FRANCHISE DISCLOSURE DOCUMENT



DJB FRANCHISING, LLC
A Delaware Limited Liability Company
812 Moorefield Drive, Suite 301
Richmond, VA 23236
804-545-2498
djb@djbhospitality.com
www.sedonataphouse.com

We offer franchises for the operation of upscale, full-service, sit-down restaurants featuring multiple taps and a long, revolving list of craft beer brands, as well as proprietary and confidential food and beverage recipes and related products and services. We also offer a multi-unit franchise under which you undertake to open and operate a specified number of Sedona Taphouse restaurants over an agreed period of time within an agreed geographic area.

The total investment necessary to begin operation of a Sedona Taphouse restaurant franchise is $1,652,000 to $2,515,000. This includes $51,500 to $101,000 that you must pay to us or our affiliate.

If you sign a multi-unit agreement (covering at least three units), your total initial investment will be $1,692,000 to $2,555,000 plus $10,000 for each unit after the first three. This includes $91,500 to $141,000 (for three units) plus $10,000 for each additional agreed unit after the third unit that you must pay to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dennis Barbaro at DJB Franchising, LLC, 812 Moorefield Drive, Suite 301, Richmond, VA 23236, telephone 804-545-2498.

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

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

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

Issuance date: March 24, 2026

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit A.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Sedona Taphouse restaurant in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sedona Taphouse franchisee?	Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

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

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

SEDONA TAPHOUSE RESTAURANT

FRANCHISE DISCLOSURE DOCUMENT

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

In this disclosure document, "we" or "us" means DJB Franchising, LLC, the franchisor. "You" means the franchise purchaser or the person interested in buying a franchise. If the prospective franchise purchaser is an entity, such as a corporation or a limited liability company, "you" may also refer to the owner or owners of the franchise purchaser entity.

We do business under the name Sedona Taphouse. We also own and operate the Napa Kitchen and Wine brand, which opened its first company-owned location in 2022. We are a Delaware limited liability company formed July 22, 2014. Our principal business address is 812 Moorefield Drive, Suite 301, Richmond, VA 23236.

Our agents for service of process are listed in Exhibit A of this disclosure document.

Our Parents, Predecessors and Affiliates

Affiliates of ours operate businesses of the type being franchised. We refer to these as company-owned locations.

Our parent company is DJB Hospitality Holding Co., Inc., is a Virginia corporation.

Our affiliate, DJB Hospitality, LLC, a Virginia limited liability company, owns all of the intellectual property used in the Sedona Taphouse system. It licenses us and our other affiliated companies to use the Sedona Taphouse trademarks.

Our affiliate, NKW Franchising, LLC, a Delaware limited liability company, was formed July 14, 2022 and owns the trademarks and intellectual property for the Napa Kitchen and Wine, a wine-centric casual dining restaurant also developed by our former Dennis Barbaro.

The principal business address of our parent company and of all of our affiliated companies is the same as our principal business address: 812 Moorefield Drive, Suite 301, Richmond, VA 23236.

No affiliates other than NKW Franchising, LLC offer franchises in any line of business. No affiliates provide products or services to our franchisees. Neither we nor any predecessor or affiliate offers or has offered franchises in other lines of business.

The Franchise

We offer the right to own and operate a Sedona Taphouse restaurant at a location that you choose, and we approve. Each Sedona Taphouse restaurant is an upscale, full-service, sit-down restaurant featuring multiple taps and a long, revolving list of craft beer brands from around the world, as well as wine and cocktails, and proprietary and confidential food and beverage recipes and related items and services. Our menu has a particular emphasis on items associated with the southwestern United States or Mexico or Tex-Mex style of food, such as guacamole, tacos, bacon wrapped jalapenos, and pasta with spicy cream sauce

Each Sedona Taphouse restaurant serves only craft beer brands. We define a craft beer as a beer that includes water, yeast, malted barley and hops as its main ingredients. We do not carry commercialized, mass-produced beers (made primarily with rice and corn). Each restaurant must maintain an inventory of at least 500 different approved beer selections.

Each Sedona Taphouse restaurant provides a comfortable, contemporary and fun atmosphere and features live music, Wi-Fi access, hundreds of world class craft beers, select premium wines, hand crafted martinis and food offerings, consisting of both small plates and full entrees, including hand cut seafood and Certified Black Angus steaks, using the finest, fresh ingredients sourced locally whenever possible.

The terms of the franchise offering are contained in our franchise agreement, the form of which is attached to this disclosure document as Exhibit F1. The franchise agreement gives you the right to operate a single Sedona Taphouse restaurant.

We also offer multi-unit development rights granting you the right in a defined geographic area to open and operate a designated number of Sedona Taphouse restaurants within a specified period of time. If you participate in this program, you will sign a multi-unit agreement in the form attached to this disclosure document as Exhibit F3. The agreement will describe your development area and your development schedule and other obligations. You will have the right to open and operate at least three franchised restaurants under the multi-unit agreement. The agreement may allow you to open and operate more franchised restaurants. For each Sedona Taphouse restaurant you open under the multi-unit agreement, you will sign a separate franchise agreement in the then-current form promptly after we approve the site for the restaurant.

The Market and the Competition

Sedona Taphouse restaurants serve men and women primarily ages 28 to 59 in the craft beer taphouse segment. They target two underserved market niches in this segment. One is women. A typical taphouse tends to appeal to men but not to a broad segment of women. We seek to create an environment that is equally appealing both to men and women. The second is the upper-scale customer with an annual household income above $75,000. Sedona Taphouse restaurants are designed to be slightly sophisticated but not stuffy. Our closest competitors differ from us in any number of ways. Some, for example, lack a quality wine list and have limited food offerings. Some cater to the younger college crowd rather than the more discerning, higher end market.

The market for restaurants, bars, pubs, taverns and the like is well-developed and highly competitive. Competitors range from locally owned bars and restaurants offering a large selection of beer and wine to regional and national chains. This market is not seasonal.

Laws and Regulations

You must comply with all federal, state and local laws and regulations applicable to the operation of your franchised business. These include laws affecting businesses generally, such as

- business licensing requirements, zoning, permitting and other requirements for the location, construction of the premises of your business, including access by people with disabilities;
- tax laws, employment and workers' compensation laws;
- laws protecting the health, safety and welfare of your employees and customers, such as laws governing food preparation, handling and service, and sanitary conditions; restrictions on smoking; and regulations dealing with fire safety and design, maintenance and operation; and
- laws that regulate advertising.

Because you will offer wine and other alcohol beverages for sale at your restaurant, you must obtain any required wine license and liquor license. You must also comply with state and local laws and regulations that govern the manner in which alcohol beverages may be sold. In addition, state “dram shop" laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol. State and local agencies inspect restaurants and other facilities serving food and alcohol beverages to ensure that they comply with these laws and regulations.

You should research and review with your own attorney these and other laws that may apply in your geographic area before you sign any binding documents or make any investment in the franchise. These laws vary from one location to another and can change over time. The procedures and the difficulty and cost of obtaining the required licenses and of complying with the applicable laws vary greatly from area to area.

Item 2

BUSINESS EXPERIENCE

Dennis Barbaro – President and CEO

Dennis Barbaro founded Sedona Taphouse in 2011 and has been President of Sedona Taphouse, LLC since its formation December 2, 2010. He has been President and Chief Executive Officer of DJB Franchising, LLC since its formation in July 2014. He has also been President and CEO of DJB Hospitality, LLC since its formation in December 2012 and STH-VA2, LLC since its formation in November 2012. In addition, he has been the President and CEO of NKW Franchising, LLC since its founding during 2022, for the franchising of the Napa Kitchen and Wine restaurant concept. Finally, Mr. Barbaro has been and remains President and CEO of the entities that own and operate the Sedona Taphouse and Napa Kitchen and Wine "company" restaurants. Mr. Barbaro's office is in Richmond, Virginia.

Abdel Rafai – Vice President – Operations

Abdel Rafai has been Vice President – Operations of DJB Franchising, LLC, and DJB Hospitality, LLC, since April 2016. He has been Vice President -of NKW Franchising, LLC since it was formed July 14, 2022. Mr. Rafai works in Richmond, Virginia.

Item 3

LITIGATION

Actions Filed in the Past Fiscal Year

Material Action Involving the Franchise Relationship – Arbitration by Franchisor for Breach of Contract and Unfair Competition against Former Franchisee

DJB Franchising, LLC v. R&B Hospitality Mamaroneck, LLC, American Arbitration Association Case Number: 01-25-0003-6533, filed August 1, 2025. No counterclaim was filed. Arbitration concluded April 6, 2026.

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

Initial Franchise Fee

The initial franchise fee for a single Sedona Taphouse restaurant franchise is $35,000. The initial fee if you already own at least one Sedona Taphouse restaurant is $20,000. You pay the initial franchise fee in one lump sum when you sign the franchise agreement. The initial franchise fee is uniform to all franchisees. The initial franchise fee is not refundable under any circumstances.

