(679)</u>
Total income tax expense	<u>\$ (1,402)</u>	<u>\$ (1,166)</u>

The reconciliation of income tax computed at the U.S. federal statutory tax rate to the Company's effective income tax rate is as follows (in thousands):

	Year ended September 30, 2012	Year ended September 25, 2011
Expected tax expense at statutory tax rates	\$ (1,390)	\$ (1,702)
Change in valuation allowances	(23)	414
Permanent differences	(31)	(31)
Other	42	153
Total income tax expense	<u>\$ (1,402)</u>	<u>\$ (1,166)</u>

12. INCOME TAXES - Continued

Deferred income taxes result from temporary differences between the financial statement and tax basis of the Company's assets and liabilities. The source of the differences and their cumulative tax effects are as follows (in thousands):

	September 30, 2012	September 25, 2011
Current:		
Assets:		
Accruals and reserves	\$ 621	\$ 749
Liabilities:		
Prepaid expenses	(146)	(216)
	<u>\$ 475</u>	<u>\$ 533</u>
Noncurrent:		
Assets:		
General business credit carryforwards	\$ 5,080	\$ 6,149
Insurance reserves	642	531
Accrued straight-line rent	1,292	1,149
Net operating loss carryforwards	537	531
Development fees	91	91
Tenant improvements	2,820	2,762
Other	804	830
Less: Valuation allowance	(119)	(96)
Liabilities:		
Excess tax depreciation	(411)	(354)
Other	(121)	(160)
	<u>\$ 10,615</u>	<u>\$ 11,433</u>

The Company has total general business credit carryforwards of approximately \$5,080,000 as of September 30, 2012. The tax credit carryforwards will expire from 2023 through 2027. The availability of such business credit carryforwards is subject to statutory limitations. To the extent general business credits are not utilized in a year, the unused limitation increases the subsequent year limitation amount.

The Company has net operating loss carryforwards with various state taxing authorities of approximately \$7,096,000 which expire from 2021 through 2032.

13. BENEFIT PLANS

The Company maintains incentive compensation and related plans for certain employees of the Company. Under the plans, participants generally are eligible to receive cash bonuses based on the Company's performance. Total expenses for these plans included in the accompanying consolidated statement of operations for the years ended September 30, 2012 and September 25, 2011 were approximately \$1,697,000 and \$2,544,000, respectively.

Substantially all of the Company's salaried employees are eligible to participate in either a defined contribution plan authorized under Section 401(k) of the Internal Revenue Code or a non-qualified deferred compensation plan. The non-qualified deferred compensation plan is in place for highly compensated employees who are not eligible to participate in the 401(k) plan. Amounts payable under the non-qualified deferred compensation plan totaled approximately \$960,000 and \$789,000 at September 30, 2012 and September 25, 2011, respectively; and is included in other liabilities. The Company's expenses relating to these plans included in the accompanying consolidated statement of operations for the years ended September 30, 2012 and September 25, 2011 were approximately \$62,000 and \$31,000, respectively.

14. CONTINGENCIES AND COMMITMENTS

Litigation - The Company is currently involved in various claims and pending legal actions arising in the normal course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. In the opinion of management, these matters are adequately covered by insurance, or if not so covered, are without merit or are of such a nature or involve amounts that would not have a material adverse impact on the business or consolidated financial position.

Contracts - The Company is a party to executive employment agreements with its chief executive officer and chief financial officer. Each agreement provides for severance payments equal to one year's base salary to the executive in the event of the termination of employment by the Company without "just cause" (as defined in the agreements) or termination of the officers for "just grounds" (as defined in the agreements). The base salaries of such executives at the end of fiscal 2012 and 2011 aggregated approximately \$880,000.

The Company is a party to employment agreements with nine of its employees, other than the two officers identified above, pursuant to which the Company has agreed to make severance payments equal to six months' base salary to such employees in the event of the termination of employment by the Company without "just cause" (as defined in the agreements) or termination of the employees for "just grounds" (as defined in the agreements). The base salaries of such employees at the end of fiscal 2012 and 2011 aggregated approximately \$1,599,000 and \$1,594,000, respectively.

15. RELATED PARTY TRANSACTIONS

A limited liability company controlled by the Company's management owns common stock of the Company representing approximately 17% of the outstanding common stock of the Company as of September 30, 2012 and September 25, 2011.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 31, 2012, which is the date the consolidated financial statements were available to be issued. The company opened one Houlihan's restaurant subsequent to year end.

There have been no other subsequent events that occurred during such period that would require disclosure in these consolidated financial statements or would be required to be recognized in the consolidated financial statements as of or for the year ended September 30, 2012.

EXHIBIT D
DEVELOPMENT AGREEMENT

HOULIHAN'S RESTAURANTS, INC.

HOULIHAN'S RESTAURANT

DEVELOPMENT AGREEMENT

(Developer)

(Territory)

(Date)

DEVELOPMENT AGREEMENT

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Agreement") is made as of the ____ day of _____, _____, by and between _____ ("Developer") and Houlihan's Restaurants, Inc. ("Franchisor").

RECITALS

A. Franchisor, through skill, effort and resources, has developed, and continues to develop, a distinctive system ("System") relating to the establishment and operation of full-service restaurants operating under the name "Houlihan's" ("System Restaurant(s)"). The distinguishing characteristics of the System include the exterior and interior design, décor, color scheme and furnishings; special recipes and menu items; standards, specifications and procedures for inventory and management control; training and assistance; advertising and promotional programs; and financial control concepts, all of which may be changed, improved and further developed by Franchisor from time to time.

B. Franchisor continues to develop, use and control the use of its trade names, service marks, trademarks, trade dress, emblems and indicia of origin, now existing and hereafter developed ("Marks"), to identify for the public the source of services and products marketed under the System and to represent the System's high standards of quality, appearance and service.

C. The value of the System and the Marks is based on, among other things: (1) the maintenance of high quality standards in the preparation and sale of food and beverage products; (2) the high standards of appearance of the individual System Restaurants; (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing high quality products and services; (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System and the Marks by strict adherence to the high standards of Franchisor; (5) the processes and procedures designed to obtain and maintain a strong customer base; and (6) the training and management of all personnel.

D. Developer desires to obtain the right to develop System Restaurants within a certain territory pursuant to the terms and conditions herein.

NOW, THEREFORE, in consideration of Franchisor granting to Developer the exclusive right to develop System Restaurants in accordance with the terms hereof, and in consideration of the mutual obligations, representations and conditions set forth herein, the parties hereby agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1 Grant; Territory. Subject to the terms and conditions in this Agreement, Franchisor grants to Developer the right, and Developer hereby accepts the obligation, to establish and operate System Restaurants within the territory described in Exhibit B ("Territory").

1.2 Exclusion from Territory. In connection with each existing System Restaurant in the Territory (which are listed in Exhibit B), the Territory does not include that area listed in Exhibit B ("Excluded Radius"). If any System Restaurant listed in Exhibit B ceases to operate as a System Restaurant, the corresponding Excluded Radius shall remain in place and shall not thereby expire, terminate, or otherwise become part of Territory. In addition, Franchisor may, in the exercise of its sole discretion, permit the Protected Area (as defined in Section 1.3.1) for a System Restaurant located outside the Territory to include a portion of the Territory.

1.3 Territorial Protection. The System, including the products sold under the Marks, has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which may not reasonably be available for direct operation by Developer. Accordingly, Franchisor reserves to itself the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to: **(a)** sell or distribute, directly or indirectly, or license others to sell or distribute, any products or services under any proprietary marks (including the Marks) at locations other than System Restaurants (such as but not limited to, supermarkets, groceries, gourmet shops, mail order, the Internet and electronic media) within or outside the Territory and without regard to proximity to any System Restaurant established and operated hereunder; and **(b)** acquire, establish and/or operate, and license others to acquire establish and/or operate System Restaurants at airports, railroad stations, bus terminals, highway travel plazas, hospitals, stadia, concert venues, sports arenas, amusement parks, schools, colleges, universities, military facilities, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any other similar captive market location not reasonably available to Developer for direct operation by Developer within or outside the Territory (notwithstanding the proximity to any System Restaurant established and operated hereunder).

Except as reserved in Section 1.2 and the preceding paragraph, Franchisor shall not establish or operate, nor license any other person to establish or operate, a System Restaurant in the Territory during the Development Term (as defined in Section 2). This Section 1.3 does not prohibit Franchisor from: **(1)** acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, a System Restaurant at any location outside the Territory; and **(2)** acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, any business or restaurant of any kind that does not operate as a System Restaurant or use the Marks at any location within or outside the Territory (notwithstanding its proximity to any System Restaurant established and operated hereunder). The restrictions contained in this Section 1.3 do not apply to System Restaurants in operation in the Territory as of the date of this Agreement as identified in Exhibit B.

1.3.1 Protected Area for System Restaurants. With respect to each System Restaurant that Developer develops pursuant to this Agreement, Developer will receive a limited geographic area around the System Restaurant ("Protected Area") in which Franchisor will not establish or operate, nor license any other person to establish or operate, another System Restaurant. Without Franchisor's prior written consent, the Protected Area for any System Restaurant developed pursuant to this Agreement may not extend beyond the boundary of the Territory.

1.4 Limitations. This Agreement is not a Franchise Agreement and does not grant to Developer any right to use the Marks or the System. Developer shall have no right under this Agreement to license to others the right to use the Marks or the System.

1.5 Affiliate. As used in this Agreement, an "affiliate" shall mean any legal entity controlling, controlled by, or under common control with, another legal entity.

2. DEVELOPMENT TERM

The term of this Agreement shall commence on the date hereof and, unless sooner terminated in accordance with the provisions of this Agreement, shall expire on the date the last System Restaurant specified in the Development Schedule: **(a)** opens for business or **(b)** is required under the Development Schedule to open for business, whichever occurs first.

3. DEVELOPMENT FEE

Developer shall pay to Franchisor with the execution hereof an initial development fee in the amount specified in Exhibit B ("Development Fee") for each System Restaurant to be developed pursuant to the Development Schedule (as defined in Section 4.2). Developer shall also pay to Franchisor an additional Development Fee for each additional System Restaurant developed in the Territory, payable at the time Developer gives notice of an intent to open any such additional System Restaurant. Under no circumstances shall Developer be entitled to any refund of any portion of the Development Fee.

4. SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4.1 Franchise Agreement Execution. Developer shall exercise each development right granted herein only by Franchisor's execution with Developer or an affiliate of Developer of a Franchise Agreement for each System Restaurant at a site located in the Territory and approved by Franchisor. The Franchise Agreement for each development right exercised hereunder shall be in the form of the Franchise Agreement generally offered to prospective franchisees at the time the Franchise Agreement is executed. Unless waived in writing by Franchisor, Franchisor will not execute the Franchise Agreement for a System Restaurant until Franchisor has received a Guaranty executed by all owners of a legal or beneficial interest in Developer who shall jointly and severally guarantee Developer's payment and performance under that Franchise Agreement and also shall hold themselves to the terms of that Franchise Agreement.

4.2 Development Schedule. Developer or its affiliates shall have open and maintain in the Territory the number of System Restaurants specified in the development schedule set forth in Exhibit B ("Development Schedule") each of which shall be opened for business by the applicable date set forth in the Development Schedule. Developer has independently determined that the Territory will support the number of System Restaurants specified in the Development Schedule and acknowledges that Franchisor has provided no assurance that the Territory will support any given number of System Restaurants. For each Restaurant to be developed during the Development Term, Developer shall have obtained Franchisor's written consent to the site by the date listed in the Development Schedule, which shall be at least six (6) months before the date the System Restaurant is required to be opened.

4.3 Approval of Additional Restaurants. During the Development Term, subject to the provisions of this Agreement, Developer may request that Franchisor allow Developer to develop one (1) or more System Restaurants within the Territory in addition to those provided in the Development Schedule. Franchisor shall, in its sole discretion, approve or disapprove Developer's request, or require additional information, as Franchisor deems appropriate, to assist with Franchisor's evaluation of Developer's request. Developer shall not develop any additional System Restaurant without Franchisor's prior, written approval.

4.4 Sale of System Restaurant. If, during the Development Term, Developer sells a System Restaurant that was developed pursuant to this Agreement, that System Restaurant will continue to be counted for the purpose of meeting Developer's obligations under the Development Schedule, provided that the sale has been consented to by Franchisor and only so long as that restaurant continues to be operated as a System Restaurant.

4.5 Failure to Timely Open System Restaurants. Strict compliance with the Development Schedule is essential to this Agreement. Any failure by Developer in fulfilling its obligations to develop and open any System Restaurant when required by the Development Schedule or to obtain Franchisor's consent to a site by the date specified in the Development Schedule shall constitute

a material, noncurable breach of this Agreement permitting Franchisor immediately to terminate this Agreement by giving written notice of termination to Developer. Time is of the essence.

4.6 Compliance with Franchise Agreement. Developer shall obtain all necessary licenses, permits and insurance and construct each System Restaurant in accordance with the corresponding Franchise Agreement.

5. SITE SELECTION

5.1 Site Selection Costs; Prior Approval. Developer assumes all cost, liability, expense and responsibility for locating, obtaining and developing sites for System Restaurants, and for constructing and equipping System Restaurants at such sites. The development of a System Restaurant at any site must be approved by Franchisor in accordance with the following procedures and such other procedures defined below:

5.1.1 Site Information; Franchisor Review. Prior to acquisition by lease or purchase of a site for a System Restaurant, Developer shall submit to Franchisor for its approval, in the form prescribed by Franchisor, a site description and a site market feasibility study, which shall include without limitation the following: demographic information, site plans, a letter of intent or other evidence satisfactory to Franchisor confirming Developer's favorable prospects for obtaining the site, and such other information or materials as Franchisor may reasonably require. Franchisor shall not be required to review a proposed site until Developer has submitted all required site, market, and other information and materials required by Franchisor. Within thirty (30) days after receipt of these documents and any additional information that Franchisor may reasonably require, Franchisor shall advise Franchisee in writing whether Franchisor has approved a particular site for a System Restaurant. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor. Franchisor has no obligation to visit any proposed site. If a proposed site is not approved, nothing herein shall prohibit Developer from proposing other sites and Franchisor shall review such other proposed sites as discussed above.

5.1.2 No Franchisor Representations. Franchisor's approval of the use of a prospective System Restaurant site or the rendering of assistance in the selection of a site for a System Restaurant does not constitute a representation, promise or guarantee by Franchisor that the proposed site is fit for its intended use or complies with applicable rules, laws or regulations, or that a System Restaurant operated at that site would be profitable or otherwise successful. The extent and nature of assistance by Franchisor may vary from time to time and shall be subject to the availability of Franchisor's real estate staff.

5.1.3 Commencement of Construction; Execution of Franchise Agreement. Developer shall not commence construction of a System Restaurant until Franchisor has approved the site for the System Restaurant and Franchisee has executed a Franchise Agreement for the System Restaurant and its location has been recorded in the Franchise Agreement.

5.2 Lease Provisions. If Developer will occupy the premises of any System Restaurant under a lease, Developer shall furnish to Franchisor a copy of the proposed lease at least five (5) business days prior to execution as well as a copy of the executed lease no later than ten (10) business days after execution and before construction or renovation begins. The lease shall not contain any provision that might prevent Developer from performing its obligations under this Agreement. Unless waived in writing by Franchisor, the lease shall contain provisions that satisfy the following requirements:

5.2.1 Restricting Use to a System Restaurant. That the premises shall be used only for the operation of the System Restaurant;

5.2.2 Approval of Marks; Copies of All Notices. That the lessor (a) approves the use of such Marks and signage as Franchisor may prescribe for the System Restaurant; and (b) agrees to furnish Franchisor with copies of any and all letters and notices sent to Developer pertaining to the lease and the premises at the same time that such letters and notices are sent to Developer;

5.2.3 No Sublease Without Franchisor Approval. That Developer may not sublease or assign all or any part of its occupancy rights, or extend the term of or renew the lease without Franchisor's prior written approval;

5.2.4 Franchisor's Right to Enter Premises to Protect Marks or Cure Defaults. That Franchisor shall have the right to enter the premises to make any modification necessary to protect the Marks or to cure any default under the lease, this Agreement or the Franchise Agreement;

5.2.5 Consent for Assignment to Franchisor; Franchisor May Sublet. That the lessor agrees that Developer may assign the lease to Franchisor; that the lessor will approve such assignment and may not impose any assignment fee or similar charge on Franchisor in connection with such assignment; and that Franchisor may sublease the premises for all or any part of the remaining term of the lease;

5.2.6 Franchisor's Right to Assume Developer's Rights on Default. That Franchisor (or Franchisor's designee) shall have the option, upon default of the Franchise Agreement or the lease and upon notice to the lessor to assume all of Developer's rights under the lease, including the right to assign or sublease;

5.2.7 No Material Lease Amendment Without Franchisor's Consent. That the lessor and Developer shall not amend or otherwise modify the lease in any manner that would materially affect any of the foregoing terms and conditions without Franchisor's prior written approval;

5.2.8 Estoppel Certificate. That, upon request following assignment to Franchisor or sublease by Franchisor, lessor shall provide an estoppel certificate, in a form satisfactory to Franchisor, identifying any claims lessor may have under the lease; and

5.2.9 Co-Extensive Term. That the lease term (including any renewal options) shall not expire before the expiration date of the initial franchise term specified in the Franchise Agreement.

5.3 No Territorial Restrictions. Developer covenants and agrees that Developer will not, without Franchisor's prior written consent, enter into any agreement with any lessor regarding the premises of any System Restaurant the terms of which restrict, or purport to restrict, in any manner, Developer or Franchisor from developing System Restaurants in any geographic area around the premises, including, but not limited to, the Territory.

6. DUTIES OF FRANCHISOR

Franchisor shall furnish to Developer the following:

6.1 Site Selection Counseling and Assistance. Such site selection counseling and assistance as Franchisor may deem advisable. Developer agrees that Franchisor will incur no liability to Developer for any site selection assistance provided by Franchisor.

6.2 On-Site Evaluation. Such on-site evaluation as Franchisor may deem advisable in response to Developer's requests for site approval.

6.3 Construction Plans and Specifications. One (1) set of Franchisor's detailed plans, specifications and designs for one (1) prototype of a System Restaurant, including exterior and interior design and layout, fixtures, furnishings, and signs.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEVELOPER

Developer makes the following representations, warranties and covenants and accepts the following obligations:

7.1 Developer Compliance with Terms and Conditions. Developer shall comply with all terms and conditions set forth herein.

7.2 Developer's Designated Representative. Upon execution of this Agreement, Developer shall designate an individual who (a) owns an equity interest in Developer and (b) is fully authorized to act on behalf of Developer in all transactions with Franchisor concerning Developer's obligations under this Agreement ("Representative"). A qualified Representative shall be designated at all times by Developer during the Development Term.

7.3 Developer's Regional Manager. If this Agreement provides for the development of five (5) or more System Restaurants, Developer shall be required to designate an individual approved by Franchisor to supervise the System Restaurants ("Regional Manager") in accordance with the provisions of the Franchise Agreement. Developer shall notify Franchisor of the identity of the Regional Manager no later than ninety (90) days before the opening of the fifth (5th) System Restaurant.

7.4 Confidential Information. Developer covenants and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, limited liability company, association or corporation any confidential information of Franchisor, including confidential information, knowledge or know-how concerning the methods of development and operation of System Restaurants which may be communicated to Developer or of which Developer may be apprised by virtue of Developer's operation under the terms of this Agreement. Developer shall divulge such confidential information only to such of Developer's employees as must have access to it in connection with their employment. All such information, knowledge and know-how, including the manuals, all drawings, materials, equipment, recipes, computer and point-of-sale programs and output from such programs, all financial information concerning Houlihan's and all other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement. Developer shall not at any time, without Franchisor's prior written approval, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, or otherwise make the same available to any unauthorized person.

7.5 Developer's Obligation to Surrender New Processes or Improvements to Franchisor, Without Compensation. If Developer develops any new process or improvement in the development, operation or promotion of System Restaurants, Developer agrees to promptly notify Franchisor and provide Franchisor with all necessary information concerning same, without compensation. Developer acknowledges that any such process or improvement shall become the property of Franchisor and Franchisor may utilize or disclose such information to other developers and other franchisees under the System, and to others.

7.6 Compliance With Laws, Rules and Regulations. Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

7.7 Organization and Authority. Developer represents and warrants that: (a) if it is a corporation or a limited liability company, it has been duly formed and is validly existing and in good standing under the laws of the state of its incorporation; (b) if it is a partnership, it would be properly recognized as such under the laws of the state of its formation; (c) Developer is duly qualified and is authorized to do business and is in good standing in any jurisdiction where Developer conducts or proposes to conduct business; (d) Developer's corporate charter, operating agreement, or written partnership agreement shall at all times provide that the activities of Developer are confined exclusively to the development and operation of System Restaurants; (e) the execution and delivery of this Agreement and the performance of all obligations contemplated hereunder have been duly authorized and are within the power of Developer; (f) all financial statements presented to Franchisor in connection with review by Franchisor of the application of Franchisee are true, correct and complete as of the date when rendered and there have been no material changes since the date when rendered; (g) the execution hereof and performance of obligations hereunder do not conflict with Developer's Articles of Incorporation, Bylaws, Articles of Organization, operating agreement, partnership agreement or other agreement of association or formation, or any agreement to which Developer is a party or by which it or any of its assets may be bound; and (h) Developer shall do everything necessary to preserve and keep accurate and complete all warranties and representations made hereunder.

7.8 Governing Documents. Developer shall promptly provide to Franchisor, on request, copies of Developer's organizational and governing documents and any amendments thereto, including any documents authorizing or approving entry into and performance of this Agreement.

7.9 List of Owners. Developer shall maintain and provide to Franchisor, without request, a current list of all owners, members, shareholders, or partners of record and all beneficial owners of any class of voting securities of Developer and promptly notify Franchisor of any changes to such list. Developer represents, warrants and covenants that the owners, members, shareholders, or partners of record, and all beneficial owners of any class of voting security of Developer as of the date hereof is described on Exhibit D, attached hereto.

7.10 Guaranty. Unless waived in writing by Franchisor, all owners of a legal or beneficial interest in Developer shall jointly and severally guarantee Developer's payment and performance under this Agreement and also shall hold themselves to the terms of this Agreement pursuant to the Guaranty of Development Agreement attached hereto as Exhibit A. Franchisor reserves the right to require any guarantor to provide personal financial statements to Franchisor from time to time.

7.11 Stop-Transfer Instructions. If Developer is a corporation, Developer shall maintain stop-transfer instructions against the transfer on its records of any securities and each stock certificate of the corporation shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement; provided; however, that the requirements of

this Section 7.11 shall not apply to a publicly-held corporation. If Developer is a limited liability company, its written articles of organization or operating agreement shall provide that ownership of any membership interest in the limited liability company is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement.

7.12 Terrorist Acts. Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Developer represents and warrants to Franchisor that as of the date of this Agreement, neither Developer nor any person holding any ownership interest in Developer, controlled by Developer, or under common control with Developer is designated under the Order as a person with whom business may not be transacted by Franchisor, and that Developer (a) does not, and hereafter shall not, engage in any terrorist activity; (b) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (c) is not acquiring the rights granted under this Development Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

7.13 Representations, Warranties and Covenants are Continuing Obligations. Developer acknowledges and agrees that the representations, warranties and covenants set forth herein are continuing obligations of Developer and that any failure to comply with such representations, warranties and covenants shall constitute a default under this Agreement.

8. COVENANTS

8.1 Best Efforts. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall devote requisite time, energy and best efforts to meet its obligations under this Agreement and shall require its Representative and Regional Manager, if applicable, to devote full time, energy and best efforts to the management, operation and supervision of the System Restaurants.

8.2 Receipt of Confidential Information; Agreement Not to Divert Business. Developer specifically acknowledges that Developer and Developer's Representative, Regional Manager, principals, managers and other employees will receive valuable specialized training, trade secrets and confidential information, including, without limitation, information regarding the site selection and other methods and techniques of Franchisor and the System related to the development of System Restaurants which are beyond the present skills and experience possessed by Developer, and its Representative, Regional Manager, principals, managers and other employees. Developer acknowledges that such training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development of the System Restaurants and that gaining access to such training, trade secrets and confidential information are, therefore, a primary reason why they are entering into this Agreement. In consideration for such training, trade secrets and confidential information, Developer covenants as follows:

8.2.1 Restrictions on Activities of Developer During the Development Term. During the Development Term, Developer shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, or corporation:

8.2.1.1 Divert or attempt to divert any business or customer of any System Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System;

8.2.1.2 Employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or by any other developer or franchisee of Franchisor, or otherwise directly or indirectly to induce such person to leave his or her employment (for each breach of this covenant and due to the difficulty of establishing the precise amount of damages, Developer agrees to pay to Franchisor or other developer or franchisee of Franchisor as appropriate, liquidated damages in an amount equal to the annualized rate of compensation of such person in the final twelve (12) months of employment with such former employer);

8.2.1.3 Own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same, or substantially similar sit-down, casual dining services as those offered in System Restaurants, or (b) any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within:

8.2.1.3.1 the Territory;

8.2.1.3.2 a radius of ten (10) miles of any System Restaurant located within the Territory;

8.2.1.3.3 a radius of ten (10) miles of any System Restaurant; or

8.2.1.3.4 the United States.

8.2.2 **Restrictions on Activities of Developer after Expiration or Termination.** For a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, and for two (2) years thereafter, Developer shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, or corporation:

8.2.2.1 Divert or attempt to divert any business or customer of the System Restaurants to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System;

8.2.2.2 Employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or by any other developer or franchisee of Franchisor, or otherwise directly or indirectly to induce such person to leave his or her employment (for each breach of this covenant and due to the difficulty of establishing the precise amount of damages, Developer agrees to pay to Franchisor or other developer or franchisee of Franchisor as appropriate, liquidated damages in an amount equal to the annualized rate of compensation of such person in the final twelve (12) months of employment with such former employer);

8.2.2.3 Own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same, or substantially similar sit-down, casual dining services as

those offered in System Restaurants, or **(b)** any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within:

8.2.2.3.1 the Territory;

8.2.2.3.2 a radius of ten (10) miles of any System Restaurant located within the Territory; or

8.2.2.3.3 a radius of ten (10) miles of any System Restaurant.

8.2.3 Ownership of Less than 5% of Publicly-Held Company. Sections 8.2.1.3 and 8.2.2.3 shall not apply to an ownership interest of less than five percent (5%) of the outstanding securities of any publicly-held company if such interest is owned for investment only and not owned by an officer, director, employee or consultant of such publicly-held company.

8.3 Independent Covenant. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.4 Reduction of Scope. Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without consent, effective immediately upon written notice to Developer. Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of hereof.

8.5 Offset/Counterclaim Limitation. Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8.

8.6 Execution of Confidentiality and Non-Competition Agreements by Supervisors and Managers. Developer shall, prior to arranging any training or disclosing any confidential information, require its Representative, Regional Manager (if applicable), and such other supervisory or managerial employees of Developer as Franchisor shall designate to execute covenants similar to those set forth herein (including covenants applicable upon the termination of a person's relationship with Developer). Every covenant required shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right of enforcement. Such covenants shall be in a form substantially similar to the Confidentiality and Non-Competition Agreement attached hereto as Exhibit C.

8.7 Injunctive Relief. Developer acknowledges and agrees: **(a)** that any failure to comply with the covenants in this Agreement, including any failure by Developer to obtain execution of the covenants in Section 8.6 herein, shall constitute a default hereunder; **(b)** that a violation of the requirements of this Agreement, including this Section 8, would result in irreparable injury to Franchisor for which no adequate remedy at law may be available; and **(c)** therefore, Franchisor shall be entitled, in addition to any other remedies which it may have hereunder, at law or in equity, to obtain specific performance of, or an injunction against violation of, the requirements of this Agreement, without the

necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

9. TRANSFER

9.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity.

9.2 Transfer by Developer.

9.2.1 Transfers without Franchisor's Consent are Null and Void and Constitute Default under this Agreement. Developer understands and acknowledges that the rights and duties set forth in this Agreement are unique to Developer, and that Franchisor has granted the development rights in reliance on the business skill, financial capacity and personal character of Developer and Developer's principals. Accordingly, neither Developer nor any initial or subsequent successor or assignee to any part of Developer's interest in the development rights, nor any individual, partnership, limited liability company, corporation or other entity which directly or indirectly has or owns any interest in Developer, in Developer's business, or this Agreement shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in Developer, Developer's business, or this Agreement without the prior written approval of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the prior written approval of Franchisor required shall be null and void and shall constitute a default under this Agreement.

9.2.2 Conditions for Franchisor Approval. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

9.2.2.1 That all of Developer's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries and its affiliates be satisfied;

9.2.2.2 That neither Developer nor any of its affiliates is in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Developer or any of its affiliates and Franchisor or its subsidiaries and affiliates;

9.2.2.3 That the transferor execute on behalf of transferor, its affiliates, and their successors and assigns, a general release, in a form satisfactory to Franchisor, of any and all claims or causes of action against Franchisor, its affiliates and their respective officers, directors, employees and agents, known or unknown, existing prior to the date of such transfer;

9.2.2.4 That the transferee enter into a written agreement in form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement;

9.2.2.5 That the transferee demonstrate to Franchisor's satisfaction the following: that transferee meets the criteria Franchisor considers when reviewing a prospective developer's application for development rights including Franchisor's educational, managerial and business standards; that transferee possesses a good moral character, business reputation and credit rating; that transferee has the aptitude and ability to develop and operate the System Restaurants (as may be evidenced by prior related business experience or otherwise); and that transferee has reasonably adequate financial resources and capital to develop and operate the System Restaurants;

9.2.2.6 That transferee execute (and/or, upon Franchisor's request, cause all interested parties to execute) the standard form of development agreement then generally being offered to new developers and other ancillary agreements as Franchisor may require for the development of the System Restaurants, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement; provided, however, that the transferee shall not be required to pay any initial development fee;

9.2.2.7 That Developer remain liable for all of the obligations to Franchisor in connection with this Agreement incurred prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

9.2.2.8 That Developer pay a transfer fee of Five Thousand Dollars (\$5,000), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees; and

9.2.2.9 If transferee is a corporation, partnership, or limited liability company, that transferee shall make and be bound by any or all of the representations, warranties and covenants set forth at Section 7 as Franchisor requests and shall provide to Franchisor evidence satisfactory to Franchisor that the terms of Section 7 have been satisfied and are true and correct on the date of the transfer.

9.2.3 **Each Condition is Reasonable and Necessary.** Developer acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

9.2.4 **Transfers Solely for Convenience of Ownership.** In the event the proposed transfer is to a corporation or limited liability company formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements set forth herein and the percentage of interest owned in the transferee shall be the same as that previously owned in the transferor, except as may be required by law.