Training Fee and Onsite Support Costs

Prior to the opening of your restaurant, we will provide initial training for you (or your operating manager) and two other managers of your business, at no charge to you, except that you are responsible for the expenses incurred by these four people in attending the initial training program, including transportation, lodging, meals and wages. We require you to pay us a training fee of $2,000 for each additional person or replacement trainee who attends our initial training program beyond the first four people. You will be responsible for room. board and travel expenses for your manager trainees.

In addition, we provide approximately two weeks (80 hours) of on-site pre-opening and opening training for your employees at the site of your franchised business. Our training team arrives about one week before the opening date. You will pay us an amount equal to the payroll of our training team during this training. We require that you prepay our pre-opening employee training payroll with a deposit of $30,000 due two weeks before our opening training team is sent to train your hourly employees. Our actual payroll cost depends on the number of trainers and the length of time needed and can be as high as $45,000 or may exceed that number if you request additional support after the training period upon the opening of your restaurant. If the actual cost exceeds $30,000, we will invoice you for the difference after your franchised business opens. Our actual payroll cost can also be as low as $20,000. If our cost is less than $30,000, we will refund the difference to you after the business opens.

We will also invoice you for the travel and lodging expenses that our training team incurred to provide the pre-opening and opening training for your employees at the site of your franchised business. These expenses range from $1,500 to approximately $19,000.

Development Fee

If you sign a multi-unit agreement (covering at least three units), you will pay us a development fee for the right to open and operate multiple franchise units. The development fee will essentially be an advance payment of the initial fees of all the units you agree to open after your first unit, as reflected in the development schedule of your multi-unit agreement. The amount of the development fee will vary depending on the background and financial capabilities of the developer and the number of units stated in the development schedule. The development fee for three units is $60,000 if you already own a Sedona Taphouse restaurant or $75,000 if you do not. This fee is equal to the total of the initial fees for the three units ($20,000 + $20,000 + $20,000 if you already own a Sedona Taphouse restaurant or $35,000 + $20,000 + $20,000 if you do not). We will not charge a separate initial fee for each of these three franchises.

If your multi-unit agreement covers more than three units, you will pay us a development fee equal to $60,000 or $75,000 plus $10,000 for each unit after the first three, which we will credit towards the initial fee for each unit after the first three. The $10,000 balance will be due when you sign the fourth franchise agreement and each subsequent franchise agreement. In other words, the development fee is equal to the sum of (a) the initial franchise fee for your first three restaurants and (b) 50% of the initial franchise fee for your fourth and each subsequent restaurant to be developed under the development schedule. If the then-

current initial fee increases for new franchisees, you will not be required to pay the higher initial fee. For example, if your multi-unit agreement covers 10 restaurants and you are a new franchisee, you will pay us a development fee of $145,000 ($75,000 for the first three units plus $70,000 for the next seven units.)

You pay the development fee in one lump sum when you sign the multi-unit agreement. The development fee is not refundable regardless of whether you open all of the restaurants required under your development schedule.

The balance of the initial franchise fee for each restaurant after the first three is due when the lease is signed for such restaurant. The portion of the development fee allocable to each restaurant will be credited against the initial franchise fee when the franchise agreement for each restaurant is signed.

You will sign your first franchise agreement at the time you sign the multi-unit agreement.

Based on the above numbers, as shown in the table below, if you sign a multi-unit agreement covering three units, the initial amounts you will pay to us and our affiliates are as follows:

	Low	***High***
Development fees	$60,000	$75,000
Pre-opening onsite training	$30,000 *	$45,000
Additional Initial headquarter training	$0	$2,000
Onsite training travel & lodging	$1,500	$19,000
Total	$91,500	$141,000

* You must pay us a $30,000 deposit towards the payroll cost of our employees who provide pre-opening training, and if the actual cost is less then we will refund the difference to you.

Item 6

OTHER FEES

Franchise Agreement

Type of Fee	***Amount***	***Date Due***	***Remarks***
Royalty	4.5% of Gross Sales	3rd day of each month, on the Gross Sales of the month just ended	"Gross Sales" includes all sales made in the franchised business (including off-premises sales), whether collected or not, but do not include sales tax. Payments will be made via ETF (electronic funds transfer). We may change the due date to a shorter period, but not less than weekly.
Marketing fee	1.5% of Gross Sales	Same day as Royalty	After the first five years of the term, we may change the amount of the marketing fee, provided that the marketing fee is no more than 2% of your gross sales in any 12-month period. Payments will

Type of Fee	*Amount*	*Date Due*	*Remarks*
			be made via ETF (electronic funds transfer).
Software expenses	Currently, a total of $392 per month	Monthly	We license from 3rd parties software as a service to run the customer loyalty clubs, receive online customer orders, and enable you to provide online training of your staff. You pay us for your proportionate share of the licensing fees, meaning our monthly license fee divided by the number of restaurants operating. This cost will vary in the future based on the licensing fees charged by 3rd party vendors.
Relocation fee	$5,000 plus our expenses incurred	When billed, before relocation	Any relocation is subject to our prior approval.
Insurance	Our actual costs of the premium for the period of coverage plus a 25% service charge	When billed	Payable if you fail to carry the required insurance and we decide to purchase it for you (although we are not obligated to do so).
Additional initial training	Our then-current rate, currently $2,000 per person trained	When billed, before additional training	This is in addition to the initial training for 3 people. Additional training takes place at one of our locations in the Richmond, VA, area.
Field assistance and training after the initial training.	The then-current rate of our personnel, currently $350 per day plus expenses	When billed	We may charge a fee for on-site assistance that we provide at your request.
Customer Satisfaction Auditing or Mystery Shopper Program	To be determined	When billed	We may institute programs for auditing customer satisfaction and other quality control measures, and to require you to pay the cost of such programs.
Remedial work	Our actual costs and a 25% service charge on labor and materials	When billed	If you fail to correct an unhealthy or unsafe condition after we notify you, we may complete the required work on your behalf and bill you.

Type of Fee	*Amount*	*Date Due*	*Remarks*
Audit	$2,000 to $5,000	When billed	Payable only if the audit shows an understatement of 2% or more for the period of the audit or if the audit is made necessary by your failure to furnish required information or documents to us in a timely manner.
Transfer fee	50% of the then-current initial franchise fee	At the time the transfer is consummated	This fee reimburses our reasonable costs when there is a change in ownership of your business.
Management fee	Weekly fee of $2,000	When billed	Following the death or disability of a controlling owner of your business, if the business is not being managed properly, we may appoint a manager until you appoint a trained replacement manager. .
Renewal fee	25% of the then-current initial fee	When you sign the successor agreement	You must satisfy all of the conditions for renewal.
Prohibited product or service fee	$300 per day of use of unauthorized products or services or noncompliance with system standards	If incurred	In addition to other remedies available to us. You must cure immediately upon oral or written notification. The fee applies for each day when you continue to sell or purchase an unauthorized product or service, or you continue to be out of compliance with our system standards, after we have notified you to cease.
Returned check/EFT fee	$50 for each NSF or EFT returned	As incurred	This amount is in addition to the late payment fee and interest, plus past due amounts.
Interest	The lesser of 1.5% per month or the highest rate allowed by law	On demand	May be charged on all past due amounts, including the monthly balance of principal and interest. If no due date is stated, interest begins to run 10 days after billing.
Non-solicitation fee	$10,000 if manager $5,000 otherwise	When billed	You must pay this fee If you hire someone who is an employee of ours or was within 6 months before you hire them.

Type of Fee	*Amount*	*Date Due*	*Remarks*
Attorneys' fees and costs	Our actual costs	As incurred	Payable if we incur costs in obtaining injunctive or other relief for the enforcement of any term of the franchise agreement because of your default under the franchise agreement.
Indemnification	Our actual costs	As incurred	You must reimburse us for claims against us involving your business operations, including reasonable attorneys' fees.
Liquidated Damages	3 years' worth of Royalty fees, or $75,000, whichever is more	30 days after termination of the franchise due to your default	If we terminate the franchise due to your default, as permitted by the franchise agreement and applicable law, then you must pay us an amount that equals the average amount of royalties paid to us over the prior 12 months (or such shorter period in which the Restaurant has operated), multiplied by the number 36. The minimum payment is $75,000, regardless of if the calculation described above is lower or we terminate the franchise before the Restaurant begins operations. However, the liquidated damages amount shall be $50,000 if we choose to exercise our option to assume your lease (or lease the premises from you) following termination. This remedy is in addition to our rights to require compliance with the post-termination covenant not to compete and other post-termination covenants.

Multi-Unit Agreement

Type of Fee	***Amount***	***Date Due***	***Remarks***
Transfer Fee	$20,000	At the time the transfer is consummated	This fee reimburses our reasonable costs.
Attorneys' Fees and Costs	Our actual costs	As incurred	Payable if we seek injunctive or other relief for the enforcement of any term of the agreement because of your default under the agreement.
Indemnification	Our actual costs	As incurred	You have to reimburse us for claims involving your business operations.