9.3 **Franchisor's Right of First Refusal**

9.3.1 **Franchisor's Right to Match Bona Fide Offers.** Any person or entity holding any direct or indirect interest in Developer, Developer's business or this Agreement who desires to accept any bona fide offer from a third party to purchase such interest shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and documentation, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party (except that Franchisor shall not be obligated to pay any finder's or broker's fees). In accepting the offer, Franchisor shall be entitled to set off any monies owed by Developer to Franchisor. In the event Franchisor elects to purchase seller's interest, no material change in any offer and no other offer by any third party for such interest shall be considered thereafter by the seller. In the event Franchisor has not elected to purchase the seller's interest, any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the right of first refusal afforded by this Section 9.3 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 9.2 with respect to a proposed transfer.

9.3.2 Non-Cash Offers. In the event the offer from the third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the non-cash part of the offer, an independent appraiser shall be designated by Franchisor to determine such amount and his determination shall be final and binding. If Franchisor elects to exercise the right of first refusal described above, it shall have the right to set off the cost of the appraisal, if any, against any payment made hereunder.

9.4 Involuntary Transfer.

9.4.1 Transfer Upon Death. Upon the death of any person with an interest in this Agreement or in Developer ("Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributees of such interest must, within twelve (12) months after the date of the death of the Deceased, either (a) be approved by Franchisor as a transferee, or (b) transfer such interest to a third party approved by Franchisor.

9.4.2 Transfer to Upon Permanent Disability. Upon the permanent disability of any person with an interest in this Agreement or in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party approved by Franchisor within two hundred seventy (270) days after notice to Developer. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) days from the date of determination of disability. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of the person; or if the person refuses to submit to an examination, then such person shall be automatically deemed permanently disabled as of the date of such refusal for the purpose of this Section 9.4. The costs of any examination required by this Section shall be paid by Franchisor.

9.4.3 Notice of, and Conditions for, Transfer upon Death or Disability. Upon the death or claim of permanent disability of any person with an interest in Developer, Developer's business, or this Agreement, Developer or a representative of Developer must promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions set forth in Section 9.2 of this Agreement. If an interest is not transferred upon death or permanent disability in accordance with the terms and conditions of this Section, such failure shall constitute a default for which Franchisor may terminate this Agreement.

9.5 Approval of Transfer Is Not Waiver of Claims. Franchisor's approval to a transfer of any interest in Developer or this Agreement shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

9.6 Approval for Offers to Public. Securities, membership interests, or partnership interests in Developer may be offered to the public, by private offering (if applicable) or otherwise, only with the prior written approval of Franchisor (whether or not Franchisor's approval is required hereunder). Developer, at its expense, shall deliver to Franchisor all materials required for such offering by federal, state or other applicable law and such other materials as Franchisor may reasonably request. These materials and opinions shall be submitted to Franchisor prior to being filed with any government agency, official or authority; and any materials to be used in any offering for which offering materials are

not prescribed by applicable law shall be submitted to Franchisor prior to their use. No Developer offering shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of Developer's securities. Franchisor may, at its option, require Developer's offering materials to contain a written statement prescribed by Franchisor concerning these limitations.

10. DEFAULT AND TERMINATION

10.1 Automatic Termination on Default. Developer shall be deemed to be in default under this Agreement and all rights granted to Developer herein shall automatically terminate without notice to Developer, if: **(a)** Developer shall become insolvent or make a general assignment for the benefit of creditors; **(b)** a petition in bankruptcy is filed under any chapter of the United States Bankruptcy Code by Developer or such a petition is filed against and not opposed by Developer; **(c)** Developer is adjudicated a bankrupt or insolvent; **(d)** a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; **(e)** a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(f)** a proceeding for a composition with creditors under any state or federal law should be instituted by or against Developer; **(g)** a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); **(h)** Developer is dissolved or execution is levied against Developer's business or property; **(i)** suit to foreclose any lien or mortgage against the premises or equipment of any System Restaurant developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or **(j)** the real or personal property of any System Restaurant developed hereunder shall be sold after levy thereupon by any sheriff, marshal or constable.

10.2 Termination on Notice of Default Without Opportunity to Cure. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon Developer's receipt of notice (as provided in Section 12.1 hereof):

10.2.1 Failure to Obtain Franchisor's Consent to a Site. Developer fails to obtain Franchisor's written consent to a site by the applicable date listed in the Development Schedule;

10.2.2 Failure to Comply with Development Schedule. At any time during the Development Term, Developer fails to have open and operating the number of System Restaurants required by the Development Schedule;

10.2.3 Commencement of Construction Prior to Execution of Franchise Agreement. Developer begins construction of a Franchised Restaurant at a site before Developer has executed the Franchise Agreement;

10.2.4 Unauthorized Use, Disclosure or Duplication of Confidential Information. Developer, or Developer's Representative, Regional Manager, or any of Developer's principals or supervisory or managerial employees, fails to materially comply with any restriction on the unauthorized use, disclosure or duplication of confidential information provided to Developer by Franchisor;

10.2.5 Material Violation of Confidentiality and Non-Competition Covenants. Developer materially violates any of the covenants relating to confidentiality and non-competition or fails to obtain execution of the covenants from the persons designated in this Agreement;

10.2.6 Material Breach of Warranties, Representations or Covenants.

Developer materially breaches any of the warranties, representations or covenants set forth in this Agreement;

10.2.7 Transfer Violation; Refusal to Assign as Required.

Developer attempts to transfer an interest in violation of this Agreement, or fails or refuses to assign such interest as required herein;

10.2.8 Material Misrepresentation or Omission in Application.

Developer has made any material misrepresentation or omission in the application for the development rights;

10.2.9 Offenses Materially Affecting Reputation of Franchisor.

Developer or any of its owners, shareholders, members, partners, officers or directors are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely and materially affect the reputation of Developer, Franchisor or the System;

10.2.10 Developer Termination Without Cause.

Developer takes any action seeking to terminate this Agreement without cause;

10.2.11 Unauthorized Transfer.

Any transfer that requires Franchisor's prior written approval occurs without Developer having obtained that prior written approval; or

10.2.12 Failure to Comply with Agreements with Franchisor.

Developer or any affiliate of Developer remains in default beyond the applicable cure period of any other terms and conditions of this Agreement, or the terms of any Development Agreement, Franchise Agreement or any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates (provided that, if the default is not by Developer, Developer is given written notice of the default and a thirty (30) day period to cure the default).

10.2.13 Action.

Upon any default identified in Section 10.2 of this Agreement, in lieu of terminating this Agreement without providing an opportunity to cure, Franchisor, in its discretion, may do any one or more of the following:

10.2.13.1 Provide Opportunity to Cure.

Provide Developer a reasonable period of time, not to exceed thirty (30) days after notice from Franchisor, to cure a default that is susceptible to cure;

10.2.13.2 Reduce the Number of Restaurants.

Reduce the number of System Restaurants Developer may establish under this Agreement;

10.2.13.3 Reduce Territory.

Reduce the Territory granted Developer herein; or

10.2.13.4 Remove Territorial Protection.

Remove the territorial protection granted in Section 1.3 hereof.

10.3 Termination on Notice of Default With Opportunity to Cure.

10.3.1 Non-Monetary Defaults.

Except as otherwise provided in Sections 10.1 and 10.2 of this Agreement, Developer shall have thirty (30) days after written notice of default from

Franchisor within which to remedy the default and provide evidence of that remedy to Franchisor. If any such default is not cured within that time, this Agreement shall terminate without further notice to Developer, effective immediately upon expiration of that time, unless Franchisor notifies Developer otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within thirty (30) days, Developer shall have such additional time to correct the default as reasonably required (not to exceed ninety (90) days) provided that Developer begins taking the actions necessary to correct the default during the thirty (30) day cure period and diligently and in good faith pursues those actions to completion. Developer will be in default under this Section 10.3.1 for any failure to materially comply with any of the requirements imposed by this Agreement, Franchisor's manuals on System operations or otherwise in writing, or to carry out the terms of this Agreement in good faith.

10.3.2 Monetary Defaults. Notwithstanding the provisions of preceding Section 10.3.1, if Developer defaults in the payment of any monies owed to Franchisor when such monies become due and payable and Developer fails to pay such monies within ten (10) days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless Franchisor notifies Developer otherwise in writing.

10.3.3 Repeated Defaults. If Developer has received three (3) or more notices of default within the previous twelve (12) months, Franchisor shall be entitled to send Developer a notice of termination upon Developer's next default within that twelve (12) month period without providing Developer an opportunity to remedy the default.

10.4 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section 10, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

11. EFFECT OF TERMINATION OR EXPIRATION

11.1 Developer's Obligations Upon Termination. Upon termination or expiration of this Agreement:

11.1.1 Payment of Amounts Owed. Developer shall pay to Franchisor or its affiliates within ten (10) days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to Franchisor are determined, such amounts owed to Franchisor and its affiliates which are then unpaid, and interest due Franchisor on any of the past due amounts;

11.1.2 Termination of Development Rights. Developer shall have no further right to develop or open System Restaurants in the Territory, except that Developer shall be entitled to complete and open a System Restaurant which is under construction and for which a Franchise Agreement has been fully executed. Termination or expiration of this Agreement shall not affect Developer's right to continue to operate System Restaurants that were open and operating as of the date this Agreement terminated or expired;

11.1.3 Right to License Others in Territory. The limited exclusive rights granted Developer in the Territory shall terminate and Franchisor shall be entitled to establish and to license others to establish System Restaurants in the Territory except as may be otherwise provided under any other agreement then in effect between Franchisor and Developer;

11.1.4 Development Fee. Franchisor shall retain the Development Fee;

11.1.5 Cease to Use and Return Confidential Information and Materials. Developer shall promptly return to Franchisor, at Developer's expense, all property belonging to Franchisor, including but not limited to, all manuals, advertising materials and computer software programs, and shall destroy or return all other materials, signs, sign faces, catalogs, advertising materials, forms, invoices, video tapes and other materials that bear any Marks or otherwise are identified with or relate to Franchisor, but not including any materials and information furnished with respect to a System Restaurant which is then open and operating pursuant to an effective Franchise Agreement; and

11.1.6 Compliance with Confidentiality and Non-Competition Covenants. Developer, its principals, Representative, Regional Manager or other supervisory or managerial employees of Developer who have executed covenants shall continue to abide by the restrictions contained in Section 8 and shall not, directly or indirectly, take any action that violates those restrictions.

11.2 Default Under Development Agreement Does Not Constitute Default Under Any Franchise Agreement. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto, unless Developer's acts or omissions also violate the terms and conditions of such Franchise Agreement.

11.3 Survival of Obligations. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

11.4 Rights Not Exclusive. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder.

11.5 No Bar to Franchisor's Injunctive or Equitable Relief. Nothing herein contained shall bar or impair Franchisor's right to obtain injunctive or other equitable relief.

12. NOTICES AND PAYMENTS

12.1 Notices. All notices required to be given hereunder shall be in writing and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by certified mail, return receipt requested, to the respective parties. If directed to Franchisor, the notice shall be addressed to Houlihan's Restaurants, Inc., attention Vice-President/Development, 8700 State Line Road, Suite 100, Leawood, Kansas 66206, with a copy to: General Counsel, 8700 State Line Road, Suite 100, Leawood, Kansas 66206. If directed to Developer, the notice shall be addressed to Developer, at the address identified on Exhibit B.

Any notices sent by personal delivery, next-day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other party.

Franchisor may provide Developer with routine information, invoices, updates to the manuals, System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, facsimile, or by making such information available to Developer on the Internet, an extranet, or other electronic means.

12.2 Payments. Unless otherwise specified, all payments required to be made by Developer to Franchisor under this Agreement are due and payable immediately upon demand and/or receipt of any billing therefor and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by mail, postage prepaid, and directed to Franchisor as shown above.

13. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

13.1 Independent Contractor Status. It is understood and agreed to by the parties that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise or servant of the other for any purpose whatsoever. Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary or reasonably requested by Franchisor to that end.

13.2 No Agency. Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for or be deemed liable hereunder for any such action; nor shall Franchisor be deemed liable by reason of any act or omission of Developer in the conduct of its business pursuant to this Agreement, or for any claim or judgment arising therefrom.

13.3 Indemnification. Nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor will in no event assume liability for, or be deemed liable as a result of, any such action; nor will Franchisor be liable by reason of any act or omission of Developer in its operation of Developer's business or for any related claim or judgment. Developer shall defend, indemnify, and hold Franchisor, its affiliates, and their respective officers, directors, agents, and employees harmless against any and all claims, liabilities, damages, and "losses and expenses" (as such term is defined in this Section 13.3), including any environmental claims, liabilities, damages and "losses and expenses", arising directly or indirectly from, as a result of, or in connection with (a) Developer's operation of Developer's business; or (b) any acts, errors, omissions, or negligence of Developer, Developer's affiliates, the partners, members, managers, officers, shareholders, directors, agents, representatives, independent contractors, and employees of Developer and its affiliates and any other parties and without regard to the cause or causes thereof. As used in this Section 13.3, the phrase "losses and expenses" includes all losses, compensatory, exemplary, or punitive damages, fines, charges, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and any other costs and expenses of any kind whatsoever.

14. APPROVALS, WAIVERS AND REMEDIES

14.1 Requests and Approvals Must be in Writing. Whenever this Agreement requires the approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent. Franchisor's approval or consent must be in writing to be effective.

14.2 Consent Not a Warranty. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent, or services to

Developer in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

14.3 Failure to Exercise Rights Does Not Constitute Waiver or Estoppel. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Developer warrants and undertakes that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default under this Agreement shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term or to exercise any of its other rights or remedies under this Agreement. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, covenants or conditions of this Agreement.

15. SEVERABILITY AND CONSTRUCTION

15.1 Striking Unenforceable Terms. Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of or have any other affect upon such other portions, sections, parts, terms and/or provisions of this Agreement as may remain intelligible, and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms and/or provisions shall be deemed as amended to conform with the law, rule or regulation otherwise violated, while following the original intent of the parties as nearly as possible.

15.2 Construction After Striking Unenforceable Terms. Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or to the extent which Franchisor in its sole discretion may otherwise determine.

15.3 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

15.4 Gender; Plurals. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Developer.

15.5 Counterparts. This Agreement may be executed in several parts, and each copy so executed shall be deemed an original.

15.6 Time is of the Essence. Time is of the essence of this agreement for each provision in which time is a factor.

15.7 No Third Party Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or entity other than Developer, Franchisor, Franchisor's officers, directors, agents and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 8 hereof, any rights or remedies under or by reason of this Agreement.

15.8 Execution of Agreement. By providing a copy of this Agreement to Developer, Franchisor is making an offer to sell certain franchise development rights in the Territory to Developer. Franchisor may withdraw that offer at any time prior to executing this Agreement. This Agreement will become effective only upon execution of this Agreement by the President or a Vice President of Franchisor.

16. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the Exhibits hereto constitute the entire, full and complete agreement between Franchisor and Developer concerning the subject matter hereof and shall supersede all prior agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments to this Agreement. Nothing in this or in any related agreement is intended to disclaim the representations made by Franchisor in its Franchise Disclosure Document. There are no warranties, express or implied, or otherwise, made by Franchisor other than those expressly set forth in this Agreement. Except those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

17. ENFORCEMENT

17.1 Interpretation. Developer acknowledges that Franchisor may grant numerous development rights throughout the United States on terms and conditions similar to or different from those set forth in this Agreement, and that it is of mutual benefit to Developer and to Franchisor that these terms and conditions be interpreted in a consistent and uniform manner. Therefore, the parties agree that to the extent that the law of the State of Kansas does not conflict with local franchise investment statutes, rules and regulations, Kansas law shall apply to the interpretation and construction of this Agreement and shall govern all questions which arise with reference hereto.

17.2 Submission to Mediation. Except as provided in Section 17.7 and except for claims by either party for payments owed by one party to the other, any controversy or claim arising out of or relating to this Agreement or the making, interpretation, or performance hereof, shall first be submitted to mediation within thirty (30) days after notice by the complaining party to the other party. The controversy or claim shall be submitted to mediation administered by JAMS in accordance with its then-current procedures or rules. The mediation shall be held in the city in which Franchisor has, at the time of the commencement of the mediation, its principal place of business. Developer agrees and acknowledges that Franchisor may, through the manuals, or otherwise in writing, designate: (a) another

administrative entity, in lieu of JAMS, to administer any mediation required to be brought under this Section 17.2; and (b) different procedures or rules for any such mediation.

17.3 Acceptance of Venue and Jurisdiction. Except as described in Sections 17.2 and 17.7 hereof, the parties agree that any claim, controversy or dispute arising out of or relating to this Agreement or the making, interpretation or performance hereof which cannot be amicably settled, shall be resolved by a legal proceeding in a court in the judicial district in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business, and Developer irrevocably accepts the venue and jurisdiction of the courts of the state, and federal courts located in the judicial district, in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business for such claims, controversies or disputes; provided, however, with respect to any legal proceeding which includes injunctive relief, Franchisor may bring such legal proceeding in any state which has jurisdiction.

17.4 Claims Barred After One Year. Any and all claims, controversies or disputes arising out of or relating to this Agreement, or the performance of Franchisor hereunder, shall be commenced by Developer against Franchisor within one (1) year from the occurrence first giving rise to such claim, controversy or dispute, or such claim, controversy or dispute shall be barred.

17.5 Prohibition Against Punitive Damages and Class Actions, Jury Trials. FRANCHISOR AND DEVELOPER, FOR THEMSELVES AND THEIR SUCCESSORS AND ASSIGNS, HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. DEVELOPER ACKNOWLEDGES AND AGREES THAT DEVELOPER SHALL NOT INITIATE OR PARTICIPATE IN LITIGATION AS A MEMBER OR REPRESENTATIVE OF, OR ON BEHALF OF, ANY CLASS OF PERSONS OR ENTITIES, OR ANY OTHER PERSON OR ENTITY, ANY DISPUTE, CONTROVERSY, OR CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR ANY BREACH HEREOF. THE PARTIES ALSO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY.

17.6 Service of Process. The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Developer by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Developer specified in Exhibit B and as to Franchisor, by serving the President or a Vice President of Franchisor at the notice address of Franchisor or by serving Franchisor's registered agent.

17.7 Extraordinary Relief. Nothing herein contained shall bar Franchisor's or Developer's respective rights to obtain injunctive relief against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

17.8 Franchisor's Cost to Enforce. Developer shall pay to Franchisor all damages, costs and expenses, including all court costs and reasonable attorney's fees, incurred by Franchisor in successfully enforcing any provision of this Agreement, including, but not limited to the obtaining of injunctive relief.

18. ACKNOWLEDGMENTS

18.1 Independent Developer Investigation; Warranty Disclaimer. Developer acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement, and recognizes that it involves business risks and that the success of the venture is largely dependent upon the business abilities of Developer. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received or relied upon, any warranty or guaranty express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

18.2 No Developer Misrepresentations. Developer represents to Franchisor, as an inducement to its entry into this Agreement, that Developer has made no misrepresentations in obtaining the development rights granted herein.

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

ATTEST:

By: _____

Name: _____

Title: _____

HOULIHAN'S RESTAURANTS, INC.

By: _____

Name: _____

Title: _____

ATTEST/WITNESS:

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

EXHIBIT A

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGMENT

In consideration of and as an inducement to, the execution of the Houlihan's Restaurants Development Agreement dated as of _____ ("Agreement") by Houlihan's Restaurants, Inc. ("Franchisor") entered into with _____ ("Developer"), the undersigned ("Guarantor(s)"), jointly and severally, hereby unconditionally (1) guarantee to Franchisor and its successors and assigns for the Development Term and thereafter as provided in the Agreement that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any other agreement with Franchisor that is related to Developer's development of the System Restaurants; (2) agree personally to be bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 8 and 13.3 and (3) agree personally to be liable for the breach of each and every provision in the Agreement, including, without limitation, Section 8.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Developer or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the execution of and performance under this Guaranty by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Developer or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Developer or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guaranty decided by a jury.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this Guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Developer to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by Franchisor.

If any of the following events occur, a default ("Default") under this Guaranty shall exist: (1) failure of timely payment or performance of the obligations under this Guaranty; (2) breach of any agreement or representation contained or referred to in this Guaranty; (3) appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the

assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, any monetary obligations owed to Franchisor by any of the undersigned shall be due immediately and payable without notice.

Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Franchisor's interests in and rights under this Guaranty are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guaranty.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 15 of the Agreement. Sections 17.1 through 17.8 of the Agreement are incorporated by reference into this Guaranty.

Any and all notices required or permitted under this Guaranty shall be in writing, and shall be delivered by any means which affords the sender evidence of delivery or of attempted delivery, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Houlihan's Restaurants, Inc.
Attention: Vice-President/Development
8700 State Line Road, Suite 100
Leawood, Kansas 66206

with a copy to:

General Counsel
Houlihan's Restaurants, Inc.
8700 State Line Road, Suite 100
Leawood, Kansas 66206

Notices to Guarantors:

Notices shall be deemed to have been given at the date and time of delivery or of attempted delivery.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the Agreement.

WITNESS:

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

GUARANTORS:

Name: _____

Name: _____

Name: _____

EXHIBIT B

TERRITORY AND DEVELOPMENT SCHEDULE

1. **Development Fee.** The Development Fee paid by Developer shall be equal to \$_____ for each System Restaurant developed under this Development Agreement for a total Development Fee of \$_____.
2. **Territory.** Each System Restaurant developed under this Development Agreement shall be located in the following area: _____

Developer's rights in the Territory shall be subject to the limitations described in Section 1.3. Any political boundaries contained in the description of the Territory shall be considered fixed as of the date of this Agreement and shall not change notwithstanding a political reorganization or a change in those boundaries. Unless otherwise specified, all street boundaries shall be deemed to end at the center street line. Without Franchisor's prior written consent, the Protected Area for any System Restaurant developed pursuant to this Agreement may not extend beyond the boundary of the Territory.

3. **System Restaurants and Excluded Radius.** _____

4. **Development Schedule.** Recognizing that time is of the essence, Developer shall develop and continue to operate System Restaurants in the Territory in accordance with the following schedule (which excludes System Restaurants operated by Developer in the Development Territory as of the date of the Development Agreement and System Restaurants acquired from Franchisor or its affiliates):

System Restaurant	Site Application and Franchise Agreement Execution Date	Date By Which Developer Must Obtain Franchisor's Consent To The Site	Opening Date	Cumulative Number of System Restaurants To Be Open And Operating On The Opening Date
1				
2				
3				

5. **Developer's Notice Address and Facsimile Number.** _____

EXHIBIT C

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(for persons holding positions with developers)

In consideration of my position as _____ of _____ ("Developer"), and One Dollar (\$1), receipt of which is acknowledged, I hereby acknowledge and agree that:

1. Houlihan's Restaurants, Inc. ("Franchisor"), through skill, effort and resources has developed, and continues to develop, a distinctive system ("System") relating to the establishment and operation of full service restaurants operating under the name "Houlihan's" ("System Restaurants" or "System Restaurant"). The distinguishing characteristics of the System include the exterior and interior design, decor, color scheme and furnishings; special recipes and menu items; standards, specifications and procedures for inventory and management control; training and assistance; advertising and promotional programs; and financial control concepts.

2. As _____ of Developer, I will receive valuable confidential information, disclosure of which would be detrimental to Franchisor and Developer, such as information relating to purchasing techniques; promotion and advertising; pricing, sales, office and personnel policies and procedures; training programs; operation procedures or programs of Franchisor and the System related to the establishment and operation of System Restaurants which are beyond the present skills and experience possessed by me. This list of confidential matters is illustrative only, and does not include all matters considered confidential by Franchisor and Developer.

3. I will hold in strict confidence all information designated by Franchisor or Developer as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the confidential information only in connection with my duties as _____ of Developer. My undertaking not to disclose confidential information is a condition of my position with Developer, and continues even after I cease to be in that position.

4. While in my position with Developer, I will not do anything which may injure Developer or Franchisor, such as (a) divert or attempt to divert any actual or prospective business or customer of Developer's business to any competitor, by direct inducement or otherwise; (b) do or perform any act, directly or indirectly, injurious or prejudicial to the goodwill associated with Franchisor's marks and the System; or (c) employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or any Developer of Franchisor (including Developer), or otherwise directly or indirectly induce such person to leave his or her employment.

5. While in my position with Developer, I will not own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same, or substantially similar sit-down, casual dining services as those offered in System Restaurants, or (b) any food items that are the same as or substantially similar to, the menu items of System Restaurants; and which business is, or is intended to be, located within: (1) the Territory, the boundaries of which I acknowledge have been described to me; (2) a radius of ten (10) miles of any System Restaurant located within the Territory; (3) a radius of ten (10) miles of any System Restaurant; or (4) the United States. This restriction does not apply to my ownership interest of less than five percent (5%) of the outstanding equity securities of any publicly-held company, if I own such interest for investment only and I am not an officer, director, employee or consultant of such publicly-held company.

6. For two (2) years after I cease to have any ownership interest in Developer, I will not own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same, or substantially similar sit-down, casual dining services as those offered in System Restaurants, or (b) any food items that are the same as or substantially similar to the menu items of System Restaurants; and which business is, or is intended to be, located within: (1) the Territory; (2) a radius of ten (10) miles of any System Restaurant located within the Territory; or (3) a radius of ten (10) miles of any System Restaurant. This restriction does not apply to my ownership interest of less than five percent (5%) of the outstanding equity securities of any publicly-held company, if I own such interest for investment only and I am not an officer, director, employee or consultant of such publicly-held company.

7. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Developer. I am aware that my violation of this Agreement will cause Franchisor and Developer irreparable harm; therefore, I acknowledge and agree that Franchisor and/or Developer may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay Franchisor and Developer all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisor and Developer, any claim I have against Franchisor or Developer is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Development Agreement, and that such meaning has been explained to me.

8. Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

9. This Agreement shall be construed under the laws of the State in which Developer's principal place of business is located. The only way this Agreement can be changed is in a writing signed by both Developer and me.

ACKNOWLEDGED BY DEVELOPER:

By: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Address: _____

Title: _____

Date: _____

EXHIBIT D

OWNERS; PARTNERS; LLC MEMBERS; SHAREHOLDERS

NAME AND ADDRESS	TITLE	NATURE OF INTEREST (i.e., limited partner, general partner, member, or shareholder)	PERCENTAGE OF TOTAL OWNERSHIP INTEREST

EXHIBIT E
FRANCHISE AGREEMENT

HOULIHAN'S RESTAURANTS, INC.

HOULIHAN'S RESTAURANT

FRANCHISE AGREEMENT

(Franchisee)

(Location)

(Date)

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made as of this ____ day of _____, _____, by and between _____ ("Franchisee") and Houlihan's Restaurants, Inc. ("Franchisor") for the operation by Franchisee of a Houlihan's Restaurant at the location described in Exhibit B ("Premises").

RECITALS

A. Franchisor through skill, effort and resources has developed, and continues to develop, a distinctive system ("System") relating to the establishment and operation of full-service restaurants operating under the name "Houlihan's" ("System Restaurant(s)"). The distinguishing characteristics of the System include the exterior and interior design, decor, color scheme and furnishings; special recipes and menu items; standards, specifications and procedures for inventory and management control; training and assistance; advertising and promotional programs; and financial control concepts, all of which may be changed, improved and further developed by Franchisor from time to time.

B. Franchisor continues to develop, use and control the use of its trade names, service marks, trademarks, trade dress, emblems and indicia of origin, now existing and hereafter developed ("Marks") to identify for the public the source of services and products marketed under the System and to represent the System's high standards of quality, appearance and service.

C. The value of the System and the Marks is based on, among other things (1) the maintenance of high quality standards in the preparation and sale of food and beverage products, (2) the high standards of appearance of the individual System Restaurants, (3) the use of distinctive trademarks, service marks, building designs and advertising signs representing high quality products and services, (4) the assumption by Franchisor and its franchisees of the obligation to maintain and enhance the goodwill and public acceptance of the System and the Marks by strict adherence to the high standards of Franchisor, (5) the processes and procedures designed to obtain and maintain a strong customer base, and (6) the training and management of all personnel.

D. Franchisee desires to use the System in connection with the operation of a System Restaurant at the Premises in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations and conditions set forth herein, the parties agree as follows:

1. FRANCHISE GRANT

1.1 Grant. Franchisor hereby grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions in this Agreement, to establish and continuously operate a System Restaurant ("Restaurant") at the Premises, and to use the Marks and the System solely in connection therewith. The grant of this franchise does not imply the grant of rights pertaining to any other location or electronic media, including, but not limited to, the Internet and social media applications.

1.2 Protected Area; Reservation of Rights. Except as reserved below, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a System Restaurant in the limited geographic area described in Exhibits B and B-1 ("Protected Area"). The System, including the products sold under the Marks, has been developed, and is designed, to function effectively in a wide variety of retail environments, many of which are not

practically available to Franchisee. Accordingly, Franchisor reserves to itself the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein, to: **(a)** sell or distribute, directly or indirectly, or license others to sell or distribute, any products or services under any proprietary marks (including the Marks) at locations other than System Restaurants (such as but not limited to, supermarkets, groceries, gourmet shops, mail order, the Internet and electronic media) within or outside the Protected Area and without regard to proximity to the Restaurant established and operated hereunder; and **(b)** acquire, establish and/or operate, and license others to acquire establish and/or operate System Restaurants at airports, railroad stations, bus terminals, highway travel plazas, hospitals, stadia, concert venues, sports arenas, amusement parks, schools, colleges, universities, military facilities, business or industrial foodservice venues, venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider, Indian reservations, casinos or any other similar captive market location not reasonably available to Franchisee within or outside the Protected Area (notwithstanding the proximity to the Restaurant established and operated hereunder).

This Section 1.2 does not prohibit Franchisor from: **(1)** acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, a System Restaurant at any location outside the Protected Area; and **(2)** acquiring, establishing and/or operating, and licensing others to acquire, establish and/or operate, any business or restaurant of any kind that does not operate as a System Restaurant or use the Marks at any location within or outside the Protected Area (notwithstanding its proximity to the Restaurant established and operated hereunder). The restrictions contained in this Section 1.2 do not apply to System Restaurants in operation in the Protected Area as of the date of this Agreement as identified in Exhibit B.

2. TERM AND RENEWAL

2.1 Initial Term. This Agreement is effective on the date signed. The Initial Term of the franchise shall expire at midnight on the day preceding the tenth (10th) anniversary of the date the Restaurant first opened for business unless this Agreement is terminated at an earlier date pursuant to Section 18. If Franchisee does not open the Restaurant within two hundred seventy (270) days after execution of this Agreement, this Agreement shall terminate pursuant to Section 18 below, and in such event Franchisor shall retain the full Initial Franchise Fee as defined in Section 9.1.1.

2.2 Renewal. At the expiration of the Initial Term, this Agreement may be renewed for two **(2)** successive renewal terms of five (5) years each (unless the Agreement is sooner terminated in accordance with its provisions), provided that: **(a)** Franchisee is in compliance with this Agreement; **(b)** Franchisee satisfies the requirements that Franchisor then imposes on its new franchisees; **(c)** Franchisee executes the form of Franchise Agreement that new or renewing franchisees are then being required to execute (which may contain terms and conditions substantially different from this Agreement, including, without limitation, a reduced Protected Area, and higher Royalty Fees and/or advertising contributions); **(d)** Franchisee remodels the Restaurant to conform to the building design, trade dress, décor, color schemes, furnishings and equipment and presentation of the Marks consistent with the image for new franchised and company-operated system Restaurants at the time of renewal; **(e)** Franchisee executes, on behalf of Franchisee, its affiliates and their successors and assigns a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its affiliates, and their respective officers, directors, employees, and agents, known or unknown, existing prior to the date of such renewal; and **(f)** Franchisee gives Franchisor not more than twelve (12) months nor less than seven (7) months prior written notice of Franchisee's desire to renew.

2.3 Renewal Requires Franchisor Consent. In addition to compliance with Section 2.2(a) through (f) above, Franchisor's consent to renewal may be conditioned upon Franchisee's

financial stability, and other factors relating to the quality of the operation of the Restaurant. Approval shall be in Franchisor's sole discretion.

2.4 Renewal Fee. If Franchisee's request for a five (5) year renewal is granted, Franchisee shall pay Franchisor a renewal fee in the amount of Ten Thousand Dollars (\$10,000).

3. CONSTRUCTION AND LEASE PROVISIONS

3.1 Architect/Engineer. Prior to submission of Plans to Franchisor as required by Section 3.2, Franchisee, if requested by Franchisor, shall furnish Franchisor with resumes of the registered architect and/or the registered engineer whom Franchisee desires to retain to prepare the Plans, along with additional information and detail concerning their training, experience and financial responsibility as Franchisor may request. Franchisor shall not consent to Franchisee's use of the Plans, and construction shall not commence, until Franchisor has consented in writing to Franchisee's use of the registered architect and/or the registered engineer who will prepare the Plans.

3.2 Plans. Franchisor has developed, over time, several different prototype designs for a System Restaurant. Franchisor will provide Franchisee, at no additional charge, detailed plans, specifications and designs for a prototypical System Restaurant, including exterior and interior design and layout, fixtures, furnishings, and signs. On or before the date specified in Exhibit B, Franchisee shall submit proposed plans, specifications, and drawings for the Restaurant, including its proposed equipment, furnishings, facilities and signs in such detail and containing such information as Franchisor may request (collectively "Plans"). Construction shall not begin unless and until Franchisor has consented to Franchisee's Plans. Thereafter, no substantial change shall be made in the Plans without the advance written consent of Franchisor. Franchisee shall cause the Restaurant to be constructed in substantial compliance with the Plans consented to by Franchisor. All construction must comply in all respects with applicable laws, ordinances and local rules and regulations.

3.3 Contractors. Prior to the commencement of construction, if requested by Franchisor, Franchisee shall submit to Franchisor a resume and financial statement of the general contractor and any major subcontractors for the construction, along with additional information concerning their experience and financial responsibility as Franchisor may request. Construction shall not commence until Franchisor has consented in writing to Franchisee's use of the contractors, which shall be conditioned on bonding of the contractors.

3.4 Commencement and Completion of Construction. Construction shall commence on or before the date specified in Exhibit B. Prior to the commencement of construction, Franchisee shall provide Franchisor a copy of the fully-executed lease for the Premises or, if Franchisee owns the Premises, proof of Franchisee's ownership interest. As used in this Agreement, construction shall have commenced only after Franchisee has obtained all required permits and: **(a)** with respect to a free-standing Restaurant, Franchisee has begun the installation of building footings with the intent to maintain continuous construction thereafter; or **(b)** with respect to a non free-standing Restaurant or a Restaurant being converted from a prior use, Franchisee has begun the installation of sub-floor plumbing with the intent to maintain continuous construction thereafter. Once construction has commenced, it shall continue uninterrupted (except for interruption by reason of events constituting Force Majeure as defined in Section 28) until completed. Except for delays caused by events constituting Force Majeure, construction shall be completed and the Restaurant shall be furnished, equipped and shall otherwise be ready to open for business in accordance with this Agreement not later than the date specified in Exhibit B ("Opening Date").

3.5 Inspection; Cooperation. During the course of construction, Franchisee shall (and shall cause Franchisee's architect, engineer, contractors, and subcontractors to) cooperate fully with Franchisor and its designees for the purpose of permitting Franchisor to inspect the Premises and the course of construction of the Restaurant in order to determine whether construction is proceeding according to the Plans. Without limiting the generality of the foregoing, Franchisee, and Franchisee's architect, engineer, contractors and subcontractors shall: **(a)** supply Franchisor or its designees with samples of construction materials, test borings, corings, due diligence environmental studies, supplies, equipment and other material and reports as Franchisor or its designees may request; and **(b)** afford Franchisor's representatives and its designees access to the Premises and to the construction work in order to permit Franchisor and its designees to carry out its inspections.

3.6 Acquisition of Necessary Equipment, Furnishings, and Supplies; Staff. Franchisee shall order, purchase, and/or lease and install all fixtures, equipment, furnishings, furniture, signs and related equipment, supplies and other items required by the Plans, the System and this Agreement and such other equipment, furnishings and supplies as may be required by Franchisor in order to prepare the Restaurant for opening as a System Restaurant, all at such times and in accordance with such schedules as shall be set by Franchisor in order to ensure that the Restaurant shall timely be opened for business.

In accordance the terms of this Agreement and those other instructions furnished by Franchisor to Franchisee, Franchisee shall cause to be hired a staff to operate the Restaurant, including that number of General Managers (as defined in Section 6.2.3), kitchen managers, assistant managers and other personnel as are required by Franchisor (which shall in no event include less than one (1) General Manager, one (1) kitchen manager and three (3) assistant managers). All such personnel shall be trained as required by Section 7 to operate the Restaurant prior to the opening of the Restaurant. All costs and expenses incurred directly or indirectly in hiring and training such staff shall be borne by Franchisee, except as otherwise expressly agreed to by Franchisor.

3.7 Reports. If requested by Franchisor, Franchisee shall submit to Franchisor, on or before the first day of each month (or more frequently if Franchisor requests), a report with photographs showing progress made in connection with the construction and equipping of the Restaurant.

3.8 Limitation of Franchisor's Liability. Notwithstanding the right of Franchisor to consent to Franchisee's use of the Plans, the registered architect, the registered engineer and certain contractors, and to inspect the construction work and the Restaurant, Franchisor shall have no liability or obligation with respect to the design or construction of the Restaurant; Franchisor's rights being exercised solely for the purpose of ensuring compliance with the terms and conditions of this Agreement.

3.9 Final Inspection and Opening Date. Franchisee shall notify Franchisor in writing, at least thirty (30) days prior to the date Franchisee expects construction to be completed and a certificate of occupancy issued. The certificate of occupancy, or a conditional certificate of occupancy, must be obtained at least two (2) days prior to the arrival of Franchisor's Pre-Opening Training Team as described in Section 7.3. Franchisor shall use its best efforts to conduct a final inspection of the Restaurant and the Premises to determine if Franchisee has complied with this Agreement. Franchisor shall not be liable for delays or losses occasioned by Franchisor's inability to complete its investigation and to make such determination within this period. Franchisee shall not open the Restaurant for business without Franchisor's express written authorization, which will not be granted unless Franchisee has satisfied the conditions contained in this Section 3.

3.10 Required Lease Provisions. If Franchisee will occupy the Premises under a lease, Franchisee shall furnish to Franchisor a copy of the proposed lease at least five (5) business days

prior to execution as well as a copy of the executed lease no later than ten (10) business days after execution and before construction or renovation begins. The lease shall not contain any provision that might prevent Franchisee from performing its obligations under this Agreement. Unless waived in writing by Franchisor, the lease shall contain provisions that satisfy the following requirements:

3.10.1 Restricting Use to Restaurant. That the Premises shall be used only for the operation of the Restaurant;

3.10.2 Approval of Marks; Copies of All Notices. That the lessor (a) approves the use of such Marks and signage as Franchisor may prescribe for the Restaurant; and (b) agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and the Premises at the same time that such letters and notices are sent to Franchisee;

3.10.3 No Sublease Without Franchisor Approval. That Franchisee may not sublease or assign all or any part of its occupancy rights, or extend the term of or renew the lease without Franchisor's prior written approval;

3.10.4 Franchisor's Right to Enter Premises to Protect Marks or Cure Defaults. That Franchisor shall have the right to enter the Premises to make any modification necessary to protect the Marks or to cure any default under the lease or this Agreement;

3.10.5 Consent for Assignment to Franchisor; Franchisor May Sublet. That the lessor agrees that Franchisee may assign the lease to Franchisor; that the lessor will approve such assignment and may not impose any assignment fee or similar charge on Franchisor in connection with such assignment; and that Franchisor may sublease the Premises for all or any part of the remaining term of the lease;

3.10.6 Franchisor's Right to Assume Franchisee's Rights on Default. That Franchisor (or Franchisor's designee) shall have the option, upon default of the Franchise Agreement or the lease, and upon notice to the lessor, to assume all of Franchisee's rights under the lease, including the right to assign or sublease;

3.10.7 No Material Lease Amendment Without Franchisor's Consent. That the lessor and Franchisee shall not amend or otherwise modify the lease in any manner that would materially affect any of the foregoing terms and conditions without Franchisor's prior written approval;

3.10.8 Estoppel Certificate. That, upon request following assignment to Franchisor or sublease by Franchisor, lessor, shall provide an estoppel certificate, in a form satisfactory to Franchisor, identifying any claims lessor may have under the lease; and

3.10.9 Co-Extensive Term. That the lease term (including any renewal options) shall not expire before the expiration date of the Initial Term.

3.11 No Territorial Restrictions on Development of System Restaurants. Franchisee covenants and agrees that Franchisee will not, without Franchisor's prior written consent, enter into any agreement with any lessor regarding the premises of any System Restaurant the terms of which restrict, or purport to restrict, in any manner, Franchisee or Franchisor from developing System Restaurants in any geographic area around the premises, including, but not limited to, the Protected Area.

4. RIGHT TO OPEN THE RESTAURANT. Franchisee shall be permitted to open the Restaurant when all the following conditions have been met:

4.1 Compliance with Agreements. Franchisee is not in default under this Agreement or any other agreements with Franchisor or any of its Affiliates, Franchisee is not in default beyond the applicable cure period under any real estate lease, equipment lease or financing instrument relating to the Restaurant, Franchisee is not in default beyond the applicable cure period with any vendor or supplier to the Restaurant, and, for the last six (6) months, Franchisee has not been in default beyond the applicable cure period under any agreement with Franchisor or its affiliates.

4.2 No Monetary Defaults. Franchisee is current on all monetary obligations due Franchisor and its affiliates.

4.3 Architect Certification. Franchisee's registered architect has certified to Franchisor in writing that the Restaurant was constructed substantially in accordance with the Plans consented to by Franchisor.

4.4 Lease. If the Premises are leased, Franchisor has received a copy of the fully-executed lease.

4.5 Liquor License. Franchisee has obtained a liquor license authorizing the sale of alcoholic beverages at the Restaurant.

4.6 Certificates. Franchisee has obtained a certificate of occupancy and any other required health, safety or fire department certificates.

4.7 Franchisor Approval of Restaurant and Staffing. Franchisor has determined that the Restaurant has been constructed, equipped and staffed substantially in accordance with the requirements of this Agreement.

4.8 Training. Franchisee has complied with the pre-opening training requirements set forth in Sections 7.1, 7.2 and 7.3 of this Agreement.

4.9 Insurance Policies. Franchisor has been furnished with copies of all insurance policies required by Section 13 of this Agreement or such other evidence of insurance coverage and payment of premiums as Franchisor may request.

5. DUTIES OF FRANCHISOR

5.1 Manuals. At the time of Franchisee's initial training, Franchisor shall deliver or provide electronic access to Franchisee, on loan, one (1) set of Franchisor's manuals ("Manuals") on System Restaurant operations. (As used in this Agreement, the term "Manuals" includes publications, materials, drawings, memoranda, videotapes, audio tapes, compact disks and electronic media that Franchisor from time to time may provide to Franchisee.) The Manuals may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotapes, audio tapes, DVDs, compact disks, software or other communications concerning the System to reflect changes in the image, specifications and standards relating to developing, equipping, furnishing and operating a System Restaurant. Franchisee acknowledges and agrees that the Manuals described herein shall include all copies of the Manuals, and any supplements or amendments thereto. The terms and provisions of the Manuals shall become a part of this Agreement and are hereby incorporated by reference.

5.2 Consultation; Inspections. Franchisor shall consult with Franchisee from time to time concerning the operations of the Restaurant. Franchisor may also inspect the Premises and operations from time to time, provide criticism, suggestions and assistance with respect thereto and require changes in order to bring the operation of the Restaurant into compliance with all standards imposed by Franchisor. Inspections may be during normal business hours with or without prior notice.

5.3 Training. Franchisor shall provide training as set forth in Section 7 of this Agreement.

5.4 Plans and Specifications. Franchisor shall provide detailed plans, specifications and designs for a prototypical System Restaurant as set forth in Section 3.2. of this Agreement.

5.5 On-Site Supervision. Franchisor shall provide, at Franchisee's expense, such on-site, construction, pre-opening and opening supervision and assistance as Franchisor deems advisable.

5.6 Advice and Written Materials. Franchisor shall provide to Franchisee from time to time, as Franchisor deems appropriate, advice and written materials concerning techniques of managing and operating the Restaurant, including, but not limited to, required and suggested inventory and sales methods, new developments and improvements in System Restaurant layout and design, and new developments in products and marketing techniques.

5.7 Performance by Designee. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any designee, employee, or agent of Franchisor, as Franchisor may direct.

6. DUTIES OF FRANCHISEE

6.1 Standards and Compliance with System.

6.1.1 Franchisee Compliance. Franchisee will at all times maintain the Restaurant in strict conformance with all requirements, instructions, directives and specifications concerning the appearance of the Premises as well as the design, furnishings, ingredients, packaging, promotional advertising, menus, menu format, recipes, smallwares, equipment, supplies, services and accounting and bookkeeping requirements, as Franchisor may from time to time establish or modify in the Manuals or otherwise in writing. Franchisee acknowledges that every component of the System is important to Franchisor. Franchisor may provide amendments and supplements to the Manuals, new manuals or other written operational directives to Franchisee and Franchisee shall also abide by and comply with these requirements and procedures. Franchisee shall at all times treat the Manuals and everything therein as confidential and shall not disclose or permit the disclosure of the content of the Manuals, or any part thereof, to any person or entity without the written consent of Franchisor. At all times, Franchisor shall retain title to the Manuals and all of the recipes and materials contained therein.

6.1.2 Products and Services. Franchisee shall operate the Restaurant and prepare and sell all products and services sold at the Restaurant in strict compliance with the cooking methods, specifications (including product names), standards, business practices, policies and procedures of Franchisor now in effect or subsequently published for its franchisees, and comply with all requirements of the System as now or subsequently set forth in the Manuals or otherwise in writing, including any changes that may be made from time to time. The sale by Franchisee of any unauthorized product or service at the Restaurant shall constitute a default of this Agreement pursuant to Section 18.3.1. (By way of example and not as a limitation, Franchisee agrees to serve only the menu items specified or otherwise consented to by Franchisor, to follow all specifications and recipes of

Franchisor as to ingredients, contents and weight of products served, and to sell no other food or beverage item or other merchandise of any kind without the prior written consent of Franchisor.) Franchisee shall begin selling any newly authorized product or service within seven (7) days after receipt of written notice from Franchisor and shall cease selling any previously authorized product (that no longer is authorized) as soon as current inventory is used up, but in any event, not more than thirty (30) days after receipt of written notice from Franchisor. Franchisee shall purchase any additional equipment and smallwares as Franchisor deems reasonably necessary in connection with new or changed product or service. If there remains any excess inventory of food, beverage and/or merchandise items utilized in marketing or promotional events after the scheduled conclusion of that event, Franchisee may continue to sell those items until the inventory is depleted.

All food, beverage and merchandise items and services authorized for sale at or from the Restaurant, shall be offered for sale under the specific name designated by Franchisor. Franchisee shall establish menu prices in its sole and absolute discretion. If Franchisee has a suggestion for a new menu item or for a change to an authorized menu item or Franchisee desires to participate in a test market program, Franchisee must submit a written application to Franchisor as set forth in the Manuals or otherwise by Franchisor. (Any suggestion for a new menu item or for a change to an authorized menu item shall become the sole property of Franchisor for the use with the System.) Franchisee must obtain Franchisor's prior written consent, which may be granted or withheld in Franchisor's sole discretion, prior to implementation. Franchisor's consent to the sale of a new menu item or any change to an authorized menu item does not constitute a representation or guarantee by Franchisor as to the quality of the new or revised menu item. Franchisee shall reimburse Franchisor the costs it incurs in evaluating a new menu item or a change to an authorized menu item. Franchisor reserves the right to withdraw its consent to any new menu item or any change to an authorized menu item requested by Franchisee if Franchisor determines, in its sole discretion, that such withdrawal is in the best interest of the System. With respect to any test program to which Franchisor has consented, Franchisor shall determine, in its sole discretion, the length of the test and whether to permit Franchisee to continue to sell the test product(s) after the conclusion of the test.

Franchisee shall immediately close the Restaurant and terminate operations in the event that: (a) any product or service sold at the Restaurant evidences adulteration or deviation from the standards set for products by Franchisor; (b) any product or service sold at the Restaurant fails to comply with applicable laws or regulations; or (c) Franchisee fails to maintain the products, Premises, equipment, personnel, or operation of the Restaurant in accordance with any applicable law or regulation. In the event of such closing, Franchisee shall immediately notify Franchisor in writing and Franchisee shall destroy immediately in accordance with procedures set forth in the Manuals, or otherwise in writing by Franchisor, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Restaurant until after Franchisor has inspected the Premises, and Franchisor has determined that Franchisee has corrected the condition and that all products sold at the Restaurant comply with Franchisor's standards.

6.1.3 Franchisor Approval. Franchisee shall not offer for sale any product or service, or install or use any equipment, material, furnishings, concept, ingredient, supply, vending machine, entertainment device, marketing plan or other component of the Restaurant unless and until the product itself, labeling, method of marketing and method of delivery have been approved in writing by Franchisor, in its sole discretion, as being consistent with all applicable specifications and with the System.

6.1.4 Suppliers. All products sold or offered for sale at the Restaurant as well as equipment, supplies and materials used in the operation of the Restaurant shall meet Franchisor's then-current standards and specifications, as established in the Manuals or otherwise in writing. Franchisee shall purchase all such items solely from suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing. Franchisee recognizes that Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item, and that Franchisor may so designate itself or its affiliate. If Franchisee desires to purchase such items from other than approved suppliers, Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require. Franchisor shall have the right to require that it be permitted to inspect the supplier's facilities and that samples from the supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor shall, within thirty (30) days after its receipt of such completed request and completion of such evaluation and testing (if required by Franchisor), notify Franchisee in writing of its decision. Approval shall not be unreasonably withheld. Franchisee shall not sell or offer for sale, or use in the operation of the Restaurant any of the above-described items of the proposed supplier until Franchisor's written approval is received. Franchisor may from time to time revoke its approval of particular items or suppliers when Franchisor determines, in its sole discretion, that such items or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall cease to sell any disapproved products and cease to purchase from any disapproved supplier. Franchisor's failure to timely provide a written decision in response to any inquiry shall not constitute default or be deemed an approval.

6.1.5 Inventory. At the time the Restaurant opens, Franchisee shall stock and display the initial inventory of products, accessories, equipment, and supplies prescribed by Franchisor in the Manuals or otherwise in writing. Thereafter, Franchisee shall stock and maintain all types of approved products in quantities sufficient to meet reasonably anticipated customer demand.

6.1.6 Use of Premises. Franchisee shall use the Premises solely for the operation of the Restaurant; shall keep the Restaurant open and in normal operation for such minimum hours and days as Franchisor may specify; and shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

6.1.7 Uniforms. Franchisor shall prescribe standard uniforms and attire for all System Restaurant personnel. Franchisee shall purchase approved uniforms and attire for the Restaurant's personnel only from Franchisor's approved supplier(s).

6.1.8 Music Programming. Franchisor shall prescribe music programming content and vendor(s) for all System Restaurants. Franchisee shall purchase approved music programming content for the Restaurant only from Franchisor's approved vendor(s).

6.1.9 Refurbishing, Remodeling and Upgrading. Franchisee shall maintain the Restaurant (including all adjacent public areas) in a clean, safe, lawful and orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, refurbish, remodel, and upgrade the Restaurant, and make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, modifications to existing improvements, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct. At Franchisor's request,

but not more often than once every seven (7) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish, remodel, and/or upgrade the Restaurant, at its expense, to conform to the then-current image for new System Restaurants (which may include new or different building design, trade dress, color schemes, and presentation of the Marks (see Section 12.3.7)); provided, however, that Franchisor reserves the right, in its sole discretion, to require that Franchisee purchase, at any time during the term hereof, new equipment for use in the operation of the Restaurant as Franchisor requires for new System Restaurants. Franchisee shall obtain Franchisor's prior, written approval of all such changes under this Section 6.1.9.

6.1.10 System Changes. Franchisor, in its sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manuals, the menu and menu formats, the required equipment, the signage, the building and premises of the Restaurant (including the trade dress, décor and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and of payment of any monies owed to Franchisor (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. Franchisee shall accept and use or display in the Restaurant any such changes or modifications in the System as if they were a part of the System at the time this Agreement was executed, and Franchisee will, subject to the limitations of Section 6.1.9, make such expenditures as the changes or modifications in the System may require. Franchisee shall notify Franchisor in writing of any change, amendment, or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment, or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment, or improvement into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee.

6.1.11 Computer and Point-of-Sale Systems.

6.1.11.1 Hardware. Franchisee must utilize and maintain an operations computer and a point-of-sale system including front-of-house and back-of-house systems as specified by Franchisor in the Manuals or otherwise in writing. Prior to opening, Franchisee must establish, execute all agreements for, purchase all necessary computer hardware, required dedicated telephone and power lines, high speed Internet connections, modems, printers and other computer-related accessory or peripheral equipment as Franchisor specifies in the Manuals or otherwise. All of the foregoing must be able to provide Franchisor that information, in that format/medium, as Franchisor reasonably may specify from time to time.

6.1.11.2 Connectivity to Franchisor's Computer System. Franchisee shall provide all assistance required by Franchisor to bring Franchisee's computer system on-line with the computer system designated by Franchisor and maintained by Franchisor or its affiliates at the earliest possible time. Franchisee agrees that Franchisor shall have the free and unfettered right to retrieve any data and information from Franchisee's computers as Franchisor, in its sole discretion, deems appropriate, with the telephonic cost of the retrieval to be borne by Franchisor, including electronically polling the daily sales, menu mix and other data of the Restaurant. All of the hardware and software specified to be installed or purchased, or activities Franchisee is to accomplish, and the delivery cost of all hardware and software, shall be at Franchisee's expense.

6.1.11.3 Software. Franchisee shall: (a) purchase or lease and use any software program, system documentation manuals and other materials that may be specified by Franchisor in connection with the operation of the Restaurant; (b) input and maintain in Franchisee's computer such data and information as Franchisor prescribes in the Manuals, software programs, documentation or otherwise; and (c) purchase or lease and use any new or upgraded software programs,

system documentation manuals and other materials when Franchisor adopts such new or upgraded programs, manuals and materials system-wide.

6.1.11.4 Necessary Upgrades and Replacements. To ensure full operational efficiency and communication capability between Franchisor's computers and those of all System Restaurants, Franchisee agrees, at its expense, to keep its computer system in good maintenance and repair and to make additions, changes, modifications, substitutions and replacements to its computer hardware, software, telephone and power lines and other computer-related facilities as directed by Franchisor, and on the dates and within the times specified by Franchisor in its sole discretion. Franchisee acknowledges that computer systems are designed to accommodate a finite amount of data and terminals, and that, as these limits are reached, or as technology or software is developed in the future, Franchisor may, in its sole discretion, mandate that Franchisee: **(a)** add memory, ports and other accessories or peripheral equipment or additional, new or substitute software to the original computer system purchased by Franchisee; and **(b)** replace or upgrade the entire computer system with a larger system capable of assuming and discharging the computer-related tasks and functions specified by Franchisor. Franchisee acknowledges that computer designs and functions change periodically and that Franchisor may desire to make substantial modifications to its computer specifications or to require installation of entirely different systems during the term of this Agreement or upon renewal of this Agreement.

6.1.11.5 Non-Cash Payment Systems. Franchisee shall accept debit cards, credit cards, stored value gift cards or other non-cash systems existing or developed in the future to enable customers to purchase authorized products via such procedure, as specified by Franchisor, and shall obtain all necessary hardware and/or software used in connection with these non-cash systems. Franchisee shall participate in Franchisor's approved stored value gift card program and shall only use Franchisor's approved gift card vendor(s).

6.1.11.6 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, any incentive or convenience programs which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs.

6.1.12 Use of Marks. Franchisee shall ensure that all advertising and promotional materials, signs, paper goods, trade dress features, decorations, and other items specified by Franchisor bear the Marks in the form, color, location, and manner prescribed by Franchisor.

6.1.13 Confidential Information. During the term of this Agreement and thereafter, Franchisee covenants and agrees that it shall not communicate, divulge or use for the benefit of any other person, persons, partnership, limited liability company, association or corporation any confidential information of Franchisor, including any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of Franchisee's employees, as must have access to it in connection with their employment. All such information, knowledge, and know-how, including the Manuals and all drawings, materials, equipment, recipes, computer and point-of-sale programs and output from such programs, all financial information concerning Franchisor and all other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement. Franchisee shall not at any time, without Franchisor's prior written approval, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, or otherwise make the same available to any unauthorized person.

6.1.14 Franchisee's Obligation to Surrender New Processes or Improvements to Franchisor, Without Compensation. If Franchisee develops any new process or improvement in the development, operation or promotion of System Restaurants, Franchisee agrees to promptly notify Franchisor and provide Franchisor with all necessary information concerning same, without compensation. Franchisee acknowledges that any such process or improvement shall become the property of Franchisor and Franchisor may utilize or disclose such information to other franchisees and developers under the System, and to others.

6.1.15 Customer Satisfaction. In order to (among other things) maintain and enhance the goodwill associated with the Marks, the System and each System Restaurant, Franchisee agrees to participate in such programs for verifying customer satisfaction and/or Franchisee compliance with all operational and other aspects of the System, including (but not limited to) an 800 number, online customer satisfaction surveys, secret shoppers or other programs as Franchisor may require. Franchisor will share the results of such programs, as they pertain to the Restaurant, with Franchisee. Franchisee will reimburse Franchisor for all costs associated with any and all such programs.

6.1.16 Customer Data. Franchisee agrees that all data that it collects from customers and potential customers in connection with the Restaurant ("Customer Data") is deemed to be owned exclusively by Franchisor, and Franchisee also agrees to provide the Customer Data to Franchisor at any time that Franchisor requests. Franchisee has the right to use Customer Data while this Agreement or a renewal Franchise Agreement is in effect, but only in connection with operating the Restaurant and only in accordance with the policies that Franchisor establishes from time to time. Franchisee may not sell, transfer, or share Customer Data without prior express written authorization from Franchisor. However, if Franchisee transfers the Restaurant (as provided in Section 17 below), as part of the transfer, Franchisee must also transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Restaurant.

6.2 Quality Controls and Supervision.

6.2.1 General. Franchisee acknowledges that the Premises and everything located at the Premises shall be maintained in first class condition and repair and shall be kept neat, clean and sanitary. Any maintenance or repairs requested by Franchisor shall be promptly performed. All employees of Franchisee shall at all times be courteous, clean and neat in appearance.

6.2.2 Regulatory Compliance. Franchisee shall take all steps necessary to avoid any unsatisfactory or equivalent rating from any agency or entity or from Franchisor regarding safety or sanitation at the Premises. Franchisee promptly shall correct any deficiencies found to exist, except that Franchisee may, with prior written approval of Franchisor, contest in good faith any deficiencies found to exist by any agency or entity acting under authority of any state or local agency. Franchisee shall promptly send Franchisor a copy of any notice Franchisee receives of regulatory noncompliance, violation or penalty.

6.2.3 Manager Designation; Residence; Testing Requirements. Franchisee shall designate an individual who will have full-time responsibility for overall management of the day-to-day operations of the Restaurant and who will devote best efforts and constant personal attention to operations ("General Manager"). Franchisee shall require that the General Manager and each of Franchisee's employees who serve as Restaurant managers to maintain his or her principal personal residence within a usual driving time of not more than approximately one (1) hour from the Restaurant. Franchisor reserves the right to require that, as a condition of his or her employment, the General Manager successfully complete an interview process and a psychological profile test in a manner that satisfies Franchisor. The General Manager must have the right to earn at least 10% of the net operating

profits of the Restaurant or have a 10% interest in Franchisee's equity and voting rights. If, during the term of this Agreement, the existing General Manager is not able to continue to serve in that capacity or no longer qualifies to act as the General Manager, Franchisee will promptly notify Franchisor and designate a replacement General Manager within thirty (30) days after the former General Manager ceases to serve, the replacement General Manager being subject to the same qualifications listed above. Franchisee will provide for interim management of the Restaurant, in full compliance with the terms of this Agreement, until the replacement General Manager is designated and trained. After opening the Restaurant, Franchisee shall employ and continue to employ, at least one (1) General Manager, one (1) kitchen manager, and three (3) assistant managers, each of whom shall have successfully completed the training program provided by Franchisor, described in Section 7.2. If Franchisee or its affiliates operate more than four (4) System Restaurants, Franchisee shall be required to designate an individual approved by Franchisor to supervise the System Restaurants ("Regional Manager"). Franchisee shall notify Franchisor of the identity of the Regional Manager no later than ninety (90) days before the opening of the fourth (4th) System Restaurant.

6.2.4 Inspections. Franchisee shall cooperate with Franchisor during all inspections of the Premises by Franchisor and shall promptly correct any deficiencies found to exist. Following each inspection, Franchisor will provide Franchisee a visit report summarizing Franchisor's Premises evaluation and identifying those conditions at the Restaurant that must be rectified. Franchisee shall take all necessary steps to immediately correct any deficiencies detected during these inspections (regardless of Franchisee's inventory), including, without limitation, ceasing further sale of unauthorized menu items and ceasing further use of any equipment, advertising materials or supplies that do not conform with the standards and requirements promulgated by Franchisor from time to time. Franchisee acknowledges that Franchisor may reinspect the Premises to determine whether Franchisee has corrected any such deficiencies, but Franchisor is not required to do so. Any failure by Franchisee to rectify any deficiency in a visit report will constitute a default of this Agreement. Recognizing that the failure of Franchisee to meet the Franchisor's standards required in the System may endanger the reputation and operations of other System Restaurants as well as potentially endanger the general public, Franchisee and Franchisor agree that in the event that operations at the Restaurant fall below Franchisor's standards for the System, Franchisor may, in its sole discretion, in addition to and not in lieu of its right to terminate this Agreement, have the right to require that Franchisee discontinue all operations at the Restaurant and close the Restaurant to the public until Franchisee is able to establish to Franchisor's reasonable satisfaction that operations at the Restaurant meet or exceed the Franchisor's standards for the System

6.2.5 Franchisee Control. The success of Franchisee's efforts to operate a System Restaurant so as to maximize sales and profits rests solely with Franchisee. Franchisor shall make such recommendations as it deems appropriate to assist Franchisee's efforts. However, Franchisee alone shall establish any requirements regarding (a) employment policies, wages, hours of labor, assignments and responsibilities of employees; (b) the price charged for any product sold in or at the Premises, or the individual or individuals to whom such products may be sold; provided, however, that Franchisee may be required to comply with such reasonable restrictions on the maximum prices of specific goods and services offered and sold hereunder as Franchisor may reasonably require from time to time in the Manuals or otherwise in writing; and (c) the source from which Franchisee obtains any item or service used in or at the Premises for which Franchisor has not established an approved supplier.