All fees described in this Item 6 are imposed by and payable to us and are non-refundable.

Fees stated as dollar amounts may be increased from time to time to reflect increases in the United Sates Consumer Price Index for All Urban Consumers from the date of the franchise agreement, as published by the U.S. Department of Labor, or a successor index.

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Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Franchise Agreement Estimated Initial Investment

Type of Expenditure	*Amount*		*Method of Payment*	*When Due*	*To Whom Payment is to be Made*
	Low	*High*			
Initial franchise fee *(Note 1)*	$20,000	$35,000	Lump sum	When you sign the franchise agreement	Us
Pre-opening trainer payroll *(Note 2)*	$20,000	$45,000	$30,000 deposit before training. Adjusted after training.	Deposit due roughly two to three weeks before opening	Us
Travel expenses for trainers *(Note 3)*	$1,500	$19,000	Lump sum	As incurred	Us, as reimbursement for travel expenses
Additional initial training for each person in addition to four	$0	$2,000	Lump sum	As incurred	Us
Leasehold improvements *(Note 4)*	$1,140,000	$1,660,000	As in agreed work schedule	As incurred	Landlord and independent general contractor
Furniture, fixtures and equipment *(Note 4)*	$225,000	$350,000	As agreed	Typically upon order	Approved suppliers or other independent suppliers
Signage *(Note 4)*	$16,000	$25,000	As agreed	Typically upon order	Designated or approved suppliers

Type of Expenditure	*Amount*		*Method of Payment*	*When Due*	*To Whom Payment is to be Made*
	Low	*High*			
Point of sale system, computers, printers, other hardware and business software *(Note 5)*	$14,000	$20,000	As agreed	Typically half upon order; half upon completion	Designated or approved suppliers
Small wares	$15,000	$30,000	As agreed	Typically upon order	Approved suppliers or other independent suppliers
Inventory	$50,000	$65,000	As agreed	Typically upon receipt of inventory	Designated or approved suppliers
Televisions	$2,800	$5,000	As agreed	Upon purchase	Designated or approved suppliers
Menus	$1,200	$1,500	As agreed	Upon purchase	Designated or approved suppliers
Décor pictures	$5,000	$7,500	As agreed	Upon purchase	Designated or approved suppliers
Prepaid rent and security deposit *(Note 6)*	$8,000	$20,000	As agreed	When you sign the lease	Landlord
Miscellaneous deposits	$3,000	$10,000	As agreed	As incurred	Utility companies, equipment lessors and others
Travel, living expenses and salaries during initial training *(Note 7)*	$23,000	$36,000	As agreed	As incurred during training	Airlines, hotels, restaurants and others
Opening parties	$6,000	$8,000	As agreed	As incurred	Independent suppliers

Type of Expenditure	*Amount*		*Method of Payment*	*When Due*	*To Whom Payment is to be Made*
	Low	*High*			
Legal and accounting fees *(Note 8)*	$4,000	$20,000	As agreed	As incurred	Independent professionals
Architect *(Note 9)*	$18,000	$38,000	As agreed	As agreed with provider	Architect
Initial advertising *(Note 10)*	$5,000	$7,000	As incurred	As incurred	Approved suppliers
Interior design	$12,500	$25,000	As agreed	Typically upon completion of work	Our designated designer
Insurance – liability and workers compensation – initial deposit (Note 11)	$2,000	$6,000	As agreed	As incurred	Independent carrier
Additional funds – first three months *(Note 12)*	$60,000	$80,000	As incurred	As incurred	
Total *(Note 13)*	**$1,652,000**	**$2,515,000**			

Note 1: The initial franchise fee for a single Sedona Taphouse restaurant franchise is $35,000. The initial fee if you already own at least one Sedona Taphouse restaurant is $20,000. The initial fee is not refundable.

Note 2: This covers the payroll of our training team during the pre-opening and opening training that we provider for your employees at the site of your franchised business. We require that you prepay to us the anticipated amount of the pre-opening trainers' payroll with a deposit of $30,000. This deposit is due two weeks before our opening training team is sent to train your hourly employees. The team arrives about one week before the opening date. The actual amount you pay us depends on the number of trainers and the length of time needed. It may range from $20,000 to $45,000. After the business opens, we will either refund to you any overpayment or bill you for any shortfall.

Note 3: This covers the travel and lodging expenses of our training team during the pre-opening and opening training for your employees at the site of your franchised business. Once paid these amounts are not refundable.

Note 4: These numbers are based on a 5,500 square foot prototype leased space. The cost of leasehold improvements will vary as a function of (i) the size and configuration of the premises; (ii) pre-construction costs (*e.g.,* demolition of existing walls and removal of existing improvements and fixtures) based on the condition of the premises; (iii) the availability and prices of materials; (iv) prices of labor and price differences among contractors; and (v) geography and the location of the premises. Once paid these amounts are not refundable.

Note 5: See Item 11 for information concerning the required computer, software and point of sale systems. Once paid these amounts are not refundable.

Note 6: This is an estimate for first month's rent plus a security deposit equal to one month's rent. The actual amount you pay under the lease will vary depending on the size of the annual rent, your ability to negotiate with the landlord and the prevailing rental rates in the geographic area of the restaurant. The size of a typical Sedona Taphouse restaurant is between 4,200 and 6,000 square feet. The security deposit is usually refundable, based on the terms of your lease, while the first month's rent is rarely refundable.

Note 7: This covers travel, lodging and meals for your selected staff for their initial training in Richmond, Virginia, as well as the salaries of employees you will have working before opening. Refundability of those payments are determined by your contracts with airlines, hotels and other providers.

Note 8: Your attorney should review the franchise documents and the lease, and may also assist you in forming an entity to be the franchisee. Once paid these amounts are rarely refundable.

Note 9: Your architect must use our approved design. Your architect may not act in the role of interior designer. Once paid these amounts are rarely refundable.

Note 10: This represents the costs of activities for marketing and advertising before your franchise is open and during the grand opening phase. We will guide you through this process. All strategies and actions taken and materials used must be approved by us and must be consistent with the Sedona Taphouse style guide section of our operations manual. Once paid these amounts are rarely refundable.

Note 11: See Item 8 for a description of the types of insurance you must maintain. Once paid these amounts are refundable only if you cancel the policy, and then only as permitted by the insurance contract.

Note 12: These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of your business. They include payroll; utilities and telephone service and other costs. The amounts are based on the experience of our affiliate in opening and operating its own Sedona Taphouse restaurants. Once paid these amounts are rarely refundable.

Note 13: These figures are estimates. We cannot assure you that you will not have additional expenses in starting the franchised business. These amounts do not include any estimates for debt service.

General

We have prepared these estimates based on our experience and that of our management team. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from one restaurant to another. You must have additional sums available, whether in cash or through a bank line of credit or have other assets that you may liquidate or borrow against, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage or beyond. The amount of necessary reserves will

vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your business, if any.

Because the costs and the level of reserves will vary from location to location, we strongly recommend that you retain the services of an experienced accountant or financial advisor to review these figures and to develop a business plan and financial projections for your particular business before you decide whether to purchase the franchise. We also recommend that you (a) obtain independent estimates from third-party vendors, (b) research applicable regulations and their impact on your costs and operations and (c) carefully evaluate the adequacy of your total financial resources and reserves.

No Financing

We do not offer any financing to you, either directly or indirectly. We are unable to estimate whether you will be able to obtain financing for any or all of your investment and, if so, the terms of such financing. Neither we nor any affiliate receives payment for the placing of financing. We do not guarantee or co-sign your notes, leases or any other obligations.

Multi-Unit Agreement Estimated Initial investment

Type of Expenditure	***Amount***		***Method of Payment***	***When Due***	***To Whom Payment is to be Made***
	Low	***High***			
Development Fee *(Note 14)*	$60,000	$75,000, plus $10,000 for each unit on the development schedule after the third	Lump sum	At signing of the Multi-Unit Agreement	Us
Estimated initial investment for first restaurant (Note 15)	$1,632,000	$2,475,000	See Franchise Agreement table above	See Franchise Agreement table above	See Franchise Agreement table above
Total	$1,692,000	$2,550,000 plus $10,000 for each unit on the development schedule after the third			

Note 14: The development fee for the right to open three units is $60,000 if you already own a Sedona Taphouse restaurant or $75,000 if you do not. This fee is equal to the total of the initial fees for the three units ($20,000 + $20,000 + $20,000 if you already own a Sedona Taphouse restaurant or $35,000 + $20,000 + $20,000 if you do not). This amount includes the initial franchise fee for the first location, which is either $20,000 if you already own a Sedona Taphouse or $35,000 if you do not. We will not charge a separate initial fee for each of these three franchises. If your multi-unit agreement covers more than three units, you will pay us a development fee equal to $60,000 or $75,000 plus $10,000 (*i.e.,* a 50% deposit against the initial fee) for each unit after the first three. For example, the development fee for a new franchisee for a multi-unit agreement covering ten restaurants would be $145,000 (*i.e.,* $75,000 for the first

three units plus $70,000 for the next seven units.) It will be more if your multi-unit agreement covers a larger number of units. You pay the development fee in one lump sum when you sign the multi-unit agreement and the development fee is not refundable under any circumstances, regardless of whether you open all restaurants envisioned in your development schedule.