6.3 Miscellaneous Duties. During the term of this Agreement, Franchisee shall at all times:

6.3.1 Licenses. Obtain and maintain all business, occupational, health, liquor control and other licenses necessary for lawful operation of the Restaurant;

6.3.2 Trained and Courteous Staff. Maintain a competent, conscientious, trained staff (each of whom shall have been trained in accordance with the Manuals); take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; meet such minimum standards as Franchisor may establish from time to time in the Manuals; and handle all customer complaints, refunds, returns, and other adjustments in a manner that will not detract from the name and goodwill of Franchisor;

6.3.3 Promote Business. Diligently promote, advertise and make every effort to increase the business and Gross Revenues, defined below;

6.3.4 Use of Marks. Use the Marks only in such manner and on such items as shall be specifically set forth in the Manuals or otherwise approved in writing by Franchisor;

6.3.5 Compliance with Laws. Comply fully with all laws, regulations and rulings applicable to the operations of the Restaurant;

6.3.6 Actively Operate Restaurant. Actively operate the Restaurant and open the Restaurant for business as required in the Manuals and Franchisee's lease; and

6.3.7 Lease or Sublease Compliance. Comply with all terms of its lease and all other agreements affecting the operation of the Restaurant; undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

7. TRAINING

7.1 Owner Orientation Program. Before Franchisee opens its first System Restaurant, Franchisee's Controlling Principal (as defined in Section 15.5) shall attend, and complete to Franchisor's satisfaction, the Owner Orientation Program. The Owner Orientation Program shall last five (5) days and will be conducted at Franchisor's corporate headquarters in Leawood, Kansas and/or at System Restaurants operated by Franchisor (or an affiliate of Franchisor) in the greater metropolitan Kansas City area. Franchisor may extend the length of the Owner Orientation Program in its sole discretion. Franchisee's owners may also choose to attend the Owner Orientation Program. Franchisor shall bear all administrative expenses for the Owner Orientation Program, provided that Franchisee shall pay all travel, living and other expenses incurred by Franchisee's owners while attending the Owner Orientation Program.

7.2 Initial Training. Prior to the opening of the Restaurant, Franchisor shall train the Restaurant's General Manager and that number of kitchen managers, assistant managers and other personnel as are required by Franchisor and, subject to availability of space in the training session and Franchisor's prior approval, such other managerial employees as Franchisee shall desire to have trained in the operation of the Restaurant. At least five (5) day-to-day managers (the General Manager, the kitchen manager, and three (3) assistant managers) of the Restaurant shall attend and successfully complete the training program provided by Franchisor. Such pre-opening training shall take place at System Restaurants operated by Franchisor (or an affiliate of Franchisor) in the greater metropolitan Kansas City area, or, in Franchisor's discretion, at Franchisee's Restaurant, or the location of another existing System Restaurant. The training program shall last approximately eight (8) weeks and shall be completed no earlier than fifty (50) days and no later than twenty-eight (28) days prior to the scheduled opening of the Restaurant. The training shall consist of actual performance by the trainees of jobs performed in the operation of the Restaurant. There shall be no tuition fee charged for such initial training program,

however Franchisee will be required to pay all expenses incurred by Franchisee's employees while attending the training program such as all travel, living and food costs (including, but not limited to, the cost of any meals served at the System Restaurant during the training program). All out-of-pocket expenses incurred by Franchisor in presenting all or part of this program shall be reimbursed by Franchisee.

7.3 Food Safety and Responsible Beverage Serving Training.

7.3.1 Franchisee's General Manager and those kitchen managers, assistant managers and other personnel designated by Franchisor must attend and successfully complete food safety and responsible beverage serving courses approved by Franchisor and any other local or state required food safety and responsible beverage serving course(s). Franchisor does not currently offer such courses. Franchisee will be required to pay all tuition or other fees charged by any third party instructor in connection with these courses and all travel, living and other expenses incurred by Franchisee's employees while attending these courses. Franchisee must provide Franchisor evidence of Franchisee's compliance with this Section 7.3.1 before Franchisor will authorize the opening of the Restaurant.

7.3.2 Franchisee must hire third party vendors approved by Franchisor to conduct periodic (as defined from time to time by Franchisor in its sole discretion) audits of the Restaurant to confirm that Franchisee's operation of the Restaurant meets the vendors' highest food safety, sanitation and responsible beverage standards. Franchisee will be responsible for paying all fees charged by the third party vendor in connection with these audits. Upon reasonable request by Franchisor, Franchisee shall provide, or direct its vendors to provide, a copy of the audit results to Franchisor.

7.4 Pre-Opening Training Team. For a period of approximately two (2) weeks beginning approximately eight (8) days prior to the opening of the Restaurant, Franchisor shall send to the Restaurant a pre-opening training team to assist Franchisee in training the employees necessary for the opening and the initial and continued operation of the Restaurant. Franchisee must give Franchisor at least thirty (30) days' advance notice of the opening. Franchisor will not send a pre-opening training team to the Restaurant until: (a) Franchisee has installed a fully operational and approved point-of-sale system at the Restaurant; (b) Franchisee has hired adequate staff to operate the Restaurant as determined by Franchisor; (c) the minimum number of Restaurant managers, as required by Franchisor, have completed Franchisor's initial training program and any required food safety and responsible beverage serving courses; and (d) the Restaurant has received a certificate of occupancy. Franchisor may delay the scheduled arrival of its employees if it determines, in its sole discretion, that the Restaurant building is not safe or not ready to begin training. Franchisor will provide the training team without tuition or charge to Franchisee, but Franchisee will be responsible for the out-of-pocket expenses of the trainers, including without limitation, all travel, living and food costs. (In the event Franchisor provides point-of-sale installation and training, Franchisee will be responsible for a service fee as well as Franchisor's out-of-pocket expenses incurred in the provision of such services.) At Franchisor's request, prior to the arrival of the pre-opening training team, the General Manager of the Restaurant, or the person to whom the General Manager reports, may be required to attend the pre-opening training of another System Restaurant for a period of up to three (3) days. Franchisee will be required to pay all expenses incurred by Franchisee's employee while attending this pre-opening training such as all travel, living and food costs (including, but not limited to, the costs of any meals served at the System Restaurant during the pre-opening training).

7.5 Ongoing Training. Franchisor shall provide ongoing training programs for new general, kitchen, or assistant managers in the event of the resignation, termination, disability, incapacity or death of existing managers and, at the option of Franchisor, in the event of the expansion of new Restaurant business. Such programs shall be made available to Franchisee, subject to availability of

training facilities and other resources, on the same terms and conditions as the initial training program described in Section 7.2 above. New managers must attend and successfully complete the first available ongoing initial training program offered by Franchisor. There shall be no fee charged by Franchisor to Franchisee for such training, but any out-of-pocket expenses incurred by Franchisor in providing such ongoing training shall be reimbursed by Franchisee. In addition, new managers must attend and successfully complete the food safety and responsible beverage serving courses approved by Franchisor and any other local or state required food safety and responsible beverage serving course(s) as described in Section 7.3. Franchisee will be required to pay all tuition or other fees charged by any third party instructor in connection with these courses and all travel, living and other expenses incurred by Franchisee's employees while attending these courses.

7.6 Additional Training. From time to time, Franchisor may require that Franchisee and its employees complete refresher training to improve the operations and quality at the Restaurant or to learn new techniques for the operation of the Restaurant or the preparation of menu items. Such training will be required as Franchisor, in its sole discretion, determines is necessary to maintain compliance with Franchisor's standards and will be at a location designated by Franchisor. Franchisor reserves the right to charge a reasonable tuition fee for such programs. In addition to the two (2) week training program described in Section 7.4, Franchisor may provide, at Franchisee's expense, such other on-site pre-opening and opening supervision and assistance as Franchisor deems advisable. There shall be no fee or other charge for these additional services, but Franchisee shall be responsible for all of Franchisor's out-of-pocket expenses incurred in the provision of such additional services including, without limitation, all travel, living and food costs.

7.7 Training Costs. All travel, living, food costs (including the cost of any meals served at the System Restaurant while attending the training) and associated costs incurred by Franchisee's employees in training, including the salary, taxes or other compensation of the trainees, and payments with respect thereto, shall be the sole responsibility of Franchisee.

8. LIQUOR LICENSE

8.1 Failure to Obtain Licenses. The right to operate a System Restaurant pursuant to this Agreement is conditioned upon the ability of Franchisee to obtain and maintain required state and/or local licenses permitting the sale of alcoholic beverages at the Restaurant. Franchisee agrees to use its best efforts to obtain such licenses and maintain same in good standing during the term of this Agreement. If, despite the good faith efforts of Franchisee, Franchisee is unable to obtain the license(s) necessary for the sale of alcoholic beverages and the operation of the Restaurant in accordance with the terms of this Agreement by the time the Restaurant is otherwise ready for opening, Franchisor may, at the sole option of Franchisor, terminate this Agreement effective immediately on receipt by Franchisee of written notice to such effect. In such event, the non-competition provisions hereof shall not apply, but the nondisclosure provisions shall remain in full force and effect.

8.2 Repeated Violations. In the event that Franchisee is prohibited by a governmental authority from offering alcoholic beverages at the Restaurant on more than two (2) occasions (other than routine occasions on which Franchisee is prohibited by applicable law from offering alcoholic beverages for sale from the Restaurant, such as a local prohibition on the sale of alcoholic beverages on Sunday) during any continuous twelve (12) month period, including because of violations of federal, state or local liquor laws, then, at the option of Franchisor, this Agreement shall be immediately terminated upon receipt by Franchisee of written notice from Franchisor to such effect.

9. FRANCHISE FEES

9.1 Initial Franchise Fee and Royalty. As partial consideration of the license, rights and franchise granted herein, Franchisee shall pay to Franchisor the following:

9.1.1 Initial Franchise Fee. An initial franchise fee in the amount set forth in Exhibit B ("Initial Franchise Fee"), which amount shall be deemed fully earned and non-refundable by Franchisor for administrative and other expenses incurred by Franchisor and for the opportunities lost or deferred as a result of the rights granted herein. The Initial Franchise Fee is due and payable to Franchisor, in full, at the time of the execution of this Agreement; and

9.1.2 Royalty Fee. A continuing weekly royalty fee throughout the term hereof in an amount equal to four percent (4%) of the Gross Revenues of the Restaurant ("Royalty Fee").

9.2 Gross Revenue Inclusions. The term "Gross Revenues" means all revenues or receipts of any kind constituting the actual sales price, whether wholly or partly in cash, credit, check, charge account, barter, exchange or otherwise, derived from the operation of the Restaurant, including without limitation, all revenues or receipts from all goods, wares and merchandise (including sales of food, beverages and tangible property of every kind and nature, promotional or otherwise) and services sold from the Premises, all catering business, special events or other revenue derived from the utilization of the Marks and/or confidential or proprietary information licensed under this Agreement, whether or not the food is prepared at the Premises and whether or not the orders are taken or filled at the Premises. Gross Revenues shall not be reduced by any (a) deductions for cash shortages incurred in connection with the transaction of business with customers, (b) credit card company charges, or (c) theft that is reimbursed by insurance or is not reported to the appropriate authorities.

9.3 Gross Revenue Exclusions. The term "Gross Revenues" shall not include: (a) the sale of items for which cash has been refunded or, except as set forth above, not received, or allowances made for merchandise, if the sales of any such items shall have been previously included in Gross Revenues, (b) the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and intended to be collected from customers, provided that the amount thereof is added to the selling price and actually paid by Franchisee to such governmental authority, (c) the sale of merchandise for which a gift certificate or stored value gift card is redeemed, provided that the initial sale of such gift certificate or stored value gift card shall have been previously included in Gross Revenues, (d) the sale of meals to employees, and (e) one-time sales of furniture, fixtures and equipment.

9.4 Gross Revenue Receipt. Gross Revenues are deemed received when the sale is made or product or service delivered to the customer, whichever first occurs. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be first made, irrespective of the time when Franchisee receives payment (whether full or partial).

9.5 Weekly Reports; Payment of Fees. No later than Tuesday at 5:00 PM Central Time of each week (Monday through Sunday), Franchisee shall submit to Franchisor (by fax, e-mail, or other electronic transmission or by other means reasonably specified by Franchisor) a report disclosing the amount of Gross Revenues from the Restaurant during the preceding calendar week. Franchisee shall pay to Franchisor (by electronic funds transfer or by such other form or method as Franchisor may designate) the Royalty Fees and advertising contributions applicable to the Gross Revenues of the Restaurant for the preceding week and any other amounts owed under this Agreement on or before 5:00 PM Central Time on Wednesday of each week based upon the Gross Revenues for the preceding week

(Monday to Sunday). At the time the weekly fees are paid, Franchisee shall also provide such documentation of the Gross Revenues and expenses and reports on the operation of the Restaurant on such forms as Franchisor shall from time to time require.

9.6 Electronic Funds Transfer.

9.6.1 Franchisee shall participate in an electronic funds transfer program established by Franchisor that authorizes Franchisor to utilize a pre-authorized bank draft system. All Royalty Fees and advertising contributions calculated on the basis of Gross Revenues and other amounts owed under this Agreement must be received by Franchisor or credited to Franchisor's account by pre-authorized bank debit before 5:00 p.m. Central Time of each Wednesday ("Due Date"). On each Due Date, Franchisor will transfer from the Restaurant's commercial bank operating account ("Account") the amount reported to Franchisor in Franchisee's remittance report or determined by Franchisor by the records contained in the point-of-sale/computer terminals of the Restaurant. If Franchisee has not reported Gross Revenues to Franchisor for any fiscal period, Franchisor may transfer from the Account an amount calculated in accordance with its estimate of the Gross Revenues during the fiscal period. If, at any time, Franchisor determines that Franchisee has underreported the Gross Revenues of the Restaurant, or underpaid the Royalty Fee or other amounts due to Franchisor under this Agreement, or any other agreement, Franchisor may initiate an immediate transfer from the Account in the appropriate amount in accordance with the foregoing procedure. Any overpayment will be credited to the Account effective as of the first reporting date after Franchisor and Franchisee determine that such credit is due.

9.6.2 In connection with payment of the Royalty Fee, advertising contributions and other amounts owed under this Agreement by electronic funds transfer, Franchisee shall: **(a)** comply with procedures specified by Franchisor in the Manuals or otherwise in writing; **(b)** perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 9.6; **(c)** give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee and other amounts payable under this Agreement; and **(d)** make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof. Failure by Franchisee to have sufficient funds in the Account shall constitute a default of this Agreement.

9.6.3 Notwithstanding the provisions of this Section 9.6, Franchisor reserves the right to modify, by giving notice to Franchisee, the method by which Franchisee pays the Royalty Fees, advertising contributions and other amounts owed under this Agreement.

9.7 Interest. If any payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

9.8 Right to Offset. All amounts, if any, owed by Franchisor, or its affiliates, to Franchisee may be offset by Franchisor in whole or in part against any amounts owed by Franchisee to Franchisor or its affiliates, and in the event of such offset, Franchisor shall notify Franchisee of the time and the amount of such offset. Franchisee shall not be entitled to set off any payments required to be made under this Agreement against any monetary claim it may have against Franchisor.

10. MARKETING AND MARKETING FUND

10.1 General. Franchisee acknowledges and understands that marketing is essential for the growth and name recognition of Franchisee's business. Franchisee recognizes the value of marketing and the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System. Franchisor shall from time to time assist Franchisee in developing materials and activities designed to advertise and promote the Restaurant, and to develop and administer marketing and sales promotion programs designed to promote and enhance the collective success of all System Restaurants. It is expressly understood, acknowledged and agreed that Franchisor's decisions shall be final and binding in all phases of marketing and promotion, including without limitation, type, quantity, placement and choice of media, market areas and advertising agencies. Franchisee shall have the right to participate actively in all such marketing and sales promotion programs, but only in full and complete accordance with such terms and conditions as may be established by Franchisor for each such program. In addition, Franchisee must participate in marketing programs each calendar year that are mandated by Franchisor. Expenditures made for participation in such programs under this Section 10.1 shall be credited to Franchisee's local advertising obligations described in Section 10.2.1 below.

10.2 Required Marketing Expenditures. Franchisee shall make annual expenditures for local advertising and promotions (as described in Section 10.2.1) and weekly contributions to the Fund (as described in Section 10.2.2) and/or a Market Cooperative (as described in 10.2.3) totaling at least one and seven tenths of a percent (1.7%) of Gross Revenues of the Restaurant. Franchisor reserves the right, from time-to-time, in its sole discretion and upon written notice to Franchisee, to reallocate and/or increase Franchisee's required total annual expenditures for such local advertising and promotions and/or contributions to the Fund or a Market Cooperative, up to an amount not exceeding four and one-half percent (4.5%) of Gross Revenues of the Restaurant, commencing the week after Franchisor provides written notice to Franchisee.

10.2.1 Local Advertising.

10.2.1.1 Listings. Franchisee, at its sole cost and expense, shall obtain listings in bold type in the white pages directory of the local public telephone utility company under the name "Houlihan's." Franchisee shall also participate in and pay its pro rata share of the cost of yellow pages advertising to be placed by Franchisor on behalf of all other local System Restaurants operated by other franchisees and/or Franchisor. If no other System Restaurants are located within Restaurant's area of dominant influence, Franchisee, at its option and sole cost and expense, may obtain display type advertisements in the yellow pages directory of the local public telephone utility company. Franchisee also shall obtain any on-line directory listings that Franchisor specifies in the Manuals.

10.2.1.2 Approved Media. Without Franchisor's prior written approval, which may be withheld for any reason, Franchisee shall restrict its other local advertising to the following: (a) newspapers, magazines and other such periodicals; (b) radio and television; (c) outdoor advertising by signs displayed on billboards or buildings; (d) transit advertising; (e) Internet and/or electronic mail; and (f) direct mail. Franchisee will be solely responsible for compliance with any laws pertaining to sending electronic mail including, but not limited to, the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

10.2.1.3 Records of Expenditures. Franchisor shall have the right at all times to review Franchisee's books and records, and to require Franchisee to produce evidence of its local advertising expenditures to ensure Franchisee's compliance with this Agreement.

10.2.1.4 Conformance with Standards. All advertising and other materials employed by Franchisee in local promotional activities shall be in strict accordance and conformity with the standards, formats and specimens contained in the Manuals and shall be subject to prior approval of Franchisor. In no event shall Franchisee's advertising contain any statement or material which may be considered (a) in bad taste or offensive to the public or to any group of persons, (b) defamatory of any person, (c) to infringe upon the use without permission of any other person's trade name, trade mark, service mark or identification, or (d) inconsistent with the public image of Franchisor or of the System.

10.2.1.5 Approval Requirements. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and material prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the past year. In the event Franchisee wishes to deviate from the materials contained in the Manuals, Franchisee shall submit in each instance the proposed advertising copy and materials to Franchisor for approval in advance of any commitment by Franchisee to production or publication. Franchisee shall submit such unapproved plans and material to Franchisor (by personal delivery, through the mail, return receipt requested, or email), and Franchisor shall approve or disapprove such plans and materials within twenty (20) days from the date of receipt thereof by Franchisor. Franchisee shall not use such plans or materials until they have been approved by Franchisor. Franchisee shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor.

10.2.2 Marketing Fund.

10.2.2.1 Establishment of Fund. Franchisor has established a marketing fund to which Franchisor has the right to require Franchisee to contribute as described in this Section 10.2.2 ("Fund"). Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the System and Marks. Monies paid to the Fund shall be required marketing expenditures provided in Section 10.2 and allocated to a separate "marketing account" established by Franchisor.

10.2.2.2 Contribution. Currently, Franchisee must contribute seven tenths of one percent (0.7%) of Gross Revenues to the Fund. From time to time, Franchisor shall advise Franchisee in writing of the amount of Franchisee's required contribution to the Fund. Contributions to the Fund shall be made by Franchisee on a weekly basis at the same time and in the same manner as the Royalty Fee.

10.2.2.3 Use of Fund. Franchisee agrees that the Fund shall be maintained and administered by Franchisor as follows:

10.2.2.3.1 Franchisor shall direct all advertising programs with sole discretion to approve or disapprove the creative concepts, material and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition, acceptance, and use of the System and Marks, and that Franchisor is not obligated, in administering the Fund, to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Fund. Franchisor utilizes the Fund for creative development of the Houlihan's brand.

10.2.2.3.2 Franchisee agrees that the Fund, all contributions thereto, and any earnings thereon, shall be used to meet any and all costs of maintaining,

administering, directing, conducting, and preparing advertising, marketing, public relations and/or promotional programs and materials, retail support programs, and any other activities which Franchisor believes will enhance the image of the System and Marks, including, without limitation, marketing research and surveys, the cost of preparing and conducting television, radio, email, digital web, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; point-of-sale promotional materials and premiums used for merchandising purposes; public relations activities; customer satisfaction activities; employing advertising agencies and/or public relations agencies to assist therein; purchasing promotional items, conducting and administering in-store promotions; and providing promotional and other advertising or marketing materials and services to the System Restaurants.

10.2.2.3.3 All sums paid by Franchisee to the Fund shall be separately accounted for by Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration, direction, and implementation of the Fund and advertising programs for franchisees and the System and Marks, including, but not limited to, costs of personnel for creating and implementing advertising, promotional, and marketing programs. The Fund is not and shall not be an asset of Franchisor.

10.2.2.3.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of receipts and disbursements of the Fund. Franchisee acknowledges and agrees that the Fund is not a trust fund; that Franchisee has no third party beneficiary rights with respect to the Fund; that Franchisor is not a fiduciary of monies in the Fund; and that Franchisor has no fiduciary obligations to Franchisee with respect to the Fund.

10.2.2.3.5 It is anticipated that all contributions to, and earnings of, the Fund shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

10.2.2.3.6 Although Franchisor intends the Fund to be of perpetual duration, Franchisor maintains the right to terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

10.2.3 Market Cooperative. Franchisor shall have the right to designate any geographical area for purposes of establishing a market advertising and promotional cooperative fund ("Market Cooperative"). If a Market Cooperative for the geographic area in which the Restaurant is located has been established at the time Franchisee opens the Restaurant, Franchisee shall immediately become a member of such Market Cooperative, unless otherwise permitted by Franchisor. If a Market Cooperative for the geographic area in which the Restaurant is located is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within thirty (30) days after the date on which the Market Cooperative is formed, unless otherwise permitted by Franchisor. In no event shall Franchisee be required to be a member of more than one (1) Market Cooperative. Any contributions to a Market Cooperative will be credited against Franchisee's local advertising expenditures. The following provisions shall apply to each such Market Cooperative:

10.2.3.1 Each Market Cooperative shall be organized (including but not limited to bylaws and other organizational documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise

specified by Franchisor, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Any Restaurants that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Restaurant owner shall be entitled to cast one (1) vote for each Restaurant owned.

10.2.3.2 Each Market Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

10.2.3.3 No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Franchisor, pursuant to the procedures and terms as set forth in Section 10.2.1.5 above and all advertising shall adhere to the standards set forth in Section 10.2.1.4.

10.2.4 Franchisee shall submit its required contribution to the Market Cooperative at the same time and in the same manner as the Royalty Fee and Fund contributions, together with such statements or reports as may be required by Franchisor or by the Market Cooperative with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Market Cooperative directly to Franchisor for distribution to the Market Cooperative.

10.2.5 Although once established, each Market Cooperative is intended to be of perpetual duration, Franchisor maintains the right to terminate any Market Cooperative. A Market Cooperative shall not be terminated, however, until all monies in that Market Cooperative have been expended for advertising and/or promotional purposes.

10.3 Electronic Presence.

10.3.1 Approval Requirements. Franchisee acknowledges and agrees that Franchisee shall not be permitted to have a website or use any of the Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Marks through any Electronic Presence without Franchisor's prior written consent, which Franchisor may withhold for any or no reason. "Electronic Presence" means any presence on the Internet or any other online, mobile, or electronic network, including but not limited to any URL, domain name, website, meta-tag, download, application, posting, social networking profile, directory listing, blog, vlog, email account, instant messaging account, texting identity, user generated content, or other electronic identifier. In connection with any such consent, Franchisor may establish such requirements as it deems appropriate, including without limitation obtaining prior written approval of: **(a)** any Internet domain name, URL, website, social networking profile, blog, email account, text address, or other electronic identifier; **(b)** the proposed form and content (including any visible and non-visible content such as meta-tags) of any Electronic Presence related to the Restaurant; **(c)** all website pages, materials, and content used in any Electronic Presence; **(d)** use of all hyperlinks and other links; and **(e)** any modifications. Franchisee further agrees to abide by Franchisor's restrictions on the use of any materials (including text, video clips, photographs, images, and sound bites) in which any third party has any ownership interest. Franchisor may designate the form and content of Franchisee's Electronic Presence and/or require that any such Electronic Presence be hosted by Franchisor or a third party designated by Franchisor, using an Electronic Presence that Franchisor owns and/or controls. In addition, Franchisor may require Franchisee to establish hyperlinks to Franchisor's Electronic Presence or another Electronic Presence designated by Franchisor. Franchisor has no immediate plans to permit Franchisee to establish an Electronic Presence.

10.3.2 Copyrights. Franchisee hereby acknowledges and agrees that, as an express condition for approval of Franchisee's use of any Electronic Presence (whether prepared by, or on behalf of, Franchisee), any and all ownership interest, including any copyrights, in and to the content of such Electronic Presence shall be automatically assigned to Franchisor upon publication. Franchisee further agrees to execute and deliver any further documents as may be requested by Franchisor in order to effectuate the assignment of such interest.

10.3.3 Changes to Technology. Because changes to technology are dynamic and not predictable, during the Initial Term, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: **(a)** that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies, and to implement those changes in technology into the System; and **(b)** to abide by Franchisor's reasonable new standards as if this Section 10.3 were periodically revised for that purpose.

11. REPORTS AND RECORDS

11.1 General. Franchisee shall maintain financial records in accordance with generally accepted accounting principles, consistently applied ("GAAP"). If permissible under law, such records shall be maintained based upon a fifty-two/fifty-three (52/53) week fiscal year. All Gross Revenues shall at all times be recorded on point of sale systems approved or prescribed by Franchisor with non-resettable totals. In a manner and on forms approved by Franchisor, Franchisee shall prepare on a current basis, and preserve for not less than three (3) years, complete and accurate records concerning Gross Revenues and all financial, operating, marketing and other aspects of the business conducted under this Agreement. Franchisee shall maintain an accounting system approved by Franchisor that fully and accurately reflects all aspects of such business and is compatible and consistent with Franchisor's system. Included among the records that Franchisee is required to maintain shall be books of account, tax returns, daily receipts and reports, statements of Gross Revenues, profit and loss statements and balance sheets. Franchisee shall also submit to Franchisor such other financial and non-financial reports and information as Franchisor may reasonably request.

11.2 Financial Reporting. Within thirty (30) days after the close of each calendar quarter and within one hundred twenty (120) days after the close of each fiscal year of Franchisee during the term hereof, Franchisee shall provide to Franchisor a Gross Revenues Report, profit and loss statements and, for the annual statement, a balance sheet, on such forms as Franchisor may reasonably require, prepared in accordance with GAAP. Such statements need not be audited, but must be verified by the Treasurer or Chief Financial Officer of Franchisee; provided, however, that if Franchisee has caused audited statements for any of such calendar quarters, or as to any fiscal year, to be prepared, Franchisee will furnish complete copies of such audit to Franchisor within ten (10) days of receipt by Franchisee. If Franchisee fails to provide such information in strict compliance with this Section 11, Franchisor may audit Franchisee's operations to obtain such information in accordance with Section 11.4 below.

11.3 Financial Records. Franchisee shall keep at its principal place of business all records required hereby and shall at Franchisor's request make such records available, together with any other records necessary or appropriate to enable Franchisor to verify compliance by Franchisee with the terms hereof. Failure to maintain such records or to make them available to Franchisor shall constitute a default under this Agreement.

11.4 Audit Rights. From time to time during the term hereof and at any time within three (3) years after the end of the term hereof or any renewal term, Franchisor or its authorized agents may inspect and audit, at all reasonable times, any or all of the records pertaining to the operation of the

Restaurant, or which Franchisee is required to maintain pursuant to the terms of this Agreement. For purposes of this Section 11.4, tax returns of Franchisee for the term of this Agreement (including state and local sales tax reports for Franchisee, and federal, state and local income tax returns for Franchisee) are included among the documents Franchisor or its authorized agents are authorized to inspect, but only upon execution of a confidentiality and non-disclosure agreements by Franchisor and any authorized agents, and only for the limited purpose of verifying reported revenues and expenses. Such inspection shall be conducted during business hours. In the event the inspection or audit discloses that amounts due hereunder, whether for Royalty Fees, advertising contributions, purchases of equipment or supplies or otherwise, have been understated, Franchisee shall immediately pay to Franchisor all such understated amounts plus interest. Further, if such understated amount exceeds two percent (2%) of the full amount due for the audited period, or if the audit is required because Franchisee has not strictly complied with the provisions of this Section 11, Franchisee shall immediately pay Franchisor, in addition to all amounts due, the reasonable cost of the audit and inspection. Additionally, if the audit discloses any understatement of Gross Revenues or any amounts due Franchisor, Franchisor may require that the documents which Franchisee is required to prepare and deliver to Franchisor be examined and reported on (in a form satisfactory to Franchisor) by an independent Certified Public Accountant approved by Franchisor. The cost of such examination shall be borne in such instance by Franchisee.

12. MARKS

12.1 Right to Use. Franchisor represents that it has the right to use, and to license others to use, the Marks.

12.2 Limitations and Use. With respect to Franchisee's use of the Marks, Franchisee agrees:

12.2.1 Authorized Marks. That it shall use only the Marks then designated by Franchisor for use by System Restaurants, and shall use them only in the manner authorized and permitted by Franchisor. Franchisee shall not engage in any business or market any service or product under a name or mark that, in Franchisor's reasonable business judgment, is confusingly similar to the Marks;

12.2.2 For Operation of Restaurant. That it shall use the Marks only for the operation of the Restaurant and only at the Premises, or in advertising for the Restaurant, conducted at or from the Restaurant;

12.2.3 Not Incorporated in Franchisee Name. Unless otherwise authorized or required by Franchisor, that it shall operate and advertise the Restaurant only under the name "Houlihan's," and shall use all Marks without prefix or suffix. Franchisee shall not use any Mark or a variation of any Mark as part of its corporate or other legal name;

12.2.4 Independent Owner Designation. That it shall identify itself as the independent owner of the Restaurant (in the manner required by Franchisor) in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous and prominent locations at the premises of the Restaurant as Franchisor may designate in writing.