Note 15: Estimates of the items that constitute your initial investment for the first Sedona Taphouse restaurant you open under the multi-unit agreement appear in the table above in this Item 7. The amount shown in this table excludes the initial franchise fee for the location, since that is paid as part of the development fee described in Note 14.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

If we designate suppliers for any food items, beverage items, supplies, fixtures, furnishings, equipment, computer systems or other products used or offered for sale in your restaurant, **you must obtain these items from those suppliers.** We may also designate categories or types of items that you must purchase only from designated or approved suppliers. Approved suppliers are those who demonstrate the ability to meet our standards and specifications and whom we have approved in writing and not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item.

We estimate that 15% to 20% of your expenditure for leases and purchases in establishing your Sedona Taphouse restaurant and 15% to 20% of your expenditures in operating the restaurant on an ongoing basis will be for goods and services that you must purchase from suppliers we designate or approve.

You must comply with all of our standards and specifications relating to the purchase of all items used or offered for sale at the restaurant, even if we do not require you to use a designated or approved supplier.

Required Purchases from Us

We license from Paytronics software as a service to run the customer loyalty clubs and to receive online customer orders, and we license from Opus software as a service to enable you to provide online training of your staff. You pay us for your proportionate share of the licensing cost, meaning our monthly license fees paid to each vendor is divided by the number of restaurants operating and you must pay us your share at cost. So, we received $56,448 in “software revenue” from our franchisees during our last fiscal year and spent that same amount to pay the license fees to Paytronics and Opus, respectively.

Otherwise, we do not require you to purchase any products or services from us, and neither we nor any of our affiliates are a designated or approved supplier of any equipment or supplies.

Designated and Approved Suppliers

We currently require you to purchase the following items from a designated or approved supplier other than us or our affiliate:

Promotional and marketing items	Menus (dinner, lunch, to go, placards, menu holders)
Food & Beverage	Food, produce, seafood, tea & coffee, beer liquor, wine
Supplies	Restaurant equipment; restaurant furniture; menu and silverware holders; small wares; furniture, fixtures and equipment; chemicals; business cards; POS system; card

	processing; artwork; uniforms; coasters; stickers; linen; candles; candle holders; lighting fixtures; light bulbs; keg supplies, bar supplies; plateware; flatware; glasses.
Admin/Utilities/Misc. Services	Point of sale computer system; cable service; pest control; payroll; security system; employee benefits (insurance and 401k); host wait service; music licenses; social media; music; gift cards; accounting software; CO2 and nitrogen

You must use the following services:

- our wait list and reservations management systems, currently OpenTable;
- our point-of-sale system, currently Toast POS, and its product mix and sales reports; and
- our online food ordering systems, currently PFG (Performance Food Group) and Chef's Warehouse, for most food items with some exceptions, including local produce and fresh fish.

You must also use an approved music system, such as Programmed Pandora, with Sonos, a high-quality sound system.

We will provide you with our manuals, style guides and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services, and a list of designated and approved suppliers.

None of our officers owns an interest in any supplier other than us.

Rebates and Discounts

We and our affiliates may derive revenue in the form of commissions or rebates that third party suppliers pay to us or our affiliates based on their sales of certain products to you. We may use the rebates to subsidize some of our operating costs. In the year 2025, DJB Hospitality LLC received rebates of $121,552 based on sales of certain items to both our company-owned and franchised Sedona Taphouse restaurants, and our affiliate's Napa Kitchen and Wine restaurant.

We or our affiliates may receive discounts on equipment and other items, which we are not obligated to pass on to you. We may negotiate other purchase agreements with suppliers for the benefit of franchisees, but we are under no obligation to do so.

Approval Process

With regard to those categories or types of items that we have identified as being source-limited, meaning that you must purchase only from one or more suppliers we designate, we are not obligated to approve any supplier other than those we have designated. However, if you wish to purchase any such item from a supplier or source that we have not previously designated or approved, you or your proposed alternative supplier must submit to us a written request for such approval. We will give such approval only if, in our sole discretion, we determine that our approval of such an alternative source or supplier is in the best interests of the Sedona Taphouse system. We do not make our criteria for approving suppliers available to franchisees. We have the right to require that our representatives be permitted to inspect the suppliers' facilities and that specifications, photographs and samples from the supplier be delivered, at our option, either to us or to an independent laboratory designated by us for testing. You must pay all of our costs of the inspection and evaluation, including reasonable reimbursement of our staff's wages for their time spent in such evaluation, and the actual cost of any independent laboratory test. We typically will notify you of supplier approval or disapproval within 60 to 90 days after we receive all the information and samples we request. We reserve the right to re-inspect the facilities and products of any approved supplier and to

revoke our approval if the supplier we determine that continued purchasing of such product source, or from such supplier, is no longer in the best interests of the Sedona Taphouse Napa Kitchen and Wine system.

Purchases According to Specifications

You must comply with all of our standards and specifications relating to the purchase of all items used or offered for sale at the restaurant, even if we do not require you to use a designated or approved supplier. Among other things, you must comply with our specifications as follows:

Lease

You must submit to us for our approval a copy of the proposed lease for your franchised restaurant before it is signed. We will not approve the lease unless it permits your interest in the lease to be assigned to us or our assignee if the franchise agreement terminates or expires.

Advertising

All materials you use in local advertising, promotions and public relations must conform to our standards. All such materials must be clear, factual and not misleading. We intend to create and direct all marketing and encourage you to submit your advertising and marketing ideas to us so we can create the content. However, with regard to any advertising or promotional materials that we did not prepare and that you propose to use, you must provide them to us for our approval or rejection at least 15 days before you begin using them, and you may not utilize any advertising or promotions that we have disapproved.

Insurance

You must obtain and maintain insurance policies protecting you, DJB Franchising, LLC and DJB Hospitality, LLC, and their members, managers and officers as additional insureds on a primary non-contributory basis to the general liability policy and the auto liability policy.

The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the franchised restaurant is located and with a rating of "A" or better. These policies must include the coverage we require. You and your insurers must agree to waive rights of subrogation against us. At least 10 days before you are required to carry insurance, and after that at least 30 days before the expiration of any policy, you must deliver to us certificates of insurance evidencing the proper types and minimum amounts of required coverage, and evidence of the waiver.

If you fail to maintain the required insurance, we or our designee may obtain the insurance for you and charge you for the premium costs plus a 25% service charge for acquiring the insurance. Each year we may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

Purchasing or Distribution Cooperatives

There are no purchasing or distribution cooperatives as of the date of this disclosure document. We may establish national or regional purchasing or distribution programs for the purchase or distribution of certain goods, materials or supplies at reduced prices. If a purchasing or distribution program is established for the region where your Sedona Taphouse restaurant business is located, you must participate in the program.

Other

We do not provide material benefits to you or withhold material benefits from you (such as renewal rights or the right to open additional franchised Sedona Taphouse restaurants) based on whether or not you purchase through the sources we designate or approve. On the other hand, any purchases you make of unapproved products or from unapproved suppliers in violation of the franchise agreement will entitle us to collect a fine (described in Item 6) and to terminate your franchise agreement.

See Item 16 for restrictions on what you may sell in the context of your franchised business.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	*Sections in the Franchise Agreement*	*Disclosure Document Item*
a. Site selection and acquisition/lease	Sections 1.2.1 through 1.2.4	Items 11 and 12
b. Pre-opening purchases/leases	Sections 1.2.5 through 1.2.7, 1.3, 1.7.1 and 1.7.2	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 1.2, 1.3 and 1.7	Item 11
d. Initial and ongoing training	Section 1.5	Item 11
e. Opening	Section 1.2.8, 1.2.9 and 1.5.3	Item 11
f. Fees	Section 2.1	Items 5 and 6
g. Compliance with standards and policies/operating manual	Sections 1.2 through 1.7	Items 8, 11 and 16
h. Trademarks and proprietary information	Sections 3.1 and 3.2	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.1.4, 1.3 and 1.6.1	Item 16
j. Warranty and customer service requirements	Section 1.6.2	Item 11
k. Territorial development and sales quotas	Not applicable	Item 12

Obligation	*Sections in the Franchise Agreement*	*Disclosure Document Item*
l. Ongoing product/service purchases	Section 1.3.1 through 1.3.4	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 1.2.5, 1.6.7, 1.6.8 and 1.6.9	Item 11
n. Insurance	Section 6.3	Items 7 and 8
o. Advertising	Section 1.7	Items 7 and 11
p. Indemnification	Sections 4.2.9 and 6.2	Item 13
q. Owner's participation / management / staffing	Sections 1.1.7, 1.5 and 1.6.3	Items 11 and 15
r. Records and reports	Sections 2.1.8 and 2.2	Item 11
s. Inspections and audits	Sections 1.6.16 and 2.2	Item 11
t. Transfer	Sections 4.1 and 4.2	Item 17
u. Renewal	Section 5.1.2	Item 17
v. Post-termination obligations	Sections 3.2, 3.3.3 and 5.3	Item 17
w. Non-competition covenants	Section 3.3	Items 16 and 17
x. Dispute resolution	Article VII	Item 17
y. Other: Personal Guaranty	Section 1.1.7	Item 15

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guaranty your lease or any other obligation.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Before Opening

Before you open your franchised business, we will provide the following assistance:

1. We review site proposals you submit to us and approve, reject or provide comments to you regarding each proposal. We do not own locations and lease them to franchisees. We review the proposed lease or loan agreement (if you plan to purchase the real property of the site) to be sure that it allows us certain rights in the event of your default. (Franchise Agreement, Sections 1.2.3 and 1.2.4.)

2. We provide you with a design package, including a sample layout for the interior of a typical Sedona Taphouse restaurant with a set of typical preliminary plans and equipment and décor specifications. (Franchise Agreement, Section 1.2.5.) We also specify the interior designer you must use for your restaurant. We then review, comment on and approve your final plans and specifications when they are satisfactory to us, and we consult with you on the construction and equipping of the franchised restaurant. (Franchise Agreement, Sections 1.2.5 and 1.3.) You are responsible for the construction and conforming the premises to local ordinances and building codes, and for obtaining required permits. We will make a final inspection of the franchised restaurant after you complete its construction. We may require any corrections and modifications we deem necessary to bring the franchised restaurant into compliance with accepted plans, equipment, designs and specifications.

3. We loan you one copy of our confidential operations manuals and supplementary materials, which we revise periodically. (Franchise Agreement, Section 1.4.) The manual remains our property. As of the date of this disclosure document, the operations manual contains approximately 30 pages and our design manual contains approximately 51 pages. We may modify the manuals from time to time, but the modifications will not alter your status and rights under the franchise agreement. The tables of contents of the operations manual and the design manual are attached to this disclosure document as Exhibit E.

4. We provide to you a list of our approved products, equipment and suppliers. (Franchise Agreement, Section 1.3.)

5. We provide an initial six-week training program (450 hours) for you (or your operating manager) and two other managers of your business, as explained below in this Item 11. If you wish to have additional personnel trained, we charge our fees, currently $2,000 per person. (Franchise Agreement, Section 1.5.2.)

6. We provide approximately two weeks (80 hours) of on-site pre-opening and opening training, supervision and assistance at your franchised Sedona Taphouse restaurant. You will bear the cost of the salaries of our training team personnel and their travel and lodging expenses for this training. (Franchise Agreement, Section 1.5.3.)

7. We provide you with advertising and promotional guidelines, materials and lists of suppliers for your grand opening and your ongoing public relations and advertising. (Franchise Agreement, Sections 1.7.2 through 1.7.4.)

8. We provide such other assistance and support as we may deem necessary or desirable to assist you with the launch of your Sedona Taphouse restaurant franchised business.

During Operation

During the operation of the franchised business, we will provide the following assistance:

1. Provide you with amendments and revisions that we choose to make to the manual. (Franchise Agreement, Section 1.4.2.)

2. Invite you to any mandatory or optional training or refresher courses that we offer to franchisees. We do not charge for refresher courses that we require your personnel to attend, but you must pay the travel and living expenses and the salaries of your personnel. We also provide training for additional and replacement managers and other employees at your request, in which case you will pay our then-current fees and expenses. (Franchise Agreement, Sections 1.5.4, 1.5.5. and 1.5.6.)

3. Provide any modifications to our standards and lists of approved suppliers and distributors for your use in the acquisition of equipment, inventory, materials, supplies and furnishings for your franchised restaurant, to facilitate your compliance with our requirements. (Franchise Agreement, Section 1.3.)

4. Provide you with any in-store POS advertising materials, and updates to our toolkit of approved local advertising, that we make from time to time. (Franchise Agreement, Section 1.7.4)

5. Review all advertising materials you submit to us for your use in local advertising. (Franchise Agreement, Section 1.7.4.)

6. Maintain and administer regional or national advertising, public relations and marketing designed to promote and enhance all Sedona Taphouse restaurant businesses, to the extent such activities are commercially reasonable given the number and locations of the restaurants. You must participate in all system-wide promotions and advertising campaigns. We will administer the marketing and support fund, and cooperatives if they are formed, as described below. (Franchise Agreement, Section 1.7.5.)

7. Maintain a website to advertise and promote Sedona Taphouse restaurant businesses. Your location will be included in a list of Sedona Taphouse restaurant locations on the Sedona Taphouse restaurant website. (Franchise Agreement, Section 1.8.)

8. Cause our representatives to be available to you at all reasonable times for consultation by telephone or other remote communication methods concerning all aspects of operating the franchised business, upon reasonable notice. We may charge you a reasonable fee for providing assistance at the restaurant at your request. (Franchise Agreement, Section 1.5.7.)

9. Provide regular operational reviews and advise you from time to time regarding the operation of the Franchised Business based on reports you submit to us and inspections we make, to ensure your compliance with the System Standards and to recommend improvements. (Franchise Agreement, Section 1.5.7.)

Advertising

Marketing and Support Fund

You will be required to pay marketing fees, at the same time that you pay your royalty fee, into a marketing and support fund that we maintain. The amount of the marketing fee is equal to 1.5% of the gross sales of your restaurant. (Franchise Agreement, Section 2.1.4.)

We use the marketing and support fund to finance our management of regional advertising and any national advertising we may do in the future. We administer the fund. We may establish an entity to operate the marketing and support fund, but we do not now have such an entity.

We account for the fund separately from our other funds and we will not use it to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the marketing and support fund and its programs. (Franchise Agreement, Sections 1.7.6 through 1.7.11.) We do not make financial statements of the fund available for your review. The fund is not audited.

The Marketing and Support Fund will be used to enhance the recognition of the Marks and the patronage of Sedona Taphouse restaurants nationally or regionally. We or our designee will have sole discretion over all matters relating to the Marketing and Support Fund, including without limitation the creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. The marketing and support fund may be used, for example, to pay the costs of producing video, audio and written advertising materials, administering national and regional advertising and engaging advertising, promotion and advertising agencies to assist us, website development and maintenance, toll-free telephone costs, and supporting public relations, market research and other advertising, promotion and marketing activities. Such advertising may use any form of media, including direct mail, print ads, radio and television. The source of the advertising may be our in-house advertising department or an outside advertising agency. If we or our affiliates provide in-house advertising department services, we or our affiliates may be reasonably compensated from the marketing and support fund. We will not use the marketing and support fund to sell franchises, although we may use materials financed by the marketing and support fund on the system website (described below), which may advertise the Sedona Taphouse restaurant franchise opportunity. (Franchise Agreement, Section 1.7.7.)

Any amount of marketing fees that we do not spend in the year they accrue are carried forward and included in the following year's marketing budget. (Franchise Agreement, Section 1.7.8.)

Although we will endeavor to use the marketing and support fund to develop advertising programs and to place advertising that will benefit all franchisees, we cannot ensure that expenditures from the marketing and support fund in any geographic area are proportionate or equivalent to contributions to the fund by franchisees operating in the geographic area or that your franchised business will benefit directly or in proportion to your contribution to the fund. (Franchise Agreement, Section 1.7.10.)

Company or affiliate owned Sedona Taphouse restaurant businesses contribute to the marketing and support fund on the same basis as Sedona Taphouse restaurant franchisees.

Marketing funds were spent in 2025 as follows: 15.03% on social media ads, 9.59% on social media technology, 7.14% on evaluation services, 41.84% on marketing director and related payroll, 2.94% on advertising agency, 23.07% on printed ads and the remaining .39% on radio.

We reserve the right to defer, reduce or suspend contributions to the Marketing and Support Fund, and, upon 30 days' prior notice to you, to suspend operations of the Marketing and Support Fund for one or more periods of any length, and to terminate (and, if terminated, to reinstate) the Marketing and Support Fund (and, if suspended, deferred or reduced, to reinstate such contributions). If the Marketing and Support Fund is terminated, all unspent monies, if any, on the date of termination will be distributed to Napa Kitchen and Wine restaurants in proportion to their respective contributions to the Marketing and Support Fund during the preceding twelve-month period.