12.2.5 Authorized Uses. That its right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor;

12.2.6 Prohibition Against Registration. That it shall not attempt to register or otherwise obtain any interest in any Electronic Presence containing the “Houlihan’s” name or any of the Marks or any other word, name, symbol or device which is likely to cause confusion with the “Houlihan’s” name or any of the Marks.

12.2.7 No Rights to Incur Obligations or Liability for Franchisor. That it shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor;

12.2.8 Execution of Document. That it shall execute any documents deemed necessary by Franchisor to obtain protection for the Marks or to maintain their continued validity and enforceability; and

12.2.9 Notification of Challenges. That it shall promptly notify Franchisor of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to Franchisor’s ownership of, Franchisor’s right to use and to license others to use, or Franchisee’s right to use, the Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee’s authorized use of the Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee’s use of the Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee’s use of the Marks in a manner inconsistent with the terms of this Agreement, Franchisor will reimburse Franchisee for its out-of-pocket costs in doing such acts.

12.3 Franchisee Acknowledgments. Franchisee expressly understands and acknowledges:

12.3.1 Franchisor Ownership. That Franchisor is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them;

12.3.2 Validity and Identification of System. That the Marks are valid and serve to identify the System and those who are authorized to operate under the System;

12.3.3 Franchisee Acknowledgements Concerning the Marks. During the term of this Agreement and after its expiration or termination, that it shall not directly or indirectly contest the validity of, or Franchisor’s ownership of, or right to use and to license others to use, the Marks or the System;

12.3.4 No Franchisee Ownership Interest in Mark. That Franchisee’s use of the Marks does not give Franchisee any ownership interest or other interest in or to the Marks;

12.3.5 Goodwill in Marks. That any and all goodwill arising from Franchisee’s use of the Marks shall inure solely and exclusively to the benefit of Franchisor; and upon

expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks; and

12.3.6 Non-Exclusive License in Marks. Except as specified in Section 1.2, that the license of the Marks granted hereunder to Franchisee is non-exclusive, and Franchisor, subject to the terms of this Agreement, thus has and retains the rights, at any location, among others: (a) to use the Marks itself in connection with selling products and services; (b) to grant other licenses for the Marks; and (c) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee.

12.3.7 Right to Change Marks. Franchisee acknowledges and agrees that Franchisor reserves the rights in Franchisor's sole discretion, from time to time, to add to, modify and update the Marks, including, without limitation, the color, typeface, and other appearance of the Marks, and all materials and signage bearing the Marks and to withdraw specified Marks or substitute different proprietary marks for use in identifying the System and the System Restaurants (collectively, "changes"). Except for changes of the Marks made as part of a seven-year renovation, pursuant to Section 6.1.9 (which shall be at Franchisee's expense), such Franchisor-mandated changes to the Marks shall be at Franchisor's sole cost and expense. Franchisor shall have no other obligation or liability to Franchisee as a result of any such changes.

13. INSURANCE

13.1 Insurance Coverage. During the term hereof (including during the construction of the Restaurant), Franchisee shall be responsible for all loss or damage arising from or related to Franchisee's development and operation of the Restaurant, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever occurring upon the premises of, or in connection with the development or operation of, the Restaurant. Franchisee shall obtain and maintain, at Franchisee's expense, in form and with insurers satisfactory to Franchisor and its designated insurance broker, in full force and effect throughout the term of this Agreement that insurance which Franchisee determines is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Restaurant which shall include, at a minimum, such insurance as may be required by the terms of any lease or mortgage covering the Premises and such insurance policies of the kinds, and in the amounts, as required by this Section 13 and the Manuals. At a minimum, Franchisee shall maintain:

13.1.1 Fire and Extended Coverage. Fire, extended coverage, vandalism and malicious mischief insurance for the full replacement value of the Premises, improvements and contents;

13.1.2 General Liability and Automobile Insurance. Comprehensive general liability and automobile insurance, with limits of not less than Two Million Dollars (\$2,000,000) combined for bodily injury or death and property damage with umbrella liability coverage of Ten Million Dollars (\$10,000,000) naming Franchisor, its affiliates, and their respective officers, directors, employees, and agents as additional insureds. The insurance required hereby shall include coverage for dram shop (or similar) liability with limits of not less than Five Million Dollars (\$5,000,000) per occurrence and not less than a Ten Million Dollar (\$10,000,000) aggregate with dedicated limits per location; and

13.1.3 Workers Compensation. Workers Compensation or similar insurance in amounts required by law (including, without limitation, coverage for Franchisee's trainees when attending training under Section 7 hereof).

13.2 Insurance Standards. The insurance required to be maintained by Franchisee under this Section 13 shall be placed with an insurance company or companies with A.M. Best Rating of "A" and an A.M. Best Class Rating of XIV. Franchisor reserves the right, upon written notice to Franchisee, in the Manuals or otherwise, to require that Franchisee obtain additional types of insurance and to increase the minimum policy limits for the insurance described herein.

13.3 Insurance Certificates. Contemporaneously with the execution of this Agreement, annually during the term of this Agreement and at any time when any change in the coverage required hereby is made by Franchisee, Franchisee shall furnish Franchisor with certificates from the carriers naming Franchisor, its officers, directors and employees as additional insureds and evidencing that the insurance required hereby is in full force and effect. Such certificate shall also provide that no policy required hereunder may be canceled or otherwise terminated by the carrier except upon thirty (30) days prior written notice to Franchisor.

13.4 Failure to Maintain; Right of Inquiry. If Franchisee does not obtain and maintain the insurance required hereby, Franchisor may procure such insurance on Franchisee's behalf (but shall have no obligation to do so) and Franchisee shall on demand pay Franchisor all cost or expense associated therewith. Franchisor or its insurer shall have the complete right to discuss with Franchisee's carrier or any claimant any and all claims pertaining to the policies.

13.5 Franchisor's Insurance. Franchisee's obligation to obtain and maintain the insurance required by this Agreement shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth hereunder. The insurance coverage required by this Agreement shall be primary to any policies maintained by Franchisor or its affiliates and shall contain a specific waiver of subrogation.

14. RELOCATION, CONDEMNATION AND CASUALTY

14.1 Relocation. If Franchisee loses the right to occupy the Premises during the term of this Agreement or any renewal term hereof, other than as a result of default by Franchisee, then Franchisee may apply to Franchisor for the right to transfer the Restaurant to another location within the Protected Area. Franchisee shall notify Franchisor of the termination or non-renewal of its lease at least thirty (30) days in advance of Franchisee's projected last day of business. In order for Franchisee to obtain Franchisor's approval of a transfer, at the time of the request, Franchisee must: (a) be in compliance with the terms of this Agreement and the terms of any related or successor agreement; (b) open the Restaurant at a location selected and approved in accordance with site selection criteria specified by Franchisor within two hundred seventy (270) days from the approval of the transfer; and (c) pay Franchisor a non-refundable relocation review fee of Two Thousand Five Hundred Dollars (\$2,500), which fee shall be due and payable at the time of the request for the approval of the new location for the Restaurant. Franchisor's decision as to whether to consent to Franchisee's relocation request may be based, among other things, upon Franchisor's conclusion of the effect relocation may have on other System Restaurants (whether in operation, under construction or in negotiations) in the general area of the proposed new site. Failure to relocate the Restaurant as provided in this Section after Franchisor has approved the relocation request shall constitute a default under this Agreement subject to the remedies set forth in Section 18. The term of this Agreement shall not be extended as a consequence of such relocation.

14.2 Casualty. Notwithstanding the requirement that Franchisee be open for business during specified hours set forth in the Manuals, in the event of total or partial destruction of the Restaurant by casualty or taking by condemnation of the Premises, then Franchisee shall be entitled to

rebuild or restore the Restaurant or relocate the Premises, as the case might be, at the Premises or at another Franchisor-approved location with the Protected Area within two hundred seventy (270) days after such casualty or condemnation. Franchisee shall give Franchisor prompt notice of any such occurrence. If Franchisee desires to relocate the Premises after such an occurrence, Franchisee must follow the relocation procedures set forth in Section 14.1. Failure to rebuild or restore the Restaurant or relocate the Premises as provided in this Section shall constitute a default under this Agreement subject to the remedies set forth in Section 18. The term of this Agreement shall not be extended as a consequence of such taking or destruction.

15. ORGANIZATION, AUTHORITY AND FINANCIAL CONDITION OF FRANCHISEE

15.1 Organization and Authority. Franchisee represents and warrants that: (a) if it is a corporation or a limited liability company, it has been duly formed and is validly existing and in good standing under the laws of the state of its incorporation; (b) if it is a partnership, it would be properly recognized as such under the laws of the state of its formation; (c) Franchisee is duly qualified and is authorized to do business and is in good standing in any jurisdiction where Franchisee conducts or proposes to conduct business; (d) Franchisee's corporate charter, operating agreement, or written partnership agreement shall at all times provide that the activities of Franchisee are confined exclusively to the establishment of the Restaurant; (e) the execution and delivery of this Agreement and the performance of all obligations contemplated hereunder have been duly authorized and are within the power of Franchisee; (f) all financial statements presented to Franchisor in connection with review by Franchisor of the application of Franchisee are true, correct and complete as of the date when rendered and there have been no material changes since the date when rendered; (g) the execution hereof and performance of obligations hereunder do not conflict with Franchisee's Articles of Incorporation, Bylaws, Articles of Organization, operating agreement, partnership agreement or other agreement of association or formation, or any agreement to which Franchisee is a party or by which it or any of its assets may be bound; and (h) Franchisee shall do everything necessary to preserve and keep accurate and complete all warranties and representations made hereunder.

15.2 Governing Documents. Franchisee shall promptly provide to Franchisor, on request, copies of Franchisee's organizational and governing documents and any amendments thereto, including any documents authorizing or approving entry into and performance of this Agreement.

15.3 List of Owners. Franchisee shall maintain and provide to Franchisor, without request, a current list of all owners, members, shareholders, or partners of record and all beneficial owners of any class of voting securities of Franchisee and promptly notify Franchisor of any changes to such list. Franchisee represents, warrants and covenants that the owners, members, shareholders, or partners of record, and all beneficial owners of any class of voting security of Franchisee as of the date hereof is described in Exhibit C.

15.4 Guaranty. Unless waived in writing by Franchisor, all owners of a legal or beneficial interest in Franchisee shall jointly and severally guarantee Franchisee's payment and performance under this Agreement and also shall hold themselves to the terms of this Agreement pursuant to the Guaranty of Franchise Agreement attached as Exhibit A. Franchisor reserves the right to require any guarantor to provide personal financial statements to Franchisor from time to time.

15.5 Controlling Principal. If Franchisee is owned by more than one individual, Franchisee shall designate and retain an individual to serve as Franchisee's Controlling Principal. The Controlling Principal will be the person with whom Franchisor will communicate as to all financial and operations matters and must have the authority to bind Franchisee with respect to all financial and

operational decisions relating to the Restaurant. The Controlling Principal as of the date of this Agreement is identified in Exhibit C. Unless waived in writing by Franchisor, the Controlling Principal shall meet all of the following qualifications:

15.5.1 The Controlling Principal, at all times, shall have at least a twenty percent (20%) equity ownership interest in Franchisee.

15.5.2 The Controlling Principal shall, during the entire period he or she serves as such, meet the following qualifications: **(a)** devote sufficient efforts to the supervision and conduct of the Restaurant; **(b)** meet Franchisor's educational, experience, financial and such other reasonable criteria for such individual, as set forth in the Manuals or otherwise in writing by Franchisor; and **(c)** either serve as the General Manager or, designate another individual (the Controlling Principal's designee) to serve as the General Manager of the Restaurant. Any individual designated by a Controlling Principal to serve as the General Manager also may, subject to Franchisor's consent, perform the duties and obligations of the Controlling Principal; provided, that Controlling Principal shall take all necessary action to ensure that such designee conducts and fulfills all of such obligations in accordance with the terms of this Agreement and that Controlling Principal shall remain fully responsible for such performance.

15.5.3 The Controlling Principal shall successfully complete the Owner Orientation Program and any additional training required by Franchisor. Franchisor shall have approved the Controlling Principal, and not have later withdrawn that approval.

15.5.4 If the Controlling Principal no longer qualifies as such, Franchisee shall designate another qualified person to act as Controlling Principal within thirty (30) days after the date the prior Controlling Principal ceases to be qualified. Franchisee shall provide for interim management of Franchisee's business in accordance with this Agreement until such replacement is so designated. Following Franchisor's approval of a new Controlling Principal, that person shall execute the attached form of Guaranty unless waived by Franchisor in its sole discretion, and successfully complete the Owner Orientation Program.

15.6 Stop-Transfer Instructions. If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any securities and each stock certificate of the corporation shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 15.6 shall not apply to a publicly-held corporation. If Franchisee is a limited liability company, its written articles of organization or operating agreement shall provide that ownership of any membership interest in the limited liability company is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to all restrictions imposed upon assignments by this Agreement.

15.7 Terrorist Acts. Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is designated under the Order as a person with whom business may not be transacted by Franchisor, and that Franchisee **(a)** does not, and hereafter shall not, engage in any terrorist activity; **(b)** is

not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (c) is not acquiring the rights granted under this Franchise Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

15.8 Representations, Warranties and Covenants are Continuing Obligations.

Franchisee acknowledges and agrees that the representations, warranties and covenants set forth herein are continuing obligations of Franchisee and that any failure to comply with such representations, warranties and covenants shall constitute a default under this Agreement.

16. COVENANTS

16.1 Best Efforts. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall devote requisite time, energy and best efforts to meet its obligations under this Agreement and shall require its General Manager to devote full time, energy and best efforts to the management, operation and supervision of the Restaurant.

16.2 Receipt of Confidential Information; Agreement Not to Compete or Divert Business. Franchisee specifically acknowledges that Franchisee and Franchisee's principals, General Manager and other employees will receive valuable specialized training, trade secrets and confidential information, including, without limitation, information regarding the methods and techniques of Franchisor and the System related to the arrangement and operation of the Restaurant which are beyond the present skills and experience possessed by Franchisee, its principals, General Manager and other employees. Franchisee acknowledges that such training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development of the Restaurant and that gaining access to such training, trade secrets and confidential information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such training, trade secrets and confidential information, Franchisee covenants as follows:

16.2.1 Restrictions on Activities of Franchisee During the Term of this Agreement. During the term of this Agreement, Franchisee shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, or corporation:

16.2.1.1 Divert or attempt to divert any business or customer of any System Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System;

16.2.1.2 Employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly to induce such person to leave his or her employment thereat (for each breach of this covenant and due to the difficulty of establishing the precise amount of damages, Franchisee agrees to pay to Franchisor or other franchisee or developer of Franchisor as appropriate, liquidated damages in an amount equal to the annualized rate of compensation of such person in the final twelve (12) months of employment with such former employer);

16.2.1.3 Own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same or substantially similar sit-down, casual dining services as

those offered in System Restaurants; or (b) any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within:

16.2.1.3.1 the Protected Area;

16.2.1.3.2 a radius of ten (10) miles from the Premises;

16.2.1.3.3 a radius of ten (10) miles of any System Restaurant; or

16.2.1.3.4 the United States.

16.2.2 Restrictions on Activities of Franchisee after Expiration or Termination. For a continuous uninterrupted period commencing upon the expiration or termination of this Agreement and for two (2) years thereafter, Franchisee shall not, without Franchisor's prior written consent, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company, or corporation:

16.2.2.1 Divert or attempt to divert any business or customer of the System Restaurants to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Marks and the System;

16.2.2.2 Employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly to induce such person to leave his or her employment thereat (for each breach of this covenant and due to the difficulty of establishing the precise amount of damages, Franchisee agrees to pay to Franchisor or other franchisee or developer of Franchisor as appropriate, liquidated damages in an amount equal to the annualized rate of compensation of such person in the final twelve (12) months of employment with such former employer);

16.2.2.3 Own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same or substantially similar sit-down, casual dining services as those offered in System Restaurants; or (b) any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within:

16.2.2.3.1 the Protected Area; or

16.2.2.3.2 a radius of ten (10) miles from the Premises; or

16.2.2.3.3 a radius of ten (10) miles of any System Restaurant.

16.2.3 Ownership of Less than 5% of Publicly-Held Company. Sections 16.2.1.3 and 16.2.2.3 shall not apply to an ownership interest of less than five percent (5%) of the outstanding securities of any publicly-held company if such interest is owned for investment only and not owned by an officer, director, employee or consultant of such publicly-held company.

16.3 Independent Covenant. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any

portion of a covenant in this Section 16 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 16.

16.4 Reduction of Scope. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon written notice to Franchisee. Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions hereof.

16.5 Offset/Counterclaim Limitation. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 16.

16.6 Injunctive Relief. Franchisee acknowledges and agrees: (a) that any failure to comply with the covenants in this Agreement, including any failure to obtain execution of the covenants in Section 16.7 herein, shall constitute a default hereunder; (b) that a violation of the requirements of this Agreement, including this Section 16, would result in irreparable injury to Franchisor for which no adequate remedy at law may be available; and (c) therefore, Franchisor shall be entitled, in addition to any other remedies which it may have hereunder, at law, or in equity, to obtain specific performance of or an injunction against the violation of the requirements of this Agreement, without the necessity of showing actual or threatened damage and without being required to furnish a bond or other security.

16.7 Execution of Confidentiality and Non-Competition Agreements by Supervisors and Managers. Franchisee shall, prior to arranging any training or disclosing any confidential information, require its General Manager, Regional Manager (if applicable) and such other supervisory or managerial employees of Franchisee as Franchisor shall designate to execute covenants similar to those set forth herein (including covenants applicable upon the termination of a person's relationship with Franchisee). Every covenant required shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right of enforcement. Such covenants shall be in a form substantially similar to the Confidentiality and Non-Competition Agreement attached hereto as Exhibit D.

17. TRANSFER

17.1 Transfer by Franchisor. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity.

17.2 Transfers by Franchisee.

17.2.1 Transfers without Franchisor Consent Are Null and Void and Constitute Default Under this Agreement. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are unique to Franchisee, and that Franchisor has granted this franchise in reliance on the business skill, financial capacity, and personal character of Franchisee and Franchisee's principals. Accordingly, neither Franchisee nor any initial or subsequent successor or assignee to any part of Franchisee's interest in the franchise rights, nor any individual, partnership, limited liability company, corporation or other entity which directly or indirectly has or owns any interest in this Agreement or in Franchisee shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in Franchisee, in Franchisee's business, the Restaurant,

this Agreement or all or substantially all of the assets of the Restaurant without the prior written approval of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the prior written approval of Franchisor required by this Section shall be null and void and shall constitute a default under this Agreement.

17.2.2 Conditions for Franchisor Approval. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

17.2.2.1 That all of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries and its affiliates be satisfied;

17.2.2.2 That Franchisee and its affiliates are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or its affiliates and Franchisor or its subsidiaries and affiliates;

17.2.2.3 That the transferor execute, on behalf of transferor, its affiliates, and their successors and assigns, a general release, in a form satisfactory to Franchisor, of any and all claims or causes of action against Franchisor, its affiliates, and their respective officers, directors, employees, and agents, known or unknown, existing prior to the date of such transfer;

17.2.2.4 That the transferee enter into a written agreement in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement;

17.2.2.5 That the transferee demonstrate to Franchisor's satisfaction the following: that transferee meets the criteria Franchisor considers when reviewing a prospective franchisee's application for franchise rights including Franchisor's educational, managerial and business standards; that transferee possesses a good moral character, business reputation and credit rating; that transferee has the aptitude and ability to operate the Restaurant (as may be evidenced by prior related business experience or otherwise); and that transferee has reasonably adequate financial resources and capital to develop and operate the Restaurant;

17.2.2.6 That transferee execute (and/or, upon Franchisor's request, cause all interested parties to execute), the standard form of franchise agreement then being offered to new franchisees and other ancillary agreements as Franchisor may require for System Restaurants, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a reduced Protected Area, and higher Royalty Fees or advertising contributions; provided, however, that the transferee shall not be required to pay any initial franchise fee;

17.2.2.7 That Franchisee remains liable for all of the obligations to Franchisor in connection with this Agreement incurred prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

17.2.2.8 That Franchisee pay a transfer fee of Seven Thousand Five Hundred Dollars (\$7,500), or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees;

17.2.2.9 That the transferee, at its expense, refurbish the Premises to conform to Franchisor's then-current standards and specifications, and complete the refurbishing and other requirements within the time specified by Franchisor;

17.2.2.10 That the transferee (or, if the transferee is a corporation, limited liability company, or partnership, a principal of the transferee acceptable to Franchisor), and such of transferee's employees as Franchisor shall designate, at the transferee's expense, complete any training programs then in effect for franchisees and employees upon such terms and conditions as Franchisor may reasonably require;

17.2.2.11 That Franchisee shall have conducted, at Franchisee's expense, a customer service audit, in the form and manner specified by Franchisor; and

17.2.2.12 If transferee is a corporation, limited liability company, or a partnership, that transferee shall make and be bound by any or all of the representations, warranties and covenants set forth at Section 16 as Franchisor requests and shall provide to Franchisor evidence satisfactory to Franchisor that the terms of Section 16 have been satisfied and are true and correct on the date of the transfer.

17.2.3 Each Condition is Reasonable and Necessary. Franchisee acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

17.2.4 Transfers Solely for Convenience of Ownership. In the event the proposed transfer is to a corporation or limited liability company formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements set forth herein and the percentage of interest owned in the transferee shall be the same as that previously owned in the transferor, except as may be required by law.

17.3 Franchisor's Right of First Refusal.

17.3.1 Franchisor's Right to Match Bona Fide Offers. Any person or entity holding any direct or indirect interest in Franchisee, Franchisee's business, the Restaurant, this Agreement, or all or substantially all of the assets of the Restaurant who desires to accept any bona fide offer from a third party to purchase such interest shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and documentation, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party, except that Franchisor shall not be obligated to pay any finder's or broker's fees. (In accepting the offer, Franchisor shall be entitled to set off any monies owed by Franchisee to Franchisor.) In the event Franchisor elects to purchase seller's interest, no material change in any offer and no other offer by any third party for such interest shall be considered thereafter by the seller. In the event Franchisor has not elected to purchase seller's interest, any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the right of first refusal afforded by this Section 17.3 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 17.2 with respect to a proposed transfer.

17.3.2 Non-Cash Offers. In the event the offer from the third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect

to purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the non-cash part of the offer, an independent appraiser shall be designated by Franchisor to determine such amount and his determination shall be final and binding. If Franchisor elects to exercise the right of first refusal described above, it shall have the right to set off the cost of the appraisal, if any, against any payment made hereunder.

17.4 Involuntary Transfer.

17.4.1 Transfer Upon Death. Upon the death of any person with an interest in this Agreement or in Franchisee ("Deceased"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributees of such interest must, within twelve (12) months after the date of the death of the Deceased, either **(a)** be approved by Franchisor as a transferee or **(b)** transfer such interest to a third party approved by Franchisor.

17.4.2 Transfer Upon Permanent Disability. Upon the permanent disability of any person with an interest in this Agreement or in Franchisee, Franchisor may, in its sole discretion, require such interest to be transferred to a third party approved by Franchisor within two hundred seventy (270) days after notice to Franchisee. "Permanent disability" shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) days from the date of determination of disability. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of the person; or if the person refuses to submit to an examination, then such person shall be automatically deemed permanently disabled as of the date of such refusal for the purpose of this Section 17.4. The costs of any examination required by this Section shall be paid by Franchisor.

17.4.3 Notice of, and Conditions for, Transfer upon Death or Disability. Upon the death or claim of permanent disability of any person with an interest in Franchisee, the Restaurant, this Agreement, or all or substantially all of the assets of the Restaurant, Franchisee or a representative of Franchisee must promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions set forth in Section 17.2 of this Agreement. If an interest is not transferred upon death or permanent disability, in accordance with the terms and conditions of this Section hereof, such failure shall constitute a default for which Franchisor may terminate this Agreement.

17.5 Approval of Transfer is Not Waiver of Claims. Franchisor's approval to a transfer of any interest in Franchisee or this Agreement shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

17.6 Approval for Offers to Public. Securities, membership interests, or partnership interests in Franchisee may be offered to the public, by private offering (if applicable) or otherwise, only with the prior written approval of Franchisor (whether or not Franchisor's approval is required hereunder). Franchisee, at its expense, shall deliver to Franchisor all materials required for such offering by federal, state or other applicable law and such other materials as Franchisor may reasonably request. These materials shall be submitted to Franchisor prior to being filed with any government agency, official or authority; and any materials to be used in any offering for which offering materials are not prescribed by applicable law shall be submitted to Franchisor prior to their use. No Franchisee offering shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering

of Franchisee's securities. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning these limitations.

18. DEFAULT AND TERMINATION

18.1 Automatic Termination on Default. Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if: (a) Franchisee shall become insolvent or make a general assignment for the benefit of creditors; (b) a petition in bankruptcy is filed under any chapter of the United States Bankruptcy Code by Franchisee or such a petition is filed against and not opposed by Franchisee; (c) Franchisee is adjudicated a bankrupt or insolvent; (d) a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; (e) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (f) a proceeding for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (g) a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); (h) Franchisee is dissolved; (i) execution is levied against Franchisee's business or property; (j) suit to foreclose any lien or mortgage against the Premises or equipment of the Restaurant is instituted against Franchisee and not dismissed within thirty (30) days; or (k) the real or personal property of the Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

18.2 Termination on Notice of Default Without Opportunity to Cure. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon Franchisee's receipt of notice (as provided in Section 21.1 hereof):

18.2.1 Failure to Open or Relocate Restaurant, or Obtain and Maintain Liquor License. Franchisee fails to open the Restaurant within two hundred seventy (270) days after the execution of this Agreement as required herein, fails to relocate, rebuild or restore the Premises within two hundred seventy (270) days as required by Section 14 hereof, or fails to obtain and maintain the liquor license as required by Section 8 hereof;

18.2.2 Failure to Continuously Operate the Restaurant. Franchisee ceases to continuously operate the Restaurant for a period in excess of five (5) consecutive days, unless the closing is due to an act of God, fire or other natural disaster or is approved in writing in advance by Franchisor (e.g., pursuant to an approved remodel of the Restaurant);

18.2.3 Unauthorized Use of Marks. Franchisee misuses or makes an unauthorized use of any Mark or commits any act which could reasonably be expected to materially impair the goodwill associated with any Mark;

18.2.4 Unauthorized Use, Disclosure or Duplication of Confidential Information. Franchisee or Franchisee's Controlling Principal, General Manager or any of Franchisee's supervisory or managerial employees fails to materially comply with any restriction on the unauthorized use, disclosure or duplication of any portion of the Manuals, any trade secret or any confidential information provided to Franchisee by Franchisor;

18.2.5 Material Violation of Confidentiality and Non-Competition Covenants. Franchisee violates any of the covenants relating to confidentiality and non-competition or fails to obtain execution of the covenants from the persons designated in this Agreement;

18.2.6 Material Misrepresentation or Omission in Application. Franchisee has made any material misrepresentation or omission in the application for the franchise;

18.2.7 Offenses Materially Affecting Reputation of Franchisor. Franchisee or any of its owners, shareholders, members, partners, officers or directors are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisee, Franchisor or the Restaurant;

18.2.8 Understatement More than Two Percent Not Deemed Inadvertent Error. Franchisee submits to Franchisor any reports or other data, information or supporting records that understate by more than two percent (2%) the Gross Revenues of the Restaurant or Royalty Fees for any period, and Franchisee is unable to demonstrate to Franchisor's reasonable satisfaction that such understatements resulted from inadvertent error;

18.2.9 Franchisee Termination Without Cause. Franchisee terminates this Agreement without cause;

18.2.10 Unauthorized Transfer. Any transfer that requires Franchisor's prior written approval occurs without Franchisee having obtained that prior written approval; or

18.2.11 Failure to Comply with Other Agreements with Franchisor. Franchisee or any affiliate of Franchisee remains in default beyond the applicable cure period of any terms and conditions of any development agreement, franchise agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates (provided that, if the default is not by Franchisee, Franchisee is given written notice of the default and a thirty (30) day period to cure the default).

18.3 Termination on Notice of Default With Opportunity to Cure.

18.3.1 Non-Monetary Defaults. Except as otherwise provided in Sections 18.1 and 18.2 of this Agreement, Franchisee shall have thirty (30) days after written notice of default from Franchisor within which to remedy the default and provide evidence of that remedy to Franchisor. If any such default is not cured within that time, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within thirty (30) days, Franchisee shall have such additional time to correct the default as reasonably required (not to exceed ninety (90) days) provided that Franchisee begins taking the actions necessary to correct the default during the thirty (30) day cure period and diligently and in good faith pursues those actions to completion. Franchisee will be in default under this Section 18.3.1. for any failure to materially comply with any of the requirements imposed by this Agreement, the Manuals or otherwise in writing, or to carry out the terms of this Agreement in good faith.

18.3.2 Monetary Defaults. Notwithstanding the provisions of preceding Section 18.3.1, if Franchisee defaults in the payment of any monies owed to Franchisor when such monies become due and payable and Franchisee fails to pay such monies within ten (10) days after receiving written notice of default, then this Agreement will terminate effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing.

18.3.3 Repeated Defaults. If Franchisee has received three (3) or more notices of default within the previous twelve (12) months, Franchisor shall be entitled to send Franchisee a notice

of termination upon Franchisee's next default within that twelve (12) month period without providing Franchisee an opportunity to remedy the default.

18.4 Statutory Limitations. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement requires a notice or cure period prior to termination longer than set forth in this Section 18, this Agreement will be deemed amended to conform to the minimum notice or cure period required by the applicable law or regulation.

19. EFFECT OF TERMINATION OR EXPIRATION

19.1 Franchisee Obligations Upon Termination. Upon termination or expiration of this Agreement:

19.1.1 Payment of Amounts Owed. Franchisee shall pay to Franchisor or its affiliates within ten (10) days after the effective date of termination or expiration of this Agreement, or such later date that the amounts due to Franchisor are determined, such Royalty Fees, advertising contributions, amounts owed for purchases from Franchisor and its affiliates, interest due Franchisor on any of the foregoing and all other amounts owed to Franchisor and its affiliates which are then unpaid;

19.1.2 Termination of Limited Exclusivity. The limited exclusive rights granted Franchisee by this Agreement in the Protected Area immediately shall terminate and Franchisor shall have the right to operate or license others to operate System Restaurants anywhere in the Protected Area except as may be otherwise provided under any other agreement then in effect between Franchisor and Franchisee;

19.1.3 Cease to Use and Return Confidential Information and Materials. Franchisee shall cease using any confidential information of Franchisor in any business or otherwise and promptly return to Franchisor, at Franchisee's expense, all property belonging to Franchisor, including but not limited to, all Manuals, menus, advertising materials and computer software programs, and shall destroy or return all other materials, signs, sign faces, catalogs, advertising materials, forms, invoices, video tapes, DVDs, and other materials that bear any Marks or otherwise are identified with or relate to a System Restaurant;

19.1.4 Compliance with Confidentiality and Non-Competition Covenants. Franchisee and its owners, Controlling Principal, General Manager or other supervisory or managerial employees who have executed covenants shall continue to abide by the restrictions contained in Section 16 and shall not, directly or indirectly, take any action that violates those restrictions.