Advertising Councils and Cooperatives

We have the power to form, change or dissolve advertising councils. (Franchise Agreement, Sections 1.6.14)

We do not currently require you to participate in any local or regional advertising cooperatives. However, we have the right to establish and coordinate cooperative advertising and sales programs, customer satisfaction programs and similar programs from time to time among Sedona Taphouse restaurant franchisees. We may require you to participate in such programs on an equitable basis with other participants. (Franchise Agreement, Section 1.7.12.)

Local Advertising, System-Wide Promotions, and Charity Initiatives

We require you to spend at least 2% of your gross sales on local advertising. You must participate in all system-wide promotions and advertising campaigns. We may also require you to participate in one of our approved local charity initiatives on a monthly basis as part of our overall advertising plan. The amounts you spend on such promotions, campaigns and initiatives will count toward this 2% requirement, except for the Marketing Fees you pay to us. (Franchise Agreement, Section 1.7.3.)

We will create in-store point of sale materials and a toolkit of approved advertising that we will furnish to you for your use. We encourage you to submit your local advertising ideas to our marketing department for creative implementation. You may also develop local advertising materials for your own use, at your own cost, but may only use advertising materials that we have approved. We will endeavor to approve or disapprove the advertising materials within 15 days after we receive it from you, but we are not required to approve independently created advertising. (Franchise Agreement, Section 1.7.4.)

We have the right to advertise Sedona Taphouse franchises on the menu and in your restaurant. (Franchise Agreement, Section 1.7.16.)

Website

We maintain a system website, and we may establish other websites, to advertise, market and promote the Sedona Taphouse restaurants and the Sedona Taphouse restaurant franchise opportunity. We may use the marketing and support fund assets to develop, maintain and update those parts of the system website that promote the Sedona Taphouse restaurants. (Franchise Agreement, Section 1.8.1.)

You must obtain our approval of any materials that you place on the Internet concerning the Restaurant, including any advertising, before you place or disseminate it. We will endeavor to approve or disapprove such advertising within 15 days after we receive it from you. (Franchise Agreement, Sections 1.7.4 and 1.7.13.)

Social Media

We have established social media accounts on Twitter, Facebook and Instagram that are intended to promote the SEDONA TAPHOUSE trademark, your Sedona Taphouse restaurant, and the entire network of Sedona Taphouse restaurants. We will have the sole right to control all aspects of any social media marketing, including those related to your Sedona Taphouse restaurant. (Franchise Agreement Sect. 1.7.14)

Gift Cards

You must participate in our company-wide gift card program, which we may modify or terminate in our discretion. (Franchise Agreement Sect. 1.7.15) We currently use a centralized gift card program

administered by Paytronix. All money from gift card sales at all Sedona Taphouse restaurants is deposited in a central bank account of ours. We do not include revenues from gift card sales in gross sales for the purpose of determining the royalties you owe. When your customer pays at your franchised restaurant using a gift card, we include the amount paid by gift card as part of your Gross Sales for determining royalty fees. Paytronix will remit payments to you once each month for gift cards redeemed at your franchised restaurant. We may sell discount gift cards to some stores, such as Costco. Our payments to you from any such redeemed discount gift cards will also be discounted.

Site Selection

You are responsible for selecting the site for your franchised business. You must independently evaluate and investigate the proposed site, even if it is one that we suggest. Within 90 days after the date of this Agreement, you must deliver to us notice of the proposed Site together with the address and unexecuted copies of either (a) the proposed lease for the Site if you plan to lease it, or (b) the proposed purchase documents for the Site if you plan to purchase it. (Franchise Agreement, Sections 1.2.1 and 1.2.2.) We are not obligated to approve a site that you purchased or leased prior to obtaining our approval of it as the site for the franchise. We may take up to 30 days to approve or disapproval a site that you propose. Our failure to agree with you on a site or to reach agreement in a timely manner can result in your inability to open the restaurant for business within nine months after the date of your franchise agreement, which can result in the termination of your agreement.

In evaluating proposed sites, we may inspect the site, and we may consider a variety of factors, including demographic characteristics, character and attractiveness of the neighborhood, traffic patterns, parking, physical characteristics of existing buildings, lease terms, competing outlets and the proximity to other Sedona Taphouse restaurants.

You will be solely responsible for negotiating and complying with the terms of the lease. We must review the lease before you sign it to ensure that our minimum lease requirements have been met. (Franchise Agreement, Section 1.2.3.) We may condition our approval of the lease upon inclusion in the lease of provisions granting us certain rights upon your default. We are not responsible for reviewing the lease for any terms other than those giving us the rights we require. You should consult with an attorney who is experienced in reviewing commercial leases. You must submit a copy of the signed lease or site purchase agreement to us within 14 days after both parties have signed it. (Sections 1.2.3 and 1.2.4.)

You may not relocate your franchised Sedona Taphouse restaurant without first obtaining our written consent. (Franchise Agreement, Section 1.2.10.) We will consider both the reasons for your requested relocation and the attributes of the proposed new site. Relocation will require a new build-out, renovation to the current standards and design, lease modification, franchise agreement changes and a fee to cover our costs and expenses.

Time of Opening

We estimate that the time from the signing of the franchise agreement or the first payment of any amount to us and the opening your franchised business will be approximately 10 to 12 months. The time of opening will depend on the time necessary to negotiate the lease and obtain financing and the permits and licenses for the construction and operation of the restaurant. This time may also depend on the time required to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors.

We may terminate the franchise agreement if you do not open the restaurant for business within 12 months after the date of your franchise agreement. However, we will not unreasonably withhold our consent to your request for a three-month extension if, as of the 12-month mark, you are taking all

reasonable steps to open the restaurant in a timely manner and you are otherwise not in breach of the agreement. (Franchise Agreement, Sections 1.2.9 and 5.2.2.3.)

Computer and Point of Sale Systems

We currently require you to purchase the Toast point of sale ("POS") system and the other software as a service programs specified in Item 8 of this disclosure document, on pages 15 and 16. We may also specify the brands and models of computers, monitors, tablets and printers you must use, but we do not do so currently. Any computer equipment you use must be industry-standard and meet our specifications. You may obtain this equipment from any vendor so long as the vendors and models meet our requirements. (Franchise Agreement, Section 1.3.8.)

Your system must be Internet-connected via broadband at all times and interfaced with our system to enable us to electronically access your daily receipts figures from our headquarters at any time. In other words, we will have independent access to the information generated and stored in your cash register or computer systems. (Franchise Agreement, Sections 1.3.9 and 1.3.10.)

You must pay a third-party vendor to maintain your computer system. Several updates and upgrades may be required during the term of your franchise agreement, and any such updates or upgrades will be at your expense. We cannot estimate the future cost of maintaining, updating or upgrading your computer or point of sale systems or their components. It will depend on the local costs of computer maintenance services in your area and technological developments that we cannot predict. We have no contractual obligation with any third party to maintain or upgrade your computer system, but we may require upgrades in accordance with the terms of the franchise agreement. There is no limitation on the frequency or cost of such upgrades.

The cost of the required computer equipment is approximately $14,000 to $20,000.

Training Program

Before you sign the franchise agreement, you must identify and obtain our approval of an operating manager acceptable to us who will supervise the operation of the business. If you are a sole proprietor, you are the operating manager. (Franchise Agreement, Section 1.5.1.)

Before you open your franchised restaurant for business, we require your operating manager and at least two other managers from your business (so 3 total) to attend and complete our initial six-week training program to our satisfaction. (Franchise Agreement, Section 1.5.2.) We conduct this training at one of our company or affiliate locations in Richmond, Virginia. You must pay the compensation and travel, lodging and meal expenses of your managers who attend the initial training.

If any of the three required people who attend initial training does not satisfactorily complete the initial training program or if we determine that any such person cannot satisfactorily complete the training program, you will be required to designate a replacement to satisfactorily complete the training. If your Sedona Taphouse restaurant has been operating and your operating manager ceases active management or work at your business, then a replacement operating manager acceptable to us must be appointed and trained to our satisfaction within 30 days. (Franchise Agreement, Section 1.5.6.)

We will charge an additional fee of $350 per day per employee plus travel and living expenses for our personnel if we provide any training at your request that is not mandatory. We do not charge for training related to the introduction of new or updated products, classes, methods or procedures, or for refresher courses or other mandatory training unless we require training because your personnel are not meeting our standards. If any review indicates noncompliance with any system standards or if we receive negative

customer feedback, we may require previously trained and experienced managers and employees to attend refresher training courses at such times and locations as we designate, and we may send our personnel to your franchised business for training. In these cases, we may also charge a fee, currently $350 per day per employee, plus travel and living expenses for our personnel. (Franchise Agreement, Section 1.5.4.) If we do not charge for training, you must nevertheless pay the travel and living expenses and salaries of your personnel who attend. Refresher courses will take place at one of our company or affiliate locations in Virginia. The duration, frequency and content of refresher courses will be similar to the initial training program described below.

We seek to complete the initial training approximately four weeks before the projected opening date of your franchise, and your managers must complete it at least ten days before the opening date. Scheduled refresher training will be available before the opening date.

Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the system, the numbers of replacement personnel who need training and the timing of the scheduled openings of Sedona Taphouse restaurants.

The instructional materials consist of our manual and other materials we prepare for this program, including videos, advertising materials and detailed protocols, checklists and reports.

Abdel Rafai, our Vice President of Operations, is the lead instructor for our training program. Mr. Rafai has about 30 years of experience in operating restaurants, including serving as a joint venture partner with Carrabba's Italian Grill for over 10 years, overseeing multiple restaurants within a geographic region. Since 2016 he has overseen operations of the Sedona Taphouse and Napa Kitchen and Wine restaurants operated by our affiliates. In addition, our instructors with regard to discrete aspect of food preparation and service generally have at least five years of experience in the subjects they teach, and at least two years of experience working in our company or one of our affiliates.

The following table provides detailed information about the initial training program.

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TRAINING PROGRAM

Subject	*Hours of Classroom Training*	*Hours of On-the-Job Training*	*Location*
Front of House			
Orientation	1	0	Richmond, VA
Host	0	22	Richmond, VA
Server	3	41	Richmond, VA
Bartender	2	42	Richmond, VA
Server Back/Bar Back	0	11	Richmond, VA
Back of House			
Prep/Dish	1	10	Richmond, VA
Prep/Salad	1	32	Richmond, VA
Prep/Pizza	0	33	Richmond, VA
Prep/Grill	0	44	Richmond, VA
Prep/Saute	0	44	Richmond, VA
Prep/Captain	0	44	Richmond, VA
Line Float	0	11	Richmond, VA
Manager			
Culinary manager/Kitchen operations	0	55	Richmond, VA
Operations manager	0	55	Richmond, VA
Total	8	444	

For clarity, your general manager and assistant general manager must complete 8 weeks of training, over approximately 56 hours per week concerning all of the subjects specified above. The kitchen manager will have to complete 5 weeks of training, with roughly the same weekly schedule, for the Back of House and Culinary Manager/Kitchen operations aspects of the training.

We may require that any or all of your managers attend refresher courses, seminars, and other training programs periodically.

We also provide approximately two weeks (80 hours) of on-site pre-opening and opening training, supervision and assistance at your franchised Sedona Taphouse restaurant. You will bear the cost of the salaries of our training team personnel and their travel and lodging expenses for this training.

You must also ensure that your employees receive the following training at your cost:

- Food handlers must complete a required course in food safety and handling either locally or through our approved online training.

- Managers must successfully complete a managers' food safety and certification course such as ServSafe.

- Front of house personnel, servers and bartenders must also attend and pass alcohol training.

Item 12

TERRITORY

Franchise Agreement

You will receive a territory for your franchise, which it typically defined as a radius around your approved site. The size of the territory will range from a radius of one mile in urban areas to a radius of five miles in suburban areas. Within this territory, we will not establish another Sedona Taphouse restaurant, whether franchised or company-owned.

We retain the right to establish Sedona Taphouse restaurants in non-traditional venues such as airports, hotels and resorts, military installations, school and university campuses, casinos, theme parks and sports stadiums, within or outside your territory. (Franchise Agreement, Section 1.1.6.2.)

Because we have the right to establish Sedona Taphouse restaurants in non-traditional venues, 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.

In the event that we merge with, acquire or are acquired by another company that competes with us, we and our affiliates reserve the right to offer and sell and authorize others to offer and sell competing products and services under any other names and marks while your franchise agreement is in effect.

You may not relocate the business without obtaining our prior written consent. (Franchise Agreement, Section 1.2.10.)

You may not market or sell outside of your territory in any manner or do any social media or Internet advertising without our prior written approval, which we may withhold in our discretion.

You do not receive the right to acquire additional franchises or to establish or operate another Sedona Taphouse restaurant business unless you enter into a separate franchise agreement with us.

There is no minimum sales quota.

Multi-Unit Franchise

Under the multi-unit offering, we assign a defined geographic area (the “Development Area”) within which you will have the right to develop and operate a specified number of Sedona Taphouse restaurants within a specified period of time. The territory will typically be large enough to accommodate at least three Sedona Taphouse restaurants, based on our market studies. We intend to grant multi-unit agreements for territories that encompass either a section of a state comprised of multiple counties or an entire state. It will be described in Schedule A of your multi-unit agreement. For each Sedona Taphouse restaurant you open under the multi-unit agreement, promptly after our approval of the site for the Sedona Taphouse restaurant, you must sign a separate Franchise Agreement in the then-current form. We call multi-unit franchisees “developers”.

We retain the right to establish Sedona Taphouse restaurants in non-traditional venues such as airports, hotels, military installations and sports stadiums, within or outside your Development Area. Except for non-traditional venues, during the term of the multi-unit agreement we will not open or operate a Sedona Taphouse restaurant in your Development Area and we will not grant to any other person or entity the right to open or operate a Sedona Taphouse restaurant in your Development Area.

Because we have the right to establish Sedona Taphouse restaurants in non-traditional venues, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We also retain the right to acquire and operate, or be acquired by, any company. In the event that we merge with, acquire or are acquired by another company that competes with us, we reserve the right to offer and sell and authorize others to offer and sell competing products and services under any other names and marks while your multi-unit agreement is in effect.

In order for you to maintain your rights in the Development Area under the multi-unit agreement, you must meet the minimum requirements contained in Schedule B of the agreement (the development schedule). The development schedule requires that the specified minimum number of Sedona Taphouse restaurants be opened by defined dates during the term of the agreement. The development requirements are determined based on our market studies of the territory and our discussions with you. The smallest development schedule will typically call for the development of at least three Sedona Taphouse restaurants over a period of three years. Your failure to adhere to the development schedule gives us the right to terminate the multi-unit agreement upon notice to you with immediate effect. (Multi-Unit Agreement, Section 5.2.1.2.) Your failure to adhere to the development schedule also gives us the right, instead of terminating the agreement, to reduce the size of your territory or reduce the number of Sedona Taphouse restaurants to be opened. (Multi-Unit Agreement, Section 5.3.2.)

Your multi-unit agreement will expire on the date that the last franchised restaurant required by your development schedule opens for business or, if sooner, the date it was required to be opened for business. (Multi-Unit Agreement, Section 5.1.) Your territorial rights within the Development Area end when the multi-unit agreement expires; however, you will retain the territory rights for each restaurant that you own that operates under a franchise agreement with us.

You do not receive the right to acquire additional territories, or to develop franchises outside of your territory, unless you enter into another multi-unit agreement or Franchise Agreement with us.

Item 13

TRADEMARKS

We grant you the right to operate a franchise under the name SEDONA TAPHOUSE and the logo shown on the cover of this disclosure document. You may also use our other current or future Marks in the operation of your franchise. By Marks we mean trade names, trademarks, service marks and logos used to identify your Sedona Taphouse restaurant franchised business.

Our affiliate, DJB Hospitality, LLC, owns the following trademarks, which are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	***Registration No.***	***Registration Date***
SEDONA TAPHOUSE	4,133,037	April 24, 2012
STH SEDONA TAPHOUSE vertical logo	4,695,293	March 3, 2015
SEDONA TAPHOUSE & Mountain Design	4,695,294	March 3, 2015

We have a license from DJB Hospitality, LLC to use these Marks in our franchise business. DJB Hospitality, LLC has filed all required affidavits and renewals as they have come due and intends to continue to do so.

There are no agreements currently in effect that significantly limit our right to use or license the trademarks in any manner material to the franchise. We know of no infringing uses that could materially affect your use of the Marks.

There are no determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending interference, opposition or cancellation proceedings or pending material litigation involving any of the Marks that is relevant to their ownership or use in the states in which the franchised business is to be located.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You are not permitted to communicate with any person other than us or our designated affiliate, their counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or Patent and Trademark Office or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must execute any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or Patent and Trademark Office or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity having an interest in the Marks. (Franchise Agreement, Section 3.1.5.)

We will indemnify you against and reimburse you for all damages for which you are held liable for your use of any of the Marks, provided that your conduct in the proceeding and your use of the Marks is in full compliance with the terms of the franchise agreement. (Franchise Agreement, Section 6.2.2.)

Except as stated above, we are not obligated by the franchise agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must execute any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our rights in and to the Marks. (Franchise Agreement, Sections 3.1.2 and 3.1.3.)

You may not own a domain name that includes "Sedona Taphouse". You must use only such email addresses as we authorize, and you must comply with policies we establish from time to time for your use of email and any web portal we create. (Franchise Agreement, Sections 1.3.9 and 1.7.13.)

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute Marks if we determine that an addition or substitution will benefit the Sedona Taphouse restaurant franchise system. (Franchise Agreement, Section 3.1.4.)

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any patents that are material to your franchised business or the Sedona Taphouse restaurant franchise system.