19.1.5 Cease Using Electronic Presence. Franchisee shall cease using any Electronic Presence containing any of the Marks or referring to the Restaurant or System Restaurants, or any past or present relationship to Franchisor or the System;

19.1.6 Discontinue Using and Remove Marks. Franchisee shall immediately cease operating the Restaurant as a System Restaurant and, except as may be otherwise permitted under any other then currently effective agreement between Franchisor and Franchisee, Franchisee shall discontinue using and shall remove any Marks, any colorable imitation thereof or other indicia of the Restaurant in any manner or for any purpose, and discontinue use for any purpose of any name, trade dress or service mark that suggests or indicates a current or prior connection or association with Franchisor or its affiliates and franchisees;

19.1.7 Cancel Fictitious or Assumed Name. Franchisee shall promptly take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark;

19.1.8 Modifications to the Premises. Franchisee immediately shall commence making (and diligently pursue to completion) such alterations and modifications to the Premises as may be necessary to clearly distinguish to the public the Premises from its former appearance and also make those specific additional changes as Franchisor may request for that purpose;

19.1.9 Transfer of Phone Numbers; Notification of Telephone Directory and Listing Agreements. Franchisee shall promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of Franchisee's rights to use any telephone number and any regular, classified or other telephone directory listings associated with any Marks and authorize transfer of same to or at the direction of Franchisor. Franchisee agrees to execute undated letters of direction to telephone companies and telephone directory listing agencies directing termination and/or transfer of Franchisee's right to use the telephone numbers associated with the Marks, which Franchisor may hold until termination or expiration hereof. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Marks. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as his attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer same to Franchisor at its direction, should Franchisee fail or refuse to do so, and the appropriate telephone company and all listing agencies may accept such direction, or this Agreement or Franchisee's letter of direction held by Franchisor, as conclusive of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer; and

19.1.10 Evidence of Compliance; Right to Remove. Franchisee shall furnish to Franchisor, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations. If Franchisee fails or refuses to return any of the above-described property, to remove all evidence of any association with Franchisor, or to make alterations or modifications to the Premises within thirty (30) days following termination of this Agreement, Franchisor may enter the Premises, without being guilty of trespass or tort, and remove all such property and all such evidence of association and make such alterations and modifications, with the cost thereof charged against Franchisee's account.

19.2 Survival of Obligations. All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

19.3 Rights Not Exclusive. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any right or remedy herein or by law or equity provided or permitted; but each shall be cumulative of every other right or remedy given hereunder.

19.4 No Bar to Franchisor's Injunctive or Equitable Relief. Nothing herein contained shall bar or impair Franchisor's right to obtain injunctive or other equitable relief.

20. OPTION TO PURCHASE

20.1 Option to Purchase Assets. Upon the expiration or termination of this Agreement for any reason, Franchisor shall give written notice to Franchisee, within thirty (30) days after

the effective date of termination or expiration, if Franchisor intends to exercise its option to purchase from Franchisee some or all of the assets used in the Restaurant ("Assets"). As used in this Section 20, "Assets" shall mean and include, without limitation, leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in the Restaurant, any liquor licenses and any other licenses necessary to operate the Premises, and the real estate fee simple or the lease for the Premises. Franchisor shall have the unrestricted right to assign this option to purchase the Assets. Franchisor or its assignee shall be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (a) ownership, condition and title; (b) liens and encumbrances; (c) environmental and hazardous substances; and (d) validity of contracts and liabilities inuring to Franchisor or affecting the Assets, whether contingent or otherwise.

20.2 Purchase Price. The purchase price for the Assets ("Purchase Price") shall be their fair market value, (or, for leased assets, the fair market value of Franchisee's lease) determined as of the effective date of purchase in a manner that accounts for reasonable depreciation and condition of the Assets; provided, however, that the Purchase Price shall take into account the termination of this Agreement. Further, the Purchase Price for the Assets shall not contain any factor or increment for any trademark, service mark or other commercial symbol used in connection with the operation of the Restaurant nor any goodwill or "going concern" value for the Restaurant. Franchisor may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a System Restaurant or for which Franchisee cannot deliver a Bill of Sale in a form satisfactory to Franchisor.

20.3 Appraisers. If Franchisor and Franchisee are unable to agree on the fair market value of the Assets within thirty (30) days after Franchisee's receipt of Franchisor's notice of its intent to exercise its option to purchase the Assets, the fair market value shall be determined by two (2) professionally certified appraisers, Franchisee selecting one (1) and Franchisor selecting one (1). If the valuations set by the two (2) appraisers differ by more than ten percent (10%), the two (2) appraisers shall select a third professionally certified appraiser who also shall appraise the fair market value of the Assets. The average value set by the appraisers (whether two (2) or three (3) appraisers as the case may be) shall be conclusive and shall be the Purchase Price.

20.4 Access to Restaurant, Premises and Books and Records. The appraisers shall be given full access to the Restaurant, the Premises and Franchisee's books and records during customary business hours to conduct the appraisal and shall value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section 20. The appraisers' fees and costs shall be borne equally by Franchisor and Franchisee.

20.5 Franchisor's Purchase Notice. Within ten (10) days after the Purchase Price has been determined, Franchisor may exercise its option to purchase the Assets by so notifying Franchisee in writing ("Franchisor's Purchase Notice"). The Purchase Price shall be paid in cash or cash equivalents at the closing of the purchase ("Closing"), which shall take place no later than sixty (60) days after the date of Franchisor's Purchase Notice. From the date of Franchisor's Purchase Notice until Closing:

20.5.1 Franchisee shall operate the Restaurant and maintain the Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Agreement; and

20.5.2 Franchisor shall have the right to appoint a manager, at Franchisor's expense, to control the day-to-day operations of the Restaurant and Franchisee shall cooperate, and instruct its employees to cooperate, with the manager appointed by Franchisor. Alternatively, Franchisor

may require Franchisee to close the Restaurant during such time period without removing any Assets from the Restaurant.

20.6 Due Diligence Period. For a period of thirty (30) days after the date of Franchisor's Purchase Notice ("Due Diligence Period"), Franchisor shall have the right to conduct such investigations as it deems necessary and appropriate to determine: (a) the ownership, condition and title of the Assets; (b) liens and encumbrances on the Assets; (c) environmental and hazardous substances at or upon the Premises; and (d) the validity of contracts and liabilities inuring to Franchisor or affecting the Assets, whether contingent or otherwise. Franchisee will afford Franchisor and its representatives access to the Restaurant and the Premises at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with Franchisee's operation of the Restaurant.

20.7 Title and Lien Searches, Surveys, Environmental Assessments and Inspections. During the Due Diligence Period, at its sole option and expense, Franchisor may (a) cause the title to the Assets that consist of real estate interests ("Real Estate Assets") to be examined by a nationally recognized title company and conduct lien searches as to the other Assets; (b) procure "AS BUILT" surveys of the Real Estate Assets; (c) procure environmental assessments and testing with respect to the Real Estate Assets; and/or (d) inspect the Assets that consist of leasehold improvements, equipment, vehicles, furnishings, fixtures, signs and inventory ("Fixed Assets") to determine if the Fixed Assets are in satisfactory working condition. Prior to the end of the Due Diligence Period, Franchisor shall notify Franchisee in writing of any objections that Franchisor has to any finding disclosed in any title or lien search, survey, environmental assessment or inspection. If Franchisee cannot or elects not to correct any such title defect, environmental objection or defect in the working condition of the Fixed Assets, Franchisor will have the option to either accept the condition of the Assets as they exist or rescind its option to purchase on or before the Closing.

20.8 Compliance with Legal Requirements. Prior to the Closing, Franchisee and Franchisor shall comply with all applicable legal requirements, including the bulk sales provisions of the Uniform Commercial Code of the state in which the Restaurant is located and the bulk sales provisions of any applicable tax laws and regulations. Franchisee shall, prior to or simultaneously with the Closing, pay all tax liabilities incurred in connection with the operation of the Restaurant prior to Closing. Franchisor shall have the right to set off against and reduce the Purchase Price by any and all amounts owed by Franchisee to Franchisor, and the amount of any encumbrances or liens against the Assets or any obligations assumed by Franchisor.

20.9 Lease of Premises.

20.9.1 If the Premises are leased, Franchisor agrees to use reasonable efforts to effect a termination of the existing lease for the Premises. If the lease for the Premises is assigned to Franchisor or Franchisor subleases the Premises from Franchisee, Franchisor will indemnify and hold Franchisee harmless from any ongoing liability under the lease from the date Franchisor assumes possession of the Premises, and Franchisee will indemnify and hold Franchisor harmless from any liability under the lease prior to and including that date.

20.9.2 If Franchisee owns the Premises, Franchisor, at its option, will either purchase the fee simple interest or, upon purchase of the other Assets, enter into a standard lease with Franchisee on terms comparable to those for which similar commercial properties in the area are then being leased. The initial term of this lease with Franchisee shall be at least ten (10) years with two (2) options to renew of five (5) years each and the rent shall be the fair market rental value of the

Premises. If Franchisee and Franchisor cannot agree on the fair market rental value of the Premises, then appraisers (selected in the manner described in Section 20.3.) shall determine the rental value.

20.10 Closing. At the Closing, Franchisee shall deliver instruments transferring to Franchisor or its assignee: **(a)** good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; **(b)** all licenses and permits for the Restaurant that may be assigned or transferred, with appropriate consents, if required; and **(c)** the lease or sublease for the Premises, with appropriate consents, if required. If Franchisee cannot deliver clear title to all of the purchased Assets as indicated in this Section, or if Franchisee is otherwise not able to comply with the requirements set forth in this Section, then the Closing shall be accomplished through an escrow.

21. NOTICES AND PAYMENTS

21.1 Notices. All notices required to be given hereunder shall be in writing and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by certified mail, return receipt requested, to the respective parties. If directed to Franchisor, the notice shall be addressed to Houlihan's Restaurants, Inc., attention: Vice-President/Development, 8700 State Line Road, Suite 100, Leawood, Kansas 66206, with a copy to: General Counsel, 8700 State Line Road, Suite 100, Leawood, Kansas 66206. If directed to Franchisee, the notice shall be addressed to Franchisee, at the address identified on Exhibit B.

Any notices sent by personal delivery, next-day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified mail shall be deemed given on the third business day after the date of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other party.

Franchisor may provide Franchisee with routine information, invoices, updates to the Manuals, System standards and other System requirements and programs, including any modifications thereto, by regular mail or by e-mail, facsimile, or by making such information available to Franchisee on the Internet, an extranet, or other electronic means.

21.2 Payments. Unless otherwise specified, all payments required to be made by Franchisee to Franchisor under this Agreement are due and payable immediately upon demand and/or receipt of any billing therefor and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by mail, postage prepaid, and directed to Franchisor as shown above.

22. TAXES AND INDEBTEDNESS

22.1 Payment of Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Restaurant. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor. Notwithstanding anything to the contrary contained herein, if any state, local or municipal taxes, fees or assessments are imposed on Franchisor resulting solely from licensing the Marks under this Agreement or the payment of royalties hereunder, Franchisee shall reimburse Franchisor the amount of such taxes, fees or assessments within thirty (30) days after receipt of an invoice from Franchisor.

22.2 Contesting Tax Changes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises, or any improvements thereon.

22.3 Notice of Proceedings. Franchisee shall immediately notify Franchisor in writing of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Restaurant.

23. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

23.1 Independent Contractor Status. It is understood and agreed to by the parties that this Agreement does not create a fiduciary relationship between them, that Franchisee is an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise or servant of the other for any purpose whatsoever. Franchisee shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Franchisee agrees to take such actions as shall be necessary or reasonably requested by Franchisor to that end, including, without limitation, complying with the requirements of Section 12.2.4.

23.2 No Agency. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for or be deemed liable hereunder for any such action; nor shall Franchisor be deemed liable by reason of any act or omission of Franchisee in the conduct of its business pursuant to this Agreement, or for any claim or judgment arising therefrom.

23.3 Indemnification. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor will in no event assume liability for, or be deemed liable as a result of, any such action; nor will Franchisor be liable by reason of any act or omission of Franchisee in its operation of Franchisee's business or for any related claim or judgment. Franchisee shall defend, indemnify, and hold Franchisor, its affiliates, and their respective officers, directors, agents and employees harmless against any and all claims, liabilities, damages and "losses and expenses" (as such term is defined in this Section 23.3), including any environmental claims, liabilities, damages and "losses and expenses," arising directly or indirectly from this Agreement, including as a result of, or in connection with (a) Franchisee's operation of the franchised business; or (b) any acts, errors, omissions, or negligence of Franchisee, Franchisee's affiliates, the partners, members, managers, officers, shareholders, directors, agents, representatives, independent contractors, and employees of Franchisee and its affiliates and any other parties and without regard to the cause or causes thereof. As used in this Section 23.3, the phrase "losses and expenses" includes all losses, compensatory, exemplary, or punitive damages, fines, charges, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and any other costs and expenses of any kind whatsoever.

24. APPROVALS, WAIVERS AND REMEDIES

24.1 Requests and Approvals Must be in Writing. Whenever this Agreement requires the approval or consent of Franchisor, Franchisee shall make a timely written request to

Franchisor for such approval or consent. Franchisor's approval or consent must be in writing to be effective.

24.2 Consent Not a Warranty. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent, or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

24.3 Failure to Exercise Rights Does Not Constitute Waiver or Estoppel. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor's right to demand exact compliance with any of the terms herein and Franchisee warrants and undertakes that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default under this Agreement shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other franchisees or by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term or to exercise any of its other rights or remedies under this Agreement. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

25. GRANT OF SECURITY INTEREST

As security for the payment of all amounts from time to time owing by Franchisee to Franchisor under this Agreement and all other agreements between the parties, and performance of all obligations to be performed by Franchisee, Franchisee hereby grants to Franchisor a security interest in: **(1)** all of Franchisee's interests in this Agreement and any Development Agreement between Franchisee and Franchisor; and **(2)** all of Franchisee's general intangibles (collectively, "Collateral"). Franchisee warrants and represents that the security interest granted hereby is prior to all other security interests in the Collateral. Upon the occurrence of any event entitling Franchisor to terminate this Agreement or any other agreement between the parties, Franchisor shall have all the rights and remedies of a secured party under the Uniform Commercial Code ("U.C.C.") in the state where the Premises are located as determined under the U.C.C. Franchisee hereby authorizes Franchisor to file a financing statement to perfect Franchisor's interest in the Collateral, and hereby appoints Franchisor as its true and lawful attorney-in-fact to execute any documents in the name, place and stead of Franchisee for the purpose of attaining such perfection. Franchisee agrees to provide Franchisor with any information and further assistance as may be reasonably necessary in connection with attaining such perfection and fulfilling the purposes of this Section 25.

26. SEVERABILITY AND CONSTRUCTION

26.1 Striking Unenforceable Terms. Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of or have any other affect upon such other portions, sections, parts, terms and/or provisions of this Agreement as may remain intelligible, and the latter will

continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms and/or provisions shall be deemed as amended to conform with the law, rule or regulation otherwise violated, while following the original intent of the parties as nearly as possible.

26.2 Construction After Striking Unenforceable Terms. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or to the extent which Franchisor in its sole discretion may otherwise determine.

26.3 Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

26.4 Gender; Plurals. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

26.5 Counterparts. This Agreement may be executed in several parts, and each copy so executed shall be deemed an original.

26.6 Time is of the Essence. Time is of the essence of this agreement for each provision in which time is a factor.

26.7 No Third Party Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or entity other than Franchisee, Franchisor, Franchisor's officers, directors, agents and employees, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 17 hereof, any rights or remedies under or by reason of this Agreement.

26.8 Execution of Agreement. By providing a copy of this Agreement to Franchisee, Franchisor is making an offer to sell a franchise to Franchisee. Franchisor may withdraw that offer at any time prior to Franchisor's execution of this Agreement. This Agreement will become effective only upon execution of this Agreement by the President or a Vice President of Franchisor.

27. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the Exhibits hereto constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and in the attachments to this Agreement. Nothing in this or in any related agreement is intended to disclaim the representations made by Franchisor in its Franchise Disclosure Document. There are no warranties, express or implied, or otherwise, made by Franchisor other than those expressly set forth in this Agreement. Except those permitted to be made

unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by Franchisor and Franchisee and executed in writing.

28. FORCE MAJEURE

As used in this Agreement, the term "Force Majeure" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party and any other similar cause not within the control of the party affected thereby. Franchisee's inability to obtain financing (regardless of the reason) shall not constitute Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties shall be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure shall give prompt written notice of such Force Majeure event to the other party by setting forth the nature thereof and an estimate as to its duration.

29. ENFORCEMENT

29.1 Interpretation. Franchisee acknowledges that Franchisor may grant numerous franchise rights throughout the United States on terms and conditions similar to or different from those set forth in this Agreement, and that it is of mutual benefit to Franchisee and Franchisor that these terms and conditions be interpreted in a consistent and uniform manner. Therefore, the parties agree that to the extent that the law of the state of Kansas does not conflict with local franchise investment statutes, rules and regulations, Kansas law shall apply to the interpretation and construction of this Agreement and shall govern all questions which arise with reference hereto.

29.2 Submission to Mediation. Except as provided in Section 29.7 and except for claims by either party for payments owed by one party to the other, any controversy or claim arising out of or relating to this Agreement or the making, interpretation, or performance hereof, shall first be submitted to mediation within thirty (30) days after notice by the complaining party to the other party. The controversy or claim shall be submitted to mediation administered by JAMS in accordance with its then-current procedures or rules. The mediation shall be held in the city in which Franchisor has, at the time of the commencement of the mediation, its principal place of business. Franchisee agrees and acknowledges that Franchisor may, through the Manuals, or otherwise in writing, designate: **(a)** another administrative entity, in lieu of JAMS, to administer any mediation required to be brought under this Section 29.2, and **(b)** different procedures or rules for any such mediation.

29.3 Acceptance of Venue and Jurisdiction. Except as described in Sections 29.2 and 29.7 hereof, the parties agree that any claim, controversy or dispute arising out of or relating to this Agreement or the making, interpretation or the performance hereof which cannot be amicably settled, shall be resolved by a legal proceeding in a court in the judicial district in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business, and Franchisee irrevocably accepts the venue and jurisdiction of the courts of the state, and federal courts located in the judicial district, in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business for such claims, controversies or disputes; provided, however, with respect to any legal proceeding which includes injunctive relief, Franchisor may bring such legal proceeding in any state which has jurisdiction.

29.4 Claims Barred After One Year. Any and all claims, controversies or disputes arising out of or relating to this Agreement, or the performance of Franchisor hereunder, shall be

commenced by Franchisee against Franchisor within one (1) year from the occurrence first giving rise to such claim, controversy or dispute, or such claim, controversy or dispute shall be barred.

29.5 Prohibition Against Punitive Damages and Class Actions; Jury Trials. FRANCHISOR AND FRANCHISEE, FOR THEMSELVES AND THEIR SUCCESSORS AND ASSIGNS, HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISEE SHALL NOT INITIATE OR PARTICIPATE IN LITIGATION AS A MEMBER OR REPRESENTATIVE OF, OR ON BEHALF OF, ANY CLASS OF PERSONS OR ENTITIES, OR ANY OTHER PERSON OR ENTITY, ANY DISPUTE, CONTROVERSY, OR CLAIM ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR ANY BREACH HEREOF. THE PARTIES ALSO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY.

29.6 Service of Process. The parties agree that service of process in any proceeding arising out of or relating to this Agreement or the performance thereof may be made as to Franchisee by serving a person of suitable age and discretion (such as the person in charge of the office) at the notice address of Franchisee specified in Exhibit B to this Agreement and as to Franchisor, by serving the President or a Vice President of Franchisor at the notice address specified in Section 21.1 or by serving Franchisor's registered agent.

29.7 Extraordinary Relief. Nothing herein contained shall bar Franchisor's or Franchisee's respective rights to obtain injunctive relief against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

29.8 Franchisor's Cost to Enforce. Franchisee shall pay to Franchisor all damages, costs and expenses, including all court costs and reasonable attorneys' fees, incurred by Franchisor in successfully enforcing any provision of this Agreement, including, but not limited to the obtaining of injunctive relief.

30. ACKNOWLEDGMENTS

30.1 Independent Franchisee Investigation; Warranty Disclaimer. Franchisee acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement, and recognizes that it involves business risks and that the success of the venture is largely dependent upon the business abilities of Franchisee. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guaranty express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

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

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

ATTEST:

By: _____

Name: _____

Title: _____

ATTEST/WITNESS:

By: _____

Name: _____

Title: _____

HOULIHAN'S RESTAURANTS, INC.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT A

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGMENT

In consideration of and as an inducement to, the execution of the Houlihan's Restaurants Franchise Agreement dated as of _____ ("Agreement") by Houlihan's Restaurants, Inc. ("Franchisor") entered into with _____ ("Franchisee"), the undersigned ("Guarantor(s)"), jointly and severally, hereby unconditionally: (1) guarantee to Franchisor and its successors and assigns, for the Initial Term and any renewal terms of the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any other agreement with Franchisor that is related to Franchisee's operation of the Restaurant; (2) agree personally to be bound by each and every provision in the Agreement, including, without limitation, the provisions of Sections 16 and 23.3; and (3) agree personally to be liable for the breach of each and every provision in the Agreement, including, without limitation, Section 16.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; (5) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (6) any law or statute which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any others prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; (7) any and all other notices and legal or equitable defenses to which he may be entitled; and (8) any and all right to have any legal action under this Guaranty decided by a jury.

Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this Guaranty shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) such liability shall not be diminished, relieved or otherwise affected by any amendment of the Agreement, any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement and for so long thereafter as there are monies or obligations owing from Franchisee to Franchisor or its affiliates under the Agreement; and (5) monies received from any source by Franchisor for application toward payment of the obligations under the Agreement and under this Guaranty may be applied in any manner or order deemed appropriate by Franchisor.

If any of the following events occur, a default ("Default") under this Guaranty shall exist: (1) failure of timely payment or performance of the obligations under this Guaranty; (2) breach of any agreement or representation contained or referred to in this Guaranty; (3) appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any of the undersigned; and/or (4) the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any of the undersigned. If a Default occurs, any

monetary obligations owed to Franchisor by any of the undersigned shall be due immediately and payable without notice.

Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Franchisor's interests in and rights under this Guaranty are freely assignable, in whole or in part, by Franchisor. Any assignment shall not release the undersigned from this Guaranty.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 26 of the Agreement. Sections 29.1 through 29.8 of the Agreement are incorporated by reference into this Guaranty.

Any and all notices required or permitted under this Guaranty shall be in writing, and shall be delivered by any means which affords the sender evidence of delivery or of attempted delivery, to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

Houlihan's Restaurants, Inc.
Attention: Vice-President/Development
8700 State Line Road, Suite 100
Leawood, Kansas 66206

with a copy to:

General Counsel
Houlihan's Restaurants, Inc.
8700 State Line Road, Suite 100
Leawood, Kansas 66206

Notices to Guarantors:

Notices shall be deemed to have been given at the date and time of delivery or of attempted delivery.

IN WITNESS WHEREOF, each of the undersigned has signed this Guaranty as of the date of the Agreement.

WITNESS:

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

GUARANTORS:

Name: _____

Name: _____

Name: _____

EXHIBIT B

FRANCHISE INFORMATION

1. **Premises.** The franchise granted under this Agreement is for the establishment of a single Houlihan's Restaurant at the following location:

2. **Existing Houlihan's Restaurants:** _____
3. **Protected Area.** Franchisee's Protected Area shall be: (A) that area designated on Exhibit B-1; or (B) if there is no area so designated, a __ mile radius around the Restaurant Premises.
4. **Plan Submission Date:** _____
5. **Construction Commencement Date:** _____
6. **Opening Date:** _____
7. **Initial Franchise Fee:** _____
8. **Franchisee's Notice Address:** _____

EXHIBIT B-1

PROTECTED AREA

EXHIBIT C

OWNERS; PARTNERS; LLC MEMBERS; SHAREHOLDERS

NAME AND ADDRESS	TITLE	NATURE OF INTEREST (i.e., limited partner, general partner, member, or shareholder)	PERCENTAGE OF TOTAL OWNERSHIP INTEREST

Controlling Principal. Franchisee's Controlling Principal as of the Effective Date of the Franchise Agreement is _____. Franchisee may not change the Controlling Principal without Franchisor's prior written approval.

EXHIBIT D

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT **(for persons holding positions with franchisees)**

In consideration of my position as _____ of _____ ("Franchisee"), and One Dollar (\$1), receipt of which is acknowledged, I hereby acknowledge and agree that:

1. Houlihan's Restaurants, Inc. ("Franchisor"), through skill, effort and resources has developed, and continues to develop, a distinctive system ("System") relating to the establishment and operation of full service restaurants operating under the name "Houlihan's" ("System Restaurants" or "System Restaurant"). The distinguishing characteristics of the System include the exterior and interior design, decor, color scheme and furnishings; special recipes and menu items; standards, specifications and procedures for inventory and management control; training and assistance; advertising and promotional programs; and financial control concepts.

2. As _____ of Franchisee, I will receive valuable confidential information, disclosure of which would be detrimental to Franchisor and Franchisee, such as information relating to purchasing techniques; promotion and advertising; pricing, sales, office and personnel policies and procedures; training programs; operation procedures or programs of Franchisor and the System related to the establishment and operation of System Restaurants which are beyond the present skills and experience possessed by me. This list of confidential matters is illustrative only, and does not include all matters considered confidential by Franchisor and Franchisee.

3. I will hold in strict confidence all information designated by Franchisor or Franchisee as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the confidential information only in connection with my duties as _____ of Franchisee. My undertaking not to disclose confidential information is a condition of my position with Franchisee, and continues even after I cease to be in that position.

4. While in my position with Franchisee, I will not do anything which may injure Franchisee or Franchisor, such as (a) divert or attempt to divert any actual or prospective business or customer of Franchisee's business to any competitor, by direct inducement or otherwise; (b) do or perform any act, directly or indirectly, injurious or prejudicial to the goodwill associated with Franchisor's marks and the System; or (c) employ or seek to employ any person who is at that time or has within one (1) year been employed by Franchisor or any franchisee of Franchisor (including Franchisee), or otherwise directly or indirectly induce such person to leave his or her employment.

5. While in my position with Franchisee, I will not own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same or substantially similar sit-down, casual dining services as those offered in System Restaurants; or (b) any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within: (a) the Protected Area, the boundaries of which I acknowledge have been described to me; (b) a radius of ten (10) miles from the Premises; (c) a radius of ten (10) miles of any System Restaurant; or (d) the United States. This restriction does not apply to my ownership interest of less than five percent (5%) of the outstanding equity securities of any publicly-held company, if I own such interest for investment only and I am not an officer, director, employee or consultant of such publicly-held company.

6. For two (2) years after I cease to be in my position with Franchisee, I will not own, maintain, advise, be employed by, consult for, make loans to, operate, engage in or have an ownership interest (including any right to share in revenues or profits) in any restaurant offering (a) the same or substantially similar sit-down, casual dining services as those offered in System Restaurants; or (b) any food items that are the same as, or substantially similar to, the menu items of System Restaurants; and which restaurant is, or is intended to be, located within: (a) the Protected Area; (b) a radius of ten (10) miles from the Premises; or (c) a radius of ten (10) miles of any System Restaurant. This restriction does not apply to my ownership interest of less than five percent (5%) of the outstanding equity securities of any publicly-held company, if I own such interest for investment only and I am not an officer, director, employee or consultant of such publicly-held company.

7. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement will cause Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisor and/or Franchisee may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay Franchisor and Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisor and Franchisee, any claim I have against Franchisor or Franchisee is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to me.

8. Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

9. This Agreement shall be construed under the laws of the State in which Franchisee's restaurant is located. The only way this Agreement can be changed is in writing signed by both Franchisee and me.

ACKNOWLEDGED BY FRANCHISEE:

By: _____

Name _____

Title _____

Signature: _____

Name: _____

Address: _____

Title: _____

Date: _____

EXHIBIT F

**ADDENDUM TO HOULIHAN'S RESTAURANTS FRANCHISE
AGREEMENT FOR HOTEL LOCATIONS**

**ADDENDUM TO HOULIHAN'S RESTAURANTS
FRANCHISE AGREEMENT FOR HOTEL LOCATIONS**

Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Franchisee"), have this date, _____, 201__ entered into a certain Houlihan's Restaurants Franchise Agreement (the "Franchise Agreement") and desire to amend its terms, as set forth below. The parties hereto therefore agree as follows:

1. The following provision shall be added at the end of Section 6:

6.4 Hotel Premises. Franchisee acknowledges and agrees that the hotel establishment ("Hotel") in which the Restaurant is located is essential to the business operations of the Restaurant, that the business of the Restaurant is dependent on the business of the Hotel, and that Franchisor has granted the franchise rights hereunder in reliance on the identity and reputation of the Hotel. Accordingly, Franchisor and Franchisee expressly agree that:

6.4.1 Franchisee shall immediately notify Franchisor of: (a) any planned or actual change in the operating name or brand of the Hotel; or (b) any temporary or permanent cessation of hotel business operations of the Hotel. Franchisee's failure to provide the notice required by this Section 6.4.1 shall constitute an event of default under this Agreement for which Franchisor may terminate this Agreement pursuant to Section 18.2.1 hereof; and

6.4.2 Franchisor may, at its sole option, terminate this Agreement pursuant to Section 18.2.10 hereof upon the occurrence of either of the following events: (a) the operating name or brand of the Hotel changes; or (b) the Hotel ceases operating as a hotel business.

2. The language in Section 18.2.1 shall be deleted and replaced by the following:

18.2.1 Failure to Open or Relocate Restaurant, Obtain Liquor License, or Provide Notice of Hotel Change. Franchisee fails to open the Restaurant within two hundred seventy (270) days after the execution of this Agreement as required herein, fails to relocate as provided in Section 14 hereof, fails to obtain the liquor license as required by Section 8.1 hereof, or fails to provide the notice as required by Section 6.4.1 hereof;

3. The following provision shall be added at the end of Section 18.2:

18.2.11 Change in Identity or Cessation of Business Operations of Hotel. The Hotel in which the Restaurant is located: (a) changes its operating name or brand; or (b) ceases hotel business operations.

4. This Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

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

ATTEST:

By: _____

Name: _____

Title: _____

ATTEST/WITNESS:

By: _____

Name: _____

Title: _____

HOULIHAN'S RESTAURANTS, INC.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT G
RECRUITING SERVICES AGREEMENT

RECRUITING SERVICES AGREEMENT

THIS RECRUITING SERVICES AGREEMENT ("Agreement") is made this ____ day of _____, by and among _____ ("Franchisee") and Houlihan's Restaurants, Inc. ("Franchisor").

RECITALS

Franchisor and Franchisee have entered into a Franchise Agreement for Franchisee to operate a Houlihan's Restaurant ("Restaurant") at _____.

Franchisee desires to purchase certain recruiting services from Franchisor, and Franchisor is willing to offer and provide such services, in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the parties agree as follows:

1. Recruiting Services. At Franchisee's option, Franchisor (or its designee) will provide the following pre-selection services to Franchisee to assist Franchisee in filling restaurant manager positions at the Restaurant, as requested from time to time by Franchisee:

a. Franchisor will source qualified applicants through sourcing activities that may include one or more of the following: advertising in national restaurant publications, college campus recruiting activities and job fairs, with the specific sourcing activities to be determined by Franchisor in its sole discretion;

b. Franchisor will qualify applicants based on qualification procedures that may include one or more of the following: phone screening, in-person interviews, review of applications and testing, with the specific qualification procedures to be determined by Franchisor in its sole discretion;

c. Franchisor will conduct reference checks and background checks (consisting of motor vehicle, credit checks and criminal record checks) on applicants determined by Franchisor to be qualified; and

d. Franchisor will present to Franchisee qualified candidates determined by Franchisor to have satisfactory references and background checks.

2. Fees; Expenses. In consideration for Franchisor's services provided hereunder, Franchisee shall pay to Franchisor a fee determined as follows:

a. Subject to the provisions of Sections 2.b. and 2.c. hereof, for each position for which Franchisor presents qualified candidates to Franchisee, a fee of One Thousand Seven Hundred Fifty Dollars (\$1,750) payable upon Franchisor's engagement to select candidates for a position (the "Initial Fee") and a fee of One Thousand Seven Hundred Fifty Dollars (\$1,750) payable upon the hiring of one of such candidates by Franchisee (the "Placement Fee"). The Initial Fee shall be fully earned by Franchisor upon presentation of at least two qualified candidates, regardless of whether Franchisee hires any of such qualified candidates; in the event Franchisee elects not to hire any of the group of qualified candidates presented by Franchisor, Franchisor shall have no obligation to provide further recruiting services unless Franchisor is again engaged by Franchisee to select additional candidates for the position and Franchisee pays an additional Initial Fee.

b. In the event Franchisee engages Franchisor to provide pre-selection services for more than one manager for the Restaurant, to be hired in connection with the opening of the restaurant, the Initial Fee and the Placement Fee for the second manager shall each be One Thousand Dollars (\$1,000), the Initial Fee and the Placement Fee for the third manager shall each be Seven Hundred Fifty Dollars (\$750), and the Initial Fee and the Placement Fee for each additional manager shall be Five Hundred Dollars (\$500).

c. In the event Franchisee engages Franchisor to provide services that do not include applicant sourcing, as described in Section 1.a., then the Initial Fee and the Placement Fee shall each be Seven Hundred Fifty Dollars (\$750) (or such lower amount as may be applicable under Section 2.b.).

d. Franchisee shall also reimburse Franchisor for all out-of-pocket costs and expenses incurred by Franchisor, and uniquely related to the Franchisee (e.g., travel to Franchisee's office or market, as distinct from Franchisor's general costs of advertising, job fairs, etc.), in providing services hereunder.

3. Hiring Decision. The decision to hire a candidate selected by Franchisor in performing its services hereunder shall be exclusively the decision of the Franchisee. No employee or agent of Franchisor is authorized to make any such decision and Franchisor shall have no responsibility for any actions of its employees or agents outside the scope of their authority hereunder.

4. Term; Termination. This Agreement shall continue until terminated by either Franchisor or Franchisee on not less than thirty (30) days' prior written notice to the other party, provided, however, that (a) Franchisor shall complete the services provided hereunder for each position for which Franchisee has engaged it to provide such services, notwithstanding the earlier termination of this Agreement, (b) Franchisee's obligation to pay for all services provided shall survive any termination of this Agreement, and (c) the provisions of Sections 5, 6 and 9 through 25, inclusive, shall survive any termination of this Agreement.

5. Disclaimer; Limitation of Liability. FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE SERVICES TO BE PROVIDED HEREUNDER OR ANY CANDIDATES THAT MAY BE PRESENTED TO FRANCHISEE AND FRANCHISOR SHALL HAVE NO LIABILITY TO FRANCHISEE HEREUNDER, EXCEPT TO THE EXTENT FRANCHISOR'S ACTIONS CONSTITUTE GROSS NEGLIGENCE. IN ADDITION, WITHOUT LIMITING THE FOREGOING, FRANCHISOR'S LIABILITY HEREUNDER FOR ANY DAMAGES WITH RESPECT TO ANY SERVICES PROVIDED SHALL IN NO EVENT EXCEED THE AMOUNT OF FEES RECEIVED BY FRANCHISOR FOR SUCH SERVICES.

6. Indemnification. Franchisee shall defend, indemnify, and hold Franchisor and its affiliates, and their respective officers, directors, agents, and employees harmless against any and all claims, liabilities, damages, and Losses and Expenses (as defined below) arising directly or indirectly from this Agreement, including as a result of, or in connection with (a) Franchisee's actions with respect to any candidate hired by Franchisee (including hiring promotion, disciplinary action or termination) or (b) any acts, errors, omissions or negligence of any such candidate hired by Franchisee. As used in this Section 6, the phrase Losses and Expenses includes all losses, compensatory, exemplary, or punitive damages, fines, charges, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and any other costs and expenses whatsoever.

7. Notices. All notices required to be given hereunder shall be in writing and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by certified mail, return receipt requested, to the respective parties.

If directed to Franchisor, the notice shall be addressed to Houlihan's Restaurants, Inc., attention: Vice-President/Development, 8700 State Line Road, Suite 100, Leawood, Kansas 66206, with a copy to: General Counsel, 8700 State Line Road, Suite 100, Leawood, Kansas 66206. If directed to Franchisee, the notice shall be addressed to Franchisee, at its address on the signature pages hereto.

Any notices sent by personal delivery, next-day delivery service or by electronic means shall be deemed given on the next business day after transmittal. Any notices sent by certified or mail shall be deemed given on the third business day after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other party.

8. Payments. Unless otherwise specified, all payments required to be made by Franchisee to Franchisor under this Agreement are due and payable immediately upon demand and/or receipt of any billing therefor and shall be sent by personal delivery, by next-day delivery service, by electronic means, or by mail, postage prepaid, and directed to Franchisor as shown above.

9. Striking Unenforceable Terms. Except as expressly provided to the contrary herein, each portion, section, part, term and/or provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of or have any other affect upon such other portions, sections, parts, terms and/or provisions of this Agreement as may remain intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms and/or provisions shall be deemed as amended to conform with the law, rule or regulation otherwise violated, while following the original intent of the parties as nearly as possible.

10. Construction After Striking Unenforceable Terms. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or to the extent which Franchisor in its sole discretion may otherwise determine.

11. Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

12. Gender; Plurals. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

13. Counterparts. This Agreement may be executed in several parts, and each copy so executed shall be deemed an original.

14. No Third Party Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or entity other than

Franchisee, Franchisor, Franchisor's officers, directors, and employees, and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Section 16 hereof, any rights or remedies under or by reason of this Agreement.

15. Execution of Agreement. This Agreement will become effective only upon execution hereof by the President or a Vice President of Franchisor.

16. Assignment. This Agreement shall be binding upon the parties hereto and their respective successors and assigns, but this Agreement may be assigned by Franchisee only with the express written consent of Franchisor.

17. Entire Agreement. This Agreement, the documents referred to herein, and the Exhibits hereto constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement. Except those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the Franchisor and Franchisee and executed in writing.

18. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas.

19. Submission to Mediation. Except as provided in Section 24, any controversy or claim arising out of or relating to this Agreement or the making, interpretation, or performance hereof, shall first be submitted to mediation within thirty (30) days after notice by the complaining party to the other party. The controversy or claim shall be submitted to mediation administered by JAMS in accordance with its then-current procedures or rules. The mediation shall be held in the city in which Franchisor has, at the time of the commencement of the mediation, its principal place of business. Franchisee agrees and acknowledges that Franchisor may at any time designate: (a) another administrative entity, in lieu of JAMS, to administer any mediation required to be brought under this Section 19 and (b) different procedures or rules for any such mediation.

20. Acceptance of Venue and Jurisdiction. Except as described in Sections 19 and 24 hereof, the parties agree that any claim, controversy or dispute arising out of or relating to this Agreement or the making, interpretation or the performance hereof which cannot be amicably settled, shall be resolved by a legal proceeding in a court in the judicial district in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business, and Franchisee irrevocably accepts the venue and jurisdiction of the courts of the state, and federal courts located in the judicial district, in which Franchisor has, at the time of the commencement of such legal proceeding, its principal place of business for such claims, controversies or disputes; provided, however, with respect to any legal proceeding which includes injunctive relief, Franchisor may bring such legal proceeding in any state which has jurisdiction.

21. Claims Barred After One Year. Any and all claims, controversies or disputes arising out of or relating to this agreement, or the performance of Franchisor hereunder, shall be commenced by Franchisee against Franchisor within one (1) year from the occurrence first giving rise to such claim controversy or dispute, or such claim, controversy or dispute shall be barred.

22. Prohibition Against Punitive Damages and Class Actions. Franchisor and Franchisee, for themselves and their successors and assigns, hereby waive to the fullest extent permitted by law any right to or claim of punitive or exemplary damages against the other. Franchisee acknowledges and agrees that Franchisee shall not initiate or participate in litigation as a member or representative of, or on behalf of,

any class of persons or entities, or any other person or entity, any dispute, controversy, or claim arising out of or related to this Agreement, or any breach hereof.

23. Service of Process. The parties agree that service of process in any proceeding arising out of or relating to this agreement or the performance thereof may be made as to Franchisee by service of a person of suitable age and discretion (such as the person in charge of the office) at the address of Franchisee specified in this Agreement and as to Franchisor, by serving the President or a Vice President of Franchisor at the address of Franchisor or by serving Franchisor's registered agent.

24. Extraordinary Relief. Nothing herein shall bar Franchisor's or Franchisee's respective rights to obtain injunctive relief against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

25. Franchisor's Costs to Enforce. Franchisee shall pay to Franchisor all damages, costs and expenses, including all court costs and reasonable attorney's fees, incurred by Franchisor enforcing any provision of this Agreement, including but not limited to the obtaining of injunctive relief.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Agreement as of the day and year first above written.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

ATTEST/WITNESS:

FRANCHISEE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Address: _____

EXHIBIT H
SOFTWARE LICENSE AND SUPPORT AGREEMENT

**HOULIHAN'S RESTAURANTS, INC.
SOFTWARE LICENSE AND SUPPORT AGREEMENT**

THIS SOFTWARE LICENSE AND SUPPORT AGREEMENT ("Agreement") is made as of this ____ day of ____, 20__, by and between Houlihan's Restaurants, Inc. ("Licensor"), and _____, a _____ ("Licensee").

RECITALS

Pursuant to a franchise or license agreement between Licensor and Licensee identified in Exhibit A (the "Franchise Agreement"), Licensee is the operator of the Houlihan's restaurant located at the address listed in attached Exhibit A ("Franchised Restaurant").

Licensor owns or has the right to use and license the use of the Software (as defined below) for use in the Houlihan's restaurant, including the Franchised Restaurant.

Licensee desires to obtain a license, and Licensor desires to grant a license to Licensee, for use of the Software and Documentation (as defined below) in the Franchised Restaurant upon the terms and conditions contained in this Agreement.

Licensee has requested to use, and Licensor has agreed to provide, in-house technical support for the Software and Licensee's Covered Equipment (as defined below), on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 "Designated Environment" means the point of sale ("POS") hardware, cables, POS supplies, POS software, QSR system and manager workstation required by Licensor to be used for the Franchised Restaurant under this Agreement. The Designated Environment initially required hereunder is described in Exhibit B. Licensor reserves the right to change the Designated Environment at any time and from time to time. Such changes may include a requirement that Licensee obtain specified enhancements or upgrades to the software included in the Designated Environment.

1.2 "Confidential Information" means the Software, Documentation and Specifications, and the terms and conditions of this Agreement, which are each confidential and proprietary to Licensor.

1.3 "Designated Hardware" means Licensee's hardware used in the Franchised Restaurant and meeting the specifications set forth in Exhibit B. Licensor shall have no obligation to support or maintain any of the Designated Hardware.

1.4 "Documentation" means the user, system and installation documentation, if any, provided by Licensor for the Software.

1.5 “**Enhancement**” means any and all changes to the Software that: **(a)** improve the operating performance but do not alter the basic function of the Software; or **(b)** incorporate fixes or bypasses for errors; and **(c)** Licensor offers generally to other users of the Software.

1.6 “**License Fee**” means that fee payable to Licensor for the license granted in Section 2.1 below.

1.7 “**Release**” means an update of the Software that incorporates Enhancements or other changes made by Licensor.

1.8 “**Software**” means the software licensed hereunder which is designed for use as part of the Designated Environment at the Franchised Restaurant as of the date of this Agreement and all Releases and Upgrades of any kind, if any, in machine-readable, object code form, as well as all computer programs, if any, subsequently delivered to Licensee in machine-readable, object code form for maintenance of the software system; such software is described on Exhibit C hereto and consists of (a) third party software licensed to Licensor which Licensor has the right to license to Licensee hereunder for use in the Franchised Restaurant in accordance with the terms hereof, and (b) proprietary software developed and owned by Licensor. The Software may include point of sale, kitchen and/or back office administrative systems.

1.9 “**Specifications**” means Licensor’s current published description (if any) of the Software.

1.10 “**Support Services**” has the meaning ascribed to it in Section 4.1 hereof.

1.11 “**Upgrade**” means all improvements to the Software that add to or alter the basic functions of the Software and that Licensor offers generally to other users of the Software.

ARTICLE 2

SOFTWARE LICENSE

2.1 **License.** Licensor grants Licensee a non-exclusive, non-transferable license to use the Software and Documentation in accordance with the terms and subject to the conditions set forth in this Agreement solely for its internal operations at the Franchised Restaurant, and then only on the Designated Environment at each such Franchised Restaurant. Licensee agrees to install, and maintain at all times during the term of this Agreement, the Designated Environment at the Franchised Restaurant.

2.2 **Distribution.** Licensee shall not: **(a)** make available or distribute all or part of the Software or Documentation to any third party by assignment, sublicense or by any other means; **(b)** copy, adapt, reverse engineer, decompile, disassemble, or modify, in whole or in part, any of the Software or Documentation; or **(c)** use the Software to operate in or as a time-sharing, outsourcing, or service bureau environment, or in any way allow third party access to the Software.

2.3 **Proprietary Rights.** Licensee acknowledges and agrees that the copyright, patent, trade secret, and all other intellectual property rights of whatever nature in the Software, Documentation and Specifications are and shall remain the property of Licensor, and nothing in this Agreement should be construed as transferring any aspects of such rights to Licensee or any third party.

ARTICLE 3

RELEASES, UPGRADES AND ACCESS TO DATA

3.1 Releases and Upgrades. During the term of this Agreement, provided that Licensee is not in default of its obligations under this Agreement, the Franchise Agreement or any other agreement between Licensor and Licensee (or any of its affiliates), Licensor will offer to Licensee any Releases or Upgrades to the same extent and on the same terms that Licensor offers such Releases or Upgrades to other users of the Software. Notwithstanding the foregoing, Licensor shall have no obligation to create Releases or Upgrades.

3.2 Dedicated Data Line. Licensee agrees to procure and install in the Franchised Restaurant such required dedicated data lines including telephone and/or high speed Internet connections (with a fixed Internet protocol address), modems, and other computer-related accessory or peripheral equipment as specified by Licensor from time to time.

3.3 Access to Data. Licensee agrees that Licensor and/or its designee shall have the free and unfettered right to retrieve any data, customer information and other information from Licensee's computers as Licensor, in its sole discretion, deems appropriate, including electronically polling the daily sales, computer information and other data of the Franchised Restaurant, with the cost of the retrieval to be borne by Licensor. Licensee shall comply with all operational requirements required by the Franchise Agreement and any manuals that govern the operation of the Franchised Restaurant.

ARTICLE 4

SUPPORT SERVICES

4.1 Support Services. Licensor agrees to provide during the term of this Agreement the support services described in Exhibit D hereof (the "Support Services").

4.2 Designated Hardware. In order to facilitate the Support Services, Licensee agrees to operate the Designated Hardware in accordance with the Licensor's and the manufacturer's instructions. Licensor shall have the right, at any time that, in Licensor's judgment, the Designated Hardware is not operating properly, to call service or maintenance providers for the Designated Hardware used at the Franchised Restaurant and arrange for them to provide services. Licensee shall be responsible for payment for all such services, and shall indemnify Licensor for fees and expenses incurred in connection therewith. Licensee agrees that Licensor shall have no liability or obligation whatsoever in connection with Licensor's arrangement of service or maintenance of the Designated Hardware.

4.3 Restricted Internet Access. Licensor shall have the right to restrict Licensee's access to the Internet through the Designated Environment to the extent determined from time to time by Licensor in its sole discretion.

4.4 Right to Suspend License and Provision of Service. Licensor reserves the right to suspend the license of the Software and the provision of Support Services hereunder at any time without notice to Licensee if Licensee violates any provision of this Article 4. Licensee agrees that Licensor shall have no liability whatsoever arising from any such suspension of the license of the Software or the provision of Support Services.

ARTICLE 5

FEES

5.1 License Fee. For each year of this Agreement (or portion thereof), Licensee shall pay to Licensor, in advance, without any right of set-off or deduction, a License Fee in the amount of \$7,500. The License Fee shall be payable upon execution of this Agreement and upon each anniversary (an "Anniversary Date") of the date hereof. Licensor shall have the right, upon 90 days' prior written notice to Licensee, to increase the License Fee payable on any Anniversary Date. Each License Fee when paid shall be deemed fully earned by Licensor and shall not be refundable under any circumstances whatsoever. The License Fee does not include the cost of any parts and/or labor needed to keep the Covered Equipment functional.

5.2 Taxes. Licensee shall be responsible for any applicable sales or use taxes or any value added or similar taxes payable with respect to the licensing of the Software, or arising out of or in connection with this Agreement, other than taxes levied or imposed based upon Licensor's income. In the event that Licensor pays any such taxes on behalf of Licensee, Licensor shall invoice Licensee for such taxes and Licensee agrees to pay such taxes within 30 days from the date of invoice.

5.3 Support Service Fees. In the event Licensor, in its reasonable discretion, elects to provide Support Services at Licensee's Franchised Restaurant, Licensee shall pay for the services of Licensor employees that may be reasonably required at Licensor's regular hourly rates for such services.

5.4 Reimbursement of Expenses. Licensee shall reimburse Licensor for all out-of-pocket expenses incurred by Licensor in providing any Support Services to Licensee at Licensee's Franchised Restaurant, including but not limited to reasonable lodging, meals and transportation expenses of Licensee's employees or agents, and the cost of service or maintenance providers incurred pursuant to Section 4.1.

5.5 Interest. If any payments by Licensee due to Licensor are not received by Licensor by the due date, Licensee, in addition to paying the amount owed, shall pay Licensor interest on the amount owed from the date due until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Franchised Restaurant is located or 18% per annum, whichever is less.

ARTICLE 6

CONFIDENTIALITY

6.1 Confidential Information. Licensee agrees that it shall not, without Licensor's prior written consent: (a) modify any Confidential Information; (b) reverse engineer, decompile, decrypt, or disassemble the Confidential Information or attempt to do so; (c) transfer, rent lease, lend or sublicense any Confidential Information to anyone for any purpose; or (d) reveal or disclose any Confidential Information for any purpose to any other person, firm, corporation or other entity, other than Licensee's employees with a need to know such Confidential Information to perform employment responsibilities consistent with Licensee's rights under this Agreement. Licensee shall safeguard and protect the Confidential Information from theft, piracy or unauthorized access in a manner at least consistent with the protections Licensee uses to protect its own most confidential information. Licensee shall inform its employees of their obligations under this Agreement and shall take such steps as may be reasonable in the circumstances, or as may be reasonably requested by Licensor, to prevent any unauthorized disclosure, copying or use of the Confidential Information.

6.2 Unauthorized Disclosure. Licensee shall notify Licensor immediately upon discovery of any prohibited use or disclosure of the Confidential Information, or any other breach of these confidentiality obligations by Licensee, and shall fully cooperate with Licensor to help Licensor regain possession of the Confidential Information and prevent the further prohibited use or disclosure of the Confidential Information.

ARTICLE 7

NO WARRANTY

LICENSOR EXPRESSLY DISCLAIMS, AND LICENSEE HEREBY EXPRESSLY WAIVES, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. LICENSOR DOES NOT WARRANT THAT THE SOFTWARE WILL MEET LICENSEE'S REQUIREMENTS OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ERRORS IN THE SOFTWARE WILL BE CORRECTED. THE ENTIRE RISK OF THE SOFTWARE'S QUALITY AND PERFORMANCE IS WITH LICENSEE. LICENSEE ACKNOWLEDGES AND AGREES THAT IT IS ACCEPTING THE SOFTWARE UNDER THIS LICENSE IN ITS "AS IS" CONDITION.

ARTICLE 8

INFRINGEMENT

8.1 By Licensor. Subject to Section 8.2, Licensor will indemnify Licensee against any claim that the Software, furnished and used within the scope of this Agreement, infringes any U.S. copyright or patent, provided that: **(a)** Licensor is given prompt notice of the claim; **(b)** Licensor is given immediate and complete control over the defense and/or settlement of the claim and Licensee fully cooperates with Licensor in such defense and/or settlement; **(c)** Licensee does not prejudice in any manner Licensor's conduct of such claim; and **(d)** the alleged infringement is not based upon the use of the Software in a manner prohibited under this Agreement, in a manner for which the Software was not designed, or in a manner not in accordance with the Specifications.

8.2 Altered Version. Licensor shall have no liability for any claim of infringement based on: **(a)** the use of a superseded or altered version of the Software if infringement would have been avoided by the use of a current or unaltered version of the Software which Licensor made available to Licensee; or **(b)** the combination, operation or use of the Software with software, hardware or other materials not furnished or approved for use with the Software by Licensor.

8.3 Injunction. If a final injunction is obtained against the use of any part of the Software by reason of infringement of a U.S. copyright or patent, Licensor shall have the right, at its option, either to: **(a)** procure for Licensee the right to continue to use the Software; **(b)** modify the Software so that it becomes non-infringing; or **(c)** terminate this Agreement without penalty.

8.4 Liability. The foregoing states Licensor's entire obligation and liability with respect to the infringement of any property right.

8.5 By Licensee. Licensee will indemnify Licensor against any claim (other than a claim indemnified by Licensor pursuant to Section 8.1) for: **(a)** alleged infringement of any U.S. copyright or patent, arising out of the use of the Software by Licensee in any manner prohibited by this Agreement; or **(b)** related to or arising out of Licensee's use or misuse of the Software.

ARTICLE 9

LIMITATION OF LIABILITY

LICENSOR SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. LICENSOR WILL NOT BE RESPONSIBLE FOR ANY LOSS OF SALES BY LICENSEE DURING THE PERIOD IN WHICH THE SOFTWARE IS INOPERATIVE, NOR WILL LICENSOR BE RESPONSIBLE FOR ANY LOSS OR INACCURACY OF DATA CAUSED BY THE SOFTWARE. IN ANY EVENT, THE LIABILITY OF LICENSOR TO LICENSEE FOR ANY REASON AND UPON ANY CAUSE OF ACTION SHALL BE LIMITED TO THE AMOUNT OF THE LAST ANNUAL LICENSE FEE PAID TO LICENSOR BY LICENSEE UNDER THIS AGREEMENT (EXCLUSIVE OF CLAIMS DESCRIBED IN SECTION 8.1 ABOVE). THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATIONS, AND OTHER TORTS. BOTH PARTIES UNDERSTAND AND AGREE THAT THE REMEDIES AND LIMITATIONS SET FORTH IN THIS ARTICLE 9 ALLOCATE THE RISKS OF PRODUCT AND SERVICE NONCONFORMITY BETWEEN THE PARTIES AS AUTHORIZED BY THE UNIFORM COMMERCIAL CODE AND OF OTHER APPLICABLE LAWS. THE FEES IN THIS AGREEMENT REFLECT, AND ARE SET IN RELIANCE UPON, THIS ALLOCATION OF RISK AND THE EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES SET FORTH IN THIS AGREEMENT.

ARTICLE 10

TERM AND TERMINATION

10.1 Term. This Agreement shall continue for a term of one (1) year, and it shall continue thereafter unless terminated by either party in accordance with the provisions hereof.

10.2 Termination. Either party may terminate this Agreement and the License granted in this Agreement upon any anniversary hereof by providing 60 days' prior written notice to the other. Licensor may terminate this Agreement and the License at any time by providing 30 days' prior written notice to Licensee. Licensor also may terminate this Agreement and the License, without prejudice to any other remedy Licensor may have, immediately without further obligation to Licensee in the event of: (a) any material breach by Licensee of any provision of this Agreement, which breach is not or cannot be remedied within twenty-four (24) hours of Licensor's notice to Licensee; or (b) Licensee making an assignment for the benefit of its creditors, the filing under any voluntary bankruptcy or insolvency law, under the reorganization or arrangement provisions of the United States Bankruptcy Code, or under the provisions of any law of like import in connection with Licensee, or the appointment of a trustee or receiver for Licensee or its property. Without limiting the generality of clause (a) of the preceding sentence, (i) any breach by Licensee of any of the provisions of Section 2.2, Article 4 or Article 6, or (ii) any failure to pay the License Fee on or before the Applicable Anniversary Date that is not remedied within five (5) business days of written notice by Licensor shall be deemed a material breach of this Agreement. The License granted by this Agreement shall also terminate simultaneously with the termination or expiration of the Franchise Agreement for any reason whatsoever.

10.3 Cessation of Use. Upon termination of this Agreement, Licensee shall cease using the Software and Documentation and promptly return all copies of the Software, Documentation and all other Confidential Information in its possession or control. Licensee shall delete all copies of such materials

residing in on-line or off-line computer memory, and destroy all copies of such materials that also incorporate Licensee's Confidential Information. Licensor shall be entitled to enter the Franchised Restaurant to repossess and remove the Software, Documentation, and any other Confidential Information. Licensee shall, within five (5) days from the effective date of the termination, certify to Licensor in writing that all copies of the Software and Documentation have been returned, deleted or destroyed.

10.4 Injunctive Relief. Licensee acknowledges and agrees that its failure to comply with the terms of this Agreement, including the failure to fully comply with the post-termination obligations set forth in Section 10.3, is likely to cause irreparable harm to Licensor not fully compensable by money damages and therefore Licensor shall not have an adequate remedy at law. Therefore, Licensee agrees that, in the event of a breach or threatened breach of any of the terms of this Agreement by Licensee, Licensor shall be entitled to a preliminary and final injunction restraining the breach and/or to specific performance, without the necessity of posting any bond or undertaking in connection therewith. Any equitable remedies sought by Licensor shall be in addition to, and not in lieu of, all remedies and rights that Licensor otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

ARTICLE 11

GENERAL

11.1 Miscellaneous. The headings used in this Agreement are for convenience only and are not intended to be used as an aid to interpretation. If any part of this Agreement is held to be illegal or unenforceable, the validity or enforceability of the remainder of this Agreement shall not be affected. This Agreement will be binding upon and inure to the benefit of the parties to this Agreement, their respective successors and permitted assigns; Licensee may not assign its rights or obligations under this Agreement without the prior written consent of Licensor. Failure by either party to exercise any right or remedy under this Agreement does not signify acceptance of the event giving rise to such right or remedy or a waiver of any right or remedy. This Agreement contains the entire agreement between the parties concerning the grant of the License to Licensee to use the Software and Documentation and supercedes and merges all prior proposals, understandings and all other agreements, oral and written between the parties relating to this Agreement.

11.2 Governing Law. This Agreement and any claim or controversy arising out of, or relating to, rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Kansas without regard to conflicts of laws principles.

11.3 Force Majeure. Licensor shall not be liable for any loss or damage due to: **(a)** delays caused by any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party; **(b)** food spoilage or loss of business; or **(c)** any other cause not within its control.

11.4 Limitation of Action. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

11.5 Jurisdiction. The parties agree that, to the extent any disputes cannot be resolved directly between them, Licensee shall file any suit against Licensor only in the federal or state court that has jurisdiction and is located in the same United States District (for federal court) or county (for state court) where Licensor's principal offices are located at the time suit is filed. Licensor may file suit in the federal or state court located in the jurisdiction where its principal offices are located at the time suit is filed, in the jurisdiction where Licensee resides or does business, or where the Franchised Restaurant is or was located. Licensee consents to the personal jurisdiction of those courts over Licensee and venue in those courts.

11.6 Costs and Expenses. Licensee agrees to pay to Licensor on demand any and all costs and expenses incurred by Licensor in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by Licensee to Licensor. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, court costs, expert witness fees and discovery costs, together with interest charges on all of the foregoing.

11.7 Notice. No notice, demand, request or other communication to the parties shall be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and is addressed to: **(a)** if to Licensee, addressed to Licensee at the notice address set forth in Exhibit A; and **(b)** if to Licensor, addressed to Licensor as follows:

Houlihan's Restaurants, Inc.
8700 State Line Road, Suite 100
Leawood, KS 66206
Attention: Vice President-Information Technology
Fax (913) 901-2650

With a copy to: Houlihan's Restaurants, Inc.
8700 State Line Road, Suite 100
Leawood, KS 66206
Attention: General Counsel
Fax (913) 901-2661

Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices shall be effective upon receipt (or first rejection) and may be: **(a)** delivered personally; **(b)** transmitted by facsimile to the number(s) set forth above (or in Exhibit A) with electronic confirmation of receipt; **(c)** mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or **(d)** sent by reputable overnight courier.

11.8 Survival. Section 2.3 and Articles 6, 7, 8, 9, 10 and 11 shall survive the termination of this Agreement for any reason.

IN WITNESS WHEREOF, the parties hereto have cause this Agreement to be duly executed by their authorized representatives to be effective as of the date first written above.

LICENSOR:

By: _____

Title: _____

Date: _____

LICENSEE:

By: _____

Title: _____

Date: _____

EXHIBIT A

Franchise Agreement:

Location of Franchised Restaurant:

Franchise Notice Address:

Fax Number:

EXHIBIT B

Designated Environment (including Designated Hardware)

Item	Description	Quantity
POS Hardware:		
IBM 4851-514 (or then current model)	IBM SurePOS (Base Model POS terminal, 3 Track MSR, Low Voltage Power Supply)	7
Epson Receipt Printers	Guest check printers for each POS	7
Bar Code Scanners	Scanners for coupon validation	7
Cash Drawer	Cash Drawer w/ 2 Tills - Locking cash drawers, minimum 1 per Bar POS terminal	2
Y Cable	Y Cable for Dual Cash Drawer - if 2 drawers on 1 Bar POS terminal	1
A Cable	A Cable for Y Cable - Operates Drawer "A"	2
B Cable	B Cable for Y Cable - Operates Drawer "B"	1
JPM088	Black Box Pivoting Panel - Mounting Rack for Backoffice components	1
PRM24	APC Rack Mount Chassis - Holds APC Surge Protectors in Rack	1
PNETR5	APC Network Protection Module - Surge Protection for each communication line at the Backoffice.	36
JFS516NA	NetGear 16 Port Network Switch - Connects all POS terminals and other devices on the POS Network	1
FSM726	NetGear 24 Port Network Switch - managed router	1
Sonicwall (up to 10 nodes)	Firewall Router	1
Sonicwall (11 to 25 nodes)	Firewall Router	
BE500U	APC UPS 500 - Battery Backup and Surge Protectors for Office computers	2
BE350U	APC UPS 350 - Battery Backup and Surge Protectors for POS terminals	12
TMU220B	Remote Printer (Serial, Black) - Requisition printers (bar, expo, pantry, etc. plus 1 backup)	4

Item	Description	Quantity
DB25 connector	Connector for Remote Printer - adapters to connect comm line to printer	5
POS Backoffice computer	IBM/Lenovo ThinkCentre	1
Miscellaneous Cables:		
7' Black	7' Black Patch Cable	15
3' Grey	3' Grey Patch Cable	11
3' White	3' White Patch Cable	1
3' Yellow	3' Yellow Patch Cable	
3' Red	3' Red Patch Cable	1
3' Green	3' Green Patch Cable	
3' Blue	3' Blue Patch Cable	1
1' Grey	1' Grey Patch Cable	14
1' White	1' White Patch Cable	1
1' Yellow	1' Yellow Patch Cable	
1' Red	1' Red Patch Cable	1
1' Green	1' Green Patch Cable	
1' Blue	1' Blue Patch Cable	1
POS Supplies:		
Thermal	Case of Thermal Paper	2
Bond	Case of Bond Paper	2
Ribbons	Case of 10 Epson Ribbons	2
Molded Printer Covers	Protective Requisition Printer Covers	3
USB thumb drive	Imaging tool	1
Swipe Cards	Pkg. of 50 Swipe Cards	1
POS Software:		
POSitouch software	Store License for POS application	1
POS Client Software - Each Terminal	POS application for each terminal	7
Credit Card Module	Process Credit Card Transactions	1
Gift Card Module	Process Gift Cards	1
Table Management Module	Display Tables - status and alarms	1
Enterprise Store Module	Corporate maintenance of menu database and POS	1
PMS Interface (Hotel)	Sends transactions to Hotel system	
Labor Scheduling	Control scheduled clocking in/out	
QSR System:		
QSR Software	Kitchen Display System	1
KDS Bundle	Controls output to display	1
IBM Flatscreen monitor		1
Mounting Bracket for monitor		1
Mounting Bracket for bump bar		1
QSR - Full CSK System:		

Item	Description	Quantity
FPD300-B-1-R	BR Metal FPD 300 Mount	4
100D293	BR Metal Bump Bar Arm	4
EG150-G-1-A	Bump Bar Bracket	4
	Neoflex LCD Arm	1
1715L	17" ELO Tchscrn Accutouch	1
145-2001	eXpert KDS Controller	5
24" Data Shelf	Stainless Shelves	5
001-4005	CSK Software	1
125-3010	Bump Bar w/10' PS2 Cable	5
	17" IBM LCD Monitor	4
Manager Workstation:		
Manager Backoffice Computer	IBM/Lenovo ThinkCentre	1
Brother Network Printer	Brother NW Pntr	1
On-site Installation/Training:		
System installation/mgr training	10 days on-site	1
HRI nSuite Software Package:		
nBusiness – DSR	HRI Daily Sales Report - Store Level	1
nBusiness - Manager Reports	HRI Manager Reports - Consolidated Store Reporting	1
nLine - Food Costing System	HRI Food/Beverage Inventory & Cost Control	1
Support Software:		
Term Server	Access to HRI applications	1
Windows 2003 Server	Access to HRI applications	1
Citrix	Access to HRI applications	1
McAfee (price per terminal/pc)	Virus protection	2
Connected	Nightly backup of office computers	1
Xcellenet	Data transfers to/from HRI	1
Dameware	Support access to systems	1
Sonicwall	Network communications control	1

EXHIBIT C

nSuite® Software Package

- nBusiness™** Includes the Daily Sales Report, Manager Reports and the Sink. The DSR interface to the POSitouch POS system to provide enhanced daily reporting and cash reconciliation. Manager Reports provides consolidated DSR reports for all locations.
- nLine®** Inventory and cost control system that identifies variances in food and beverage costs.

EXHIBIT D

nService™ Package

Help Desk Services

Licensor will provide **Full Help Desk Services** with respect to each standard computer system and software that is included in this agreement during the hours of Monday – Friday, 8 am to 5 pm CST, and **Emergency Help Desk Services** after these stated hours and on Saturday, Sunday and Holidays. These Help Desk Services will include:

Full Help Desk Services: Monday-Friday, 8 am to 5 pm Central Standard Time

1. Respond to Licensee telephone calls by providing initial telephone and diagnostic level one and level two services and, if required, notify designated third party maintenance vendor in accordance with the licensee's maintenance contract.
2. Assisting Licensee to diagnose errors, malfunctions and defects.
3. Technical services to Licensee to attempt to correct diagnosed errors, malfunctions or defects.
4. Technical services to make enhancements, modifications and additions to the POS database in accordance with Houlihan's standard operating procedures and policies, menu offerings and capabilities of the software.
5. Technical services to assist Licensee in the utilization of the nSuite® software applications.

Emergency Help Desk Services: After Hours, Saturday, Sunday and Holidays

1. Respond to Licensee pager calls by providing initial telephone and diagnostic level one and level two services and, if required, notify designated third party maintenance vendor in accordance with the licensee's maintenance contract.
2. Assisting Licensee to diagnose errors, malfunctions and defects.
3. Technical services to Licensee to attempt to correct diagnosed errors, malfunctions or defects.
4. Determination of whether follow up during normal office hours will be required to correct the error, malfunction or defect.

Menu Maintenance

Menu Maintenance: Monday-Friday, 8 am to 5 pm Central Standard Time

1. Maintain all menu items, windows, modifiers, prices, printer settings and all programming related to the Menu Database according to Houlihan's Restaurants, Inc. standards.
2. Maintain sales tax rates as applicable in the POS system for Food, Liquor, Beer, Wine and miscellaneous sales.
3. Changes, Additions and Deletions to the menu database will be completed within reasonable timeframes based on the scope and extent of the changes, additions and deletions.

EXHIBIT I
LIST OF DEVELOPERS AND FRANCHISEES

LIST OF FRANCHISEES AND DEVELOPERS

DEVELOPERS

A.C.E. Management Corporation
100 Franklin Avenue
Nutley, NJ 07110
(973) 284-1111

Northcott Company
250 Lake Drive East
Chanhassen, MN 55317
(952) 294-5100

A.C.E. Restaurant Group of New York, LLC
100 Franklin Avenue
Nutley, NJ 07110
(973) 284-1111

JDL Investments
2801 Wicklow Street
Savannah, GA 31404
(912) 354-8828

SMS Venture Partners LLC
604 Lake Shore Drive
Pasadena, MD 21122
(443) 570-6431

Fox Development Corporation
1909 Fox Drive
Champaign, IL 61820
(217) 351-1430

O'Reilly Hospitality LLC
2808 S. Ingram Mill Rd., Bldg A104
Springfield, MO 65804
(417) 890-1555

FRANCHISEES:

California

Lotus Hospitality, Inc.
Holiday Inn-Airport
275 South Airport Boulevard
S. San Francisco, CA 94080
(650) 588-4683

Florida

ADAK at Maingate
8520 West Irlo Bronson Memorial Highway
Kissimmee, FL 34747
(321) 952-6457

Plaza International, Inc.
9150 South International Drive
Orlando, FL 32819
(321) 952-6457

ADAK on Colonial, LLC
2600 East Colonial Drive
Orlando, FL 32803
(321) 952-6457

Georgia

Four J S Family LLLP
Columbus Marriott
800 Front Avenue
Columbus, GA 31901
(706) 653-9455

Four JS Family LLLP
Doubletree Hotel
5351 Sidney Simons Blvd.
Columbus, GA 31904
(706) 653-9455

JDL Investments
17029 Abercorn Street
Savannah, GA 31419
(912) 650-6510

Illinois

I Operations, LLC
1902 S. First Street
Champaign, IL 61820
(217) 351-1430

ADAK of Illinois, LLC
111 East Wacker Drive
Chicago, IL 60601
(312) 952-6457

Indiana

Irish I's Are Smiling, LLC
4240 North Main Street
Mishawaka, IN 46545
(321) 952-6457

O'Chicago LLC
1550 U.S. Rt. 41
Schererville, IN 46375
(219) 786-0077

Iowa

Dubuque Casino Hotel, LLC.
Hilton-Garden Inn
1801 Greyhound Park Drive
Dubuque, IA 52001
(563) 583-2169

Kansas

Manhattan Hospitality, Inc.
1641 Anderson Avenue
Manhattan, KS 66502
(785) 539-3800

Maryland

SMS Columbia, LLC
8240 Gateway Overlook Drive
Elkridge, MD 21075
(443) 570-6431

SMS Crofton LLP
1407 S. Main Chapel Way, #115
Gambrills, MD 21054

Minnesota

Wheatsone Restaurant Group
530 Pond Promenade
Chanhassen, MN 55317
(952) 294-5100

Wheatsone Restaurant Group
1294 Promenade Place
Eagan, MN 55121
(952) 294-5100

Wheatsone Restaurant Group
12725 Elm Creek Boulevard
Maple Grove, MN 55369
(952) 294-5100

Wheatsone Restaurant Group
6601 Lyndale Avenue
Richfield, MN 55423
(952) 294-5100

Missouri

O'Reilly Hospitality V, LLC.
2541 Broadway Bluffs Drive
Columbia, MO 65201
(417) 890-1555

O'Reilly Hospitality, LLC
2431 Glenstone
Springfield, MO 65803
(417) 890-1555

O'Reilly Hospitality III, LLC
2110 E. Republic Road
Springfield, MO 65804
(417) 890-1555

New Jersey

Bayonne Restaurant LLC
151 LeFante Way
Bayonne, NJ 07002
(201) 845-3002

Bridgewater Restaurant LLC
1288 Route 22 East
Bridgewater, NJ 08807
(201) 845-3002

Brick Food LLC
491 Route 70 East
Brick, NJ 08723
(201) 845-3002

Cherry Hill Restaurant, LLC
2050 Route 70 West
Cherry Hill, NJ 08002
(201) 845-3002

Eatontown Food LLC
308 New Jersey State Highway -- Route 35 South
Eatontown, NJ 07724
(201) 845-3002

Fairfield Restaurant LLC
645 Route 46 West
Fairfield, NJ 07004
(201) 845-3002

Heights Restaurant LLC
5 Route 17 South
Hasbrouck Heights, NJ 07604
(201) 845-3002

Holmdel Food LLC
2136 Route 36 South
Holmdel, NJ 07733
(201) 845-3002

Lawrencevill Restaurants, LLC
3357 Brunswick Pike – Route 1 South
Lawrenceville, NJ 08648
(201) 845-3002

New Brunswick Restaurant, LLC
55 Route 1 South
New Brunswick, NJ 08901
(201) 845-3002

Paramus Restaurant, LLC
65 Route 4 West
Paramus, NJ 07652
(201) 845-3002

Ramsey Restaurant LLC
706 Route 17 North
Ramsey, NJ 07446
(201) 845-3002

Seacaucus Restaurant LLC
700 Plaza Drive
Secaucus, NJ 07094
(201) 845-3002

Weehawken Restaurant LLC
1200 Harbor Blvd.
Weehawken, NJ 07087
(201) 845-3002

Woodbridge Restaurant, LLC
65 Route 1 South
Woodbridge, NJ 08840
(201) 845-3002

New York

Farmingdale Restaurant LLC
923 Broad Hollow Road
Route 110 South
Farmingdale, NY 11735
(201) 845-3002

Westbury ACE LLC
725 Merrick Avenue
Westbury, NY 11590
(201) 845-3002

Ohio

Houlihan's of Cleveland Ltd
230 W Huron Road
Cleveland, OH 44113
(440) 899-7070

Houlihan's of Cleveland, Ltd.
2 Southpark Center
Strongsville, OH 44136
(440) 899-7070

Houlihan's of Cleveland, Ltd.
25651 Detroit Road
Westlake, OH 44145
(440) 899-7070

Pennsylvania

Hershey Entertainment & Resorts Co.
Hershey Press Building
27 West Chocolate Avenue
Hershey, PA 17033
(717) 534-3110

Food Brand, LLC
The Galleria at Pittsburgh Mills
Space #433
2012 Butler Logan Road
Tarentum, PA 15084
(866) 467-4676

Virginia

Green Mountain, LLC
Holiday Inn Hotel & Suites
Blue Ridge Shadows
101 Hospitality Drive
Front Royal, VA 22630
(516) 631-3045

Tonsu, L.C.
Dulles – Crown Plaza
2200 Centreville Road
Herndon, VA 20170
(301) 474-6200

Ramspring Limited Partnership
6550 Louisdale Road
Springfield, VA 22150
(301) 474-6200

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM IN OUR LAST FISCAL YEAR OR
WITHIN 10 WEEKS OF THE DATE OF THIS FDD**

Name	Address	Business Phone Number
Charlie Brown Reed Station Restaurants, LLC	609 W. Main Street P.O. Box 2496 Carbondale, IL 62901	618-529-5005
James White II ADAK, Inc. ADAK at Maingate ADAK on Colonial, LLC ADAK of Illinois, LLC	405 E. Strawbridge Avenue Melbourne, FL 32901	321-952-6457

EXHIBIT J

ADDITIONAL INFORMATION REQUIRED BY CERTAIN STATES

**ADDENDA REQUIRED BY THE
STATE OF ILLINOIS**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF ILLINOIS**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the Franchise Disclosure Document for Houlihan's Restaurants, Inc. for use in the State of Illinois shall be amended as follows:

Cover Page & Item 17, Additional Disclosures. The following statements are added to the cover page and Item 17:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement or the Development Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

Each provision of the Additional Disclosures shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987, with respect to such provision, are met independent of the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF ILLINOIS**

This Amendment to the Houlihan's Restaurant Development Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Developer") is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to Developer was made in the State of Illinois; (B) Developer is a resident of the State of Illinois; and/or (C) part or all of the Territory is located in the State of Illinois.

2. The first sentence of Section 16 is deleted and replaced with the following:

This Agreement, the documents referred to herein, and the Exhibits hereto constitute the entire, full and complete agreement between Franchisor and Developer concerning the subject matter hereof and shall supersede all prior agreements, no other representations (except for or other than those contained in the disclosure document) having induced Developer to execute this Agreement.

3. The following sentence is added to the end of Section 17.1:

Notwithstanding the foregoing, the Illinois Franchise Disclosure Act shall govern this Agreement.

4. The following sentence is added to the end of Section 17.3:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in this Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

5. The following sentence is added at the end of Section 17.4:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after Developer becomes aware of the underlying facts or circumstances, or 90 days after delivery to Developer of a written notice disclosing the violation.

6. Section 18.1 is deleted.

7. The following sentence is added to the end of Section 18:

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act is void.

8. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Development Agreement.

9. Except as expressly modified by this Amendment, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Developer and Franchisor have executed this Amendment to the Development Agreement in duplicate simultaneously with the execution of the Development Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

DEVELOPER

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS**

This Amendment to the Houlihan's Restaurant Franchise Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: **(A)** the offer or sale of the franchise to Franchisee was made in the State of Illinois; **(B)** Franchisee is a resident of the State of Illinois; and/or **(C)** the Restaurant will be located or operated in the State of Illinois.

2. The first sentence of Section 27 is deleted and replaced with the following:

This Agreement, the documents referred to herein, and the Exhibits hereto constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements, no other representations (except for or other than those contained in the disclosure document) having induced Franchisee to execute this Agreement.

3. The following sentence is added to the end of Section 29.1:

Notwithstanding the foregoing, the Illinois Franchise Disclosure Act shall govern this Agreement.

4. The following sentence is added to the end of Section 29.3:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in this Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

5. The following sentence is added at the end of Section 29.4:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after Franchisee becomes aware of the underlying facts or circumstances, or 90 days after delivery to Franchisee of a written notice disclosing the violation.

6. Section 30.1 is deleted.

7. The following sentence is added to the end of Section 30:

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act is void.

8. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

9. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement in duplicate simultaneously with the execution of the Franchise Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDA REQUIRED BY THE
STATE OF MARYLAND**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Act, the Franchise Disclosure Document for Houlihan's Restaurants, Inc. for use in the State of Maryland shall be amended as follows:

Item 17, Additional Disclosures. The following statements are added to Item 17:

The franchise agreements provide for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provision requiring you to sign a general release of claims against Houlihan's, including upon renewal or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law provides that any provision in a franchise agreement which requires you to file suit against Houlihan's in a forum outside of Maryland is void with respect to any cause of action otherwise enforceable in Maryland. A franchisee in Maryland may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Each provision of the Additional Disclosures shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

This Amendment to the Houlihan's Restaurant Development Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Developer") is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to Developer was made in the State of Maryland; (B) Developer is a resident of the State of Maryland; and/or (C) part or all of the Territory is located in the State of Maryland.

2. The following sentence is added to the end of Section 9.2.2.3:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added to the end of Section 17.3:

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law provides that any provision in this Agreement which requires Developer to file suit against Franchisor in a forum outside of Maryland is void with respect to any cause of action otherwise enforceable in Maryland.

4. The following sentence is added to the end of Section 17.4:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. The following sentence is added to the end of Section 18:

This Section is not intended to, nor shall it act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Development Agreement.

[THE REST OF THIS PAGE IS
INTENTIONALLY LEFT BLANK]

7. Except as expressly modified by this Amendment, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Developer and Franchisor have executed this Amendment to the Development Agreement in duplicate simultaneously with the execution of the Development Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

DEVELOPER

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

This Amendment to the Houlihan's Restaurant Franchise Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Franchise Agreement. This Amendment is being executed because: **(A)** the offer or sale of the franchise to Franchisee was made in the State of Maryland; **(B)** Franchisee is a resident of the State of Maryland; and/or **(C)** the Restaurant will be located or operated in the State of Maryland.

2. The following sentence is added to the end of Sections 2.2.(e) and 17.2.2.3:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The following sentence is added to the end of Section 29.3:

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law provides that any provision in this Agreement which requires Franchisee to file suit against Franchisor in a forum outside of Maryland is void with respect to any cause of action otherwise enforceable in Maryland.

4. The following sentence is added to the end of Section 29.4:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. The following sentence is added to the end of Section 30:

This Section is not intended to, nor shall it act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

7. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement in duplicate simultaneously with the execution of the Franchise Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDITIONAL DISCLOSURES REQUIRED BY THE
STATE OF MICHIGAN**

DISCLOSURES REQUIRED BY MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

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

- (a) A prohibition of the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

**ADDENDA REQUIRED BY THE
STATE OF MINNESOTA**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document of Houlihan's Restaurants, Inc. for Houlihan's Restaurant for use in the state of Minnesota shall be amended as follows:

1. **Items 6 & 17, Liquidated Damages.** The following statement is added to Items 6 and 17:

Minnesota Rule 2860.4400J prohibits us from requiring you to agree to pay liquidated damages.

2. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

With respect to franchises governed by Minnesota law, Houlihan's will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires, except in certain specified cases, that a franchisee be given 90 days notice for termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreements.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreements 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.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01-80C.22.

Each provision of the Additional Disclosures to the Disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930 are met independently without reference to the Additional Disclosures to the Disclosure document. The Additional Disclosures shall have no effect if such jurisdictional requirements are not met.

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MINNESOTA**

This Amendment to the Houlihan's Restaurant Development Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Developer") is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Development Agreement. This Amendment is being executed because: (A) the offer or sale of a franchise to Developer was made in the State of Minnesota; (B) Developer is a resident of the State of Minnesota; and/or (C) part or all of the Territory is located in the State of Minnesota.
2. The following statement is added to the end of Sections 8.2.1.2 and 8.2.2.2:

Under Minnesota Rule 2860.4400J, certain liquidated damages clauses are unenforceable.
3. Section 8.7.(c) is deleted and replaced with the following:

(c) therefore, Franchisor shall be entitled, in addition to any other remedies which it may have hereunder, at law or in equity, to obtain specific performance of, or an injunction against violation of, the requirements of this Agreement.
4. The following sentence is added to the end of Section 9.2.2.3:

Notwithstanding the foregoing, Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.
5. The following sentence is added at the end of Section 10:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days notice of termination (with 60 days to cure).
6. The following sentences are added at the end of Sections 17.1 and 17.3:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Agreement can abrogate or reduce 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.
7. The last sentence in Section 17.5 is deleted.
8. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Development Agreement.
9. Except as expressly modified by this Amendment, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Developer and Franchisor have executed this Amendment to the Development Agreement in duplicate simultaneously with the execution of the Development Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By:_____

By:_____

Print Name:_____

Print Name:_____

Title:_____

Title:_____

ATTEST/WITNESS:

DEVELOPER

By:_____

By:_____

Print Name:_____

Print Name:_____

Title:_____

Title:_____

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
FRANCHISE AGREEMENT REQUIRED FOR MINNESOTA FRANCHISEES**

This Amendment to the Houlihan's Restaurant Franchise Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into the Franchise Agreement. This Amendment is being executed because: **(A)** the offer or sale of the franchise to Franchisee was made in the State of Minnesota; **(B)** Franchisee is a resident of the State of Minnesota; and/or **(C)** the Restaurant is or will be located or operated in the State of Minnesota.

2. The following sentence is added to the end of Sections 2.2.(e) and 17.2.2.3:

Notwithstanding the foregoing, Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

3. The following sentence is added at the end of Sections 2 and 18:

With respect to franchises governed by Minnesota law, Franchisor will comply with Minnesota Statute § 80C.14, Subdivisions 3, 4, and 5 which require, except in certain cases, that a franchisee be given 90 days notice for termination (with 60 days to cure) and 180 days notice for non-renewal of franchise agreements.

4. The following statement is added to the end of Sections 16.2.1.2 and 16.2.2.2:

Under Minnesota Rule 2860.4400J, certain liquidated damages clauses are unenforceable.

5. Section 16.6.(c) is deleted and replaced with the following:

(c) therefore, Franchisor shall be entitled, in addition to any other remedies which it may have hereunder, at law, or in equity, to obtain specific performance of or an injunction against the violation of the requirements of this Agreement.

6. The following sentences are added at the end of Sections 29.1 and 29.3:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Agreement can abrogate or reduce 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.

7. The last sentence in Section 29.5 is deleted.

8. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

9. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement in duplicate simultaneously with the execution of the Franchise Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**ADDENDA REQUIRED BY
THE STATE OF NEW YORK**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES
REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 the Franchise Disclosure Document for Houlihan's Restaurants, Inc. for use in the State of New York shall be amended as follows:

1. Item 3, Additional Disclosure. Item 3 is deleted and replaced with the following:

Other than the one action listed in this Item, neither we, nor our parent or any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor our parent or any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor our parent or any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Other than the one matter listed in this Item, no litigation is required to be disclosed in this disclosure document.

2. **Item 4, Additional Disclosure.** The last paragraph in Item 4 is deleted and replaced with the following:

Except as described above, neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer 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 the officer or general partner of the franchisor held this position in the company or partnership.

3. **Item 7, Initial Investment.** The following statement is added to Item 7:

THERE ARE NO OTHER DIRECT OR INDIRECT PAYMENTS TO HOULIHAN'S IN CONJUNCTION WITH THE PURCHASE OF THE FRANCHISE.

4. **Item 9, Franchisee's Obligations.** The following statement is added to Item 9.

Houlihan's imposes no further restrictions or conditions on the purchasing, leasing, or renting of goods or services by you.

5. **Item 12, Territory.** The following statement is added to Item 12 under the subheading "Franchise Agreement".

In the event that Houlihan's elects to use or franchise others to use the System or Proprietary Marks at any office location within your Territory, you have no right to rescind or amend the Agreement.

6. **Item 14, Patents, Copyrights and Proprietary Information.** The following statement is added to Item 14 under the subheading "Manuals".

Any revisions to the Manuals will not unreasonably affect your obligations, including economic requirements, under the Franchise Agreement.

7. **Item 15, Obligation to Participate in the Actual Operation of the Franchise Business.** The following statement is added to Item 15 at the end of the first paragraph.

There is no specific amount of equity interest that the Representative must own.

8. **Item 17, Additional Disclosures.** The following statements are added to Item 17:

Houlihan's will not assign its rights under the Development Agreement or the Franchise Agreement except to an assignee who in Houlihan's good faith and judgment is willing and able to assume Houlihan's obligations under the Development Agreement and the Franchise Agreement.

The New York Franchises Law requires that New York law govern any cause of action which arises under the New York Franchises Law.

The New York General Business Law, Article 33, Sections 680 through 695 may supersede any provision of the Development Agreement or the Franchise Agreement inconsistent with that law.

You must sign a general release when you enter the Development Agreement and the Franchise Agreement and if you transfer your franchise. These provisions may not be enforceable under New York law.

The New York Franchises Law requires that Houlihan's make proper proofs to the appropriate authority prior to that authority granting to Houlihan's injunctive relief under the Development Agreement or the Franchise Agreement.

You may terminate the Development Agreement and the Franchise Agreement upon any grounds available by law.

Each provision of this Additional Disclosure to the Disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of New York General Business Law, Article 33, Section 680 through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 are met independently without reference to this Additional to the Disclosure document. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF NEW YORK**

This Amendment to the Houlihan's Restaurant Development Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Developer") is entered into simultaneously with the execution of the Development Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into the Development Agreement. This Amendment is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of New York; **(B)** Developer is a resident of the State of New York; and/or **(C)** part or all of the Territory is located in the State of New York.
2. Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Section 8.7:

The New York Franchises Law requires that Franchisor make proper proofs to the appropriate authority prior to that authority granting Franchisor injunctive relief under this Agreement.
4. The following sentence is added to Section 9.1:

Franchisor will not assign its rights under this Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under this Agreement.
5. The following sentence is added to the end of Section 9.2.2.3:

Any provision in this Agreement requiring Developer to sign a general release of claims against Franchisor does not release any claim Developer may have under New York General Business Law, Article 33, Sections 680-695.
6. The following sentence is added to the end of Section 17.1:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
7. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Development Agreement.

[THE REST OF THIS PAGE IS
INTENTIONALLY LEFT BLANK]

8. Except as expressly modified by this Amendment, the Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Developer and Franchisor have executed this Amendment to the Development Agreement in duplicate simultaneously with the execution of the Development Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

DEVELOPER

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

**AMENDMENT TO THE HOULIHAN'S RESTAURANT
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEW YORK**

This Amendment to the Houlihan's Restaurant Franchise Agreement dated _____ between Houlihan's Restaurants, Inc. ("Franchisor") and _____ ("Franchisee") is entered into simultaneously with the execution of the Franchise Agreement.

1. The provisions of this Amendment form an integral part of, and are incorporated into the Franchise Agreement. This Amendment is being executed because: **(A)** the offer or sale of the franchise to Franchisee was made in the State of New York; **(B)** Franchisee is a resident of the State of New York; and/or **(C)** the Restaurant is or will be located or operated in the State of New York.
2. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 - 695 may not be enforceable.
3. The following sentence is added to the end of Sections 2.2(e) and 17.2.2.3:

Any provision in this Agreement requiring Franchisee to sign a general release of claims against Franchisor does not release any claim Franchisee may have under New York General Business Law, Article 33, Sections 680-695.
4. The following sentence is added to the end of Section 5.1:

Any revisions to the Manuals shall not unreasonably affect Franchisee's obligations, including economic requirements, under this Agreement.
5. The following sentence is added to the end of Section 16.6:

The New York Franchises Law requires that Franchisor make proper proofs to the appropriate authority prior to that authority granting Franchisor injunctive relief under this Agreement.
6. The following sentence is added to Section 17.1:

Franchisor will not assign its rights under this Agreement except to an assignee who in Franchisor's good faith and judgment is willing and able to assume Franchisor's obligations under this Agreement.
7. The following sentence is added to the end of Section 29.1:

Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
8. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Franchise Agreement.

9. Except as expressly modified by this Amendment, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Franchisee and Franchisor have executed this Amendment to the Franchise Agreement in duplicate simultaneously with the execution of the Franchise Agreement.

ATTEST:

HOULIHAN'S RESTAURANTS, INC.

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

RECEIPT

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

If Houlihan's Restaurants, Inc. 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, Houlihan's or its affiliate in connection with the proposed sale or sooner if required by applicable state law. New York requires that Houlihan's 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. Michigan requires that Houlihan's give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Houlihan's 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator identified in Exhibit A.

The franchisor is Houlihan's Restaurants, Inc., located at 8700 State Line Road, Suite 100, Leawood, Kansas 66206. Its telephone number is (913) 901-2500.

Issuance date: January 24, 2014.

The franchise seller for this offering is Houlihan's Restaurants, Inc. and Rob Ellis, Chief Development Officer and Chief Financial Officer, Houlihan's Restaurants, Inc., 8700 State Line Road, Suite 100, Leawood, Kansas 66206, (913) 901-2500.

Houlihan's authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state. This disclosure document is for use in all states and the District of Columbia.

I have received a disclosure document dated January 24, 2014 (the effective dates of this disclosure document in states with franchise registration laws are listed on the State Cover Page) that included the following Exhibits:

- | | |
|----------------------------------|--|
| A. List of State Administrators | F. Hotel Addendum to Franchise Agreement |
| B. Agents for Service of Process | G. Recruiting Services Agreement |
| C. Financial Statements | H. Software License and Support Agreement |
| D. Development Agreement | I. List of Developers and Franchisees |
| E. Franchise Agreement | J. Additional Information Required by Certain States |

Date of receipt: _____

Signature

Print Name _____

Company Name

Street Address

Telephone Number

City, State
Zip Code

Signature

Print Name _____

Company Name

Street Address

Telephone Number

City, State Zip Code

TO BE RETURNED TO HOULIHAN'S RESTAURANTS, INC.
8700 State Line Road, Suite 100
Leawood, KS 66206
Facsimile: 913/901-2661

RECEIPT

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

If Houlihan's Restaurants, Inc. 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, Houlihan's or its affiliate in connection with the proposed sale or sooner if required by applicable state law. New York requires that Houlihan's 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. Michigan requires that Houlihan's give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Houlihan's 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state administrator identified in Exhibit A.

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- | | |
|----------------------------------|--|
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| B. Agents for Service of Process | G. Recruiting Services Agreement |
| C. Financial Statements | H. Software License and Support Agreement |
| D. Development Agreement | I. List of Developers and Franchisees |
| E. Franchise Agreement | J. Additional Information Required by Certain States |

Date of receipt: _____

Signature

Company Name

Telephone Number

Print Name

Street Address

City, State

Zip Code

Signature

Company Name

Telephone Number

Print Name

Street Address

City, State

Zip Code

TO BE RETAINED BY YOU