We claim all rights and interests, including all copyrights, to the information contained in the manuals, advertising materials, the Sedona Taphouse restaurant website and all our communications to you in writing or otherwise setting forth our standards, requirements, operating procedures or policies relating to the operation of a Sedona Taphouse restaurant franchise, as well as any revisions and additions to these materials and any computer programs or other copyrightable materials we create for use in the restaurant operating system. (Franchise Agreement, Section 3.1.1.) We have not registered the copyrights in any of these materials.

Proprietary Information

Your knowledge of the operation of the franchised business, including the specifications, standards and operating procedures, is derived from information that we disclose to you. This information, including the information contained in the manuals and the information presented during training, is confidential material owned by us. Our confidential information includes our recipes, mixes and preparation methods and serving techniques for beverages, cocktails and food; our methods of operation; our sales and marketing techniques; our planned marketing and advertising programs; the content of our training and assistance; the contents of the Manual; the operating results and financial performance of other restaurant franchisees; all customer lists and other information we receive from you; and user names and passwords allowing access to protected areas on our website or computer network. (Franchise Agreement, Section 3.2.1.)

We also claim ownership of all demographic data and customer lists generated by your activity as a franchisee. (Franchise Agreement, Section 3.2.1.)

You must maintain the absolute confidentiality of this proprietary information during and after the term of the franchise agreement and you cannot disclose, sell or use any such information in any other business or in any manner not specifically authorized or approved in writing by us. (Franchise Agreement, Section 3.2.2.) You may use such information only in furtherance of the franchise business.

Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information, and each owner of your business, if you are a legal entity, must sign a written agreement that contains similar nondisclosure obligations. See Item 15.

You must notify us promptly in writing if you learn about any unauthorized use of our copyrights or proprietary information. We are not obliged to take any action, but we will respond to this information as we think appropriate. (Franchise Agreement, Section 3.1.5.)

All improvements in the Sedona Taphouse restaurant system that you develop will become our property. We will have the sole right to protect such improvements in our name or in the name of any of our affiliates by means of copyright, patent, trade secret or trademark law. (Franchise Agreement, Section 1.4.3.) You must promptly disclose all such improvements to us.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your operating manager must devote his or her full time, attention and effort to the franchised business and provide direct, day-to-day supervision of the operation. You must obtain our advance approval of any operating manager who you propose to designate. If you are a sole proprietor, you are the operating manager. (Franchise Agreement, Section 1.5.1.)

Before your Sedona Taphouse restaurant opens for business, we require that your operating manager and two other managers from your company attend and complete our initial training program to our satisfaction. (Franchise Agreement, Section 1.5.2. See Item 11.)

If at any time your Sedona Taphouse restaurant is not being managed by an operating manager who has attended and completed our initial training program to our satisfaction, we are authorized, but not required, to appoint a manager to maintain operations on your behalf. (Franchise Agreement, Section 1.5.6.) Our appointment of a manager does not relieve you of your obligations under the franchise agreement. We will not be liable for any debts, losses, costs or expenses incurred during any period in which we manage the franchised business. We have the right to charge a reasonable service fee for such management services, the current amount of which is $2,000 per day, and we may cease providing such services at any time. (Franchise Agreement, Section 4.2.8.)

If you are a legal entity such as a corporation or limited liability company rather than an individual or general partnership, then each owner of 10% or more ownership in your company must sign a guaranty and assumption of obligations in the form of Exhibit F2. (Franchise Agreement, Section 1.1.7.) Any breach of this guaranty by any such owner will be deemed a breach of this Agreement.

Each manager of your franchised business and each person who receives training from us or otherwise has access to our confidential information who has not signed the guaranty described in the preceding paragraph must sign a written confidentiality and noncompetition agreement with your company in a form acceptable to us, subject to any restrictions on such agreements imposed by the laws of the state where you operate the franchise. Any breach of such an undertaking by any such person will be deemed a breach of the franchise agreement. (Franchise Agreement, Section 1.5.8)

We do not impose any other restrictions on your managers.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale in your franchised business all of the beverages, cocktails and food items that we specify, and you may not sell any products or services that we do not specify or approve. You must sell all the food and beverage products that are included on menus prescribed or approved by us. You must follow our recipes for all menu items. You may not sell in the franchised business any products or services we do not specify or approve. (Franchise Agreement, Section 1.1.4.) You must prepare and serve these products in accordance with our requirements. You must not deviate from our standards and specifications without first obtaining our written consent. Upon notice from us given at any time, you must discontinue offering for sale any items, products or services we may disapprove of or discontinue.

The primary business of each franchise is that of an upscale, full-service, sit-down restaurant. Your

franchised business may also offer catering, take-away, delivery and special events within the Territory, provided that all receipts from such sales are processed through the point-of-sale system described in Item 11. (Franchise Agreement, Section 1.1.5.)

We can, and expect to, modify our required products, standards and specifications as we deem necessary or desirable. (Franchise Agreement, Sections 1.1.4 and 1.4.2.) There are no limits on our right to do so except that our requirements must stay within the scope of an upscale, full-service, sit-down restaurant.

There are no restrictions regarding customers you may service.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	***Sections in the Franchise Agreement ("FA") and the Multi-Unit Agreement ("MUA")***	***Summary***
a. Length of the franchise term	FA: Section 5.1.1 MUA: Section 5.1	FA: Ten years, or the end date of your lease if it is for a shorter period of time. MUA: Until the last unit in the development schedule opens or is required to open.
b. Renewal or extension of the term	FA: Section 5.1.2 MUA: Section 5.1	FA: Upon expiration of the initial term, you may renew for a term of ten years. MUA: None
c. Requirements for you to renew or extend	FA: Sections 2.1.6.8 and 5.1.2 MUA: Not applicable	FA: Notify us of your desire to renew 12-24 months before the end of the term; repair and update equipment and premises; and sign a new franchise agreement which may contain materially different terms and conditions than your original contract. We may require you to sign a release. You must also pay a renewal fee equal to 25% of the then-current initial franchise fee.

Provision	*Sections in the Franchise Agreement ("FA") and the Multi-Unit Agreement ("MUA")*	*Summary*
d. Termination by you	FA: Section 5.2.1 MUA: Not applicable	FA: You may terminate if we materially breach the franchise agreement and fail to cure after notice from you. You may also terminate the agreement on any grounds available by law.
e. Termination by us without cause	FA: Not applicable MUA: Not applicable	
f. Termination by us with cause	FA: Sections 5.2.2 and 5.2.3 MUA: Section 5.2	FA: We can terminate only if you default. MUA: We can terminate only if you default.
g. "Cause" defined — defaults that can be cured	FA : Sections 5.2.2.4, 5.2.2.9, 5.2.2.11, 5.2.2.12, 5.2.2.14, and 5.2.3 MUA : Section 5.2.2	FA: You have 12 hours from our delivery of notice to remove objectionable social media content; You have 72 hours to cure noted violations of health or safety laws or standards; You have 5 days to cure our noted failure by you to pay us or any suppliers of the restaurant; You have 10 days to cure your noted failure to maintain insurance that we require; You have 15 days from notification of your failure to comply with any law or regulation, other than health and safety laws; You have 30 days to cure any agreement breach not noted above or in subpart "h" below. MUA: You have 30 days to cure any agreement breach not noted above or in subpart "h" below.
h. "Cause" defined — non-curable defaults	FA: Section 5.2.2, except for subsections noted in subpart "g" above MUA: Section 5.2.1	FA: Misrepresentation to us; failure to successfully complete training; failure to open the business within the required time; unauthorized disclosure of confidential information; unauthorized use of Marks; attempted transfer without our approval; failure to pay taxes; failure to maintain competent, conscientious and trained staff; failure to complete transfer of controlling owner's interest in the franchise within 12 months of person's death or 6 months from permanent disability; criminal conviction; bankruptcy or insolvency; abandonment of the business; lease default that you fail to cure within time provided by lease; lose right to possess approved restaurant location and

Provision	*Sections in the Franchise Agreement ("FA") and the Multi-Unit Agreement ("MUA")*	*Summary*
		do not relocate to a site we approve; default under another Sedona Taphouse restaurant franchise agreement; damage to our goodwill. Termination upon your bankruptcy may not be enforceable under federal bankruptcy law. MUA: False representations to us; failure to meet the Development Schedule; disclosure of confidential information; attempted transfer without our approval; criminal conviction.
i. Your obligations on termination /non-renewal	FA: Section 5.3 MUA: Section 5.3.1	FA: Complete deidentification of the restaurant, return of manuals, payment of amounts due, cancel or assign phone numbers and directory listings to us, as we request; maintain confidentiality, comply with covenant not to compete. If termination due to your default, payment of liquidated damages. MUA: maintain confidentiality, comply with covenant not to compete
j. Assignment of contract by us	FA: Section 4.1 MUA: Section 4.1	FA: No restriction on our right to assign. MUA: No restriction on our right to assign.
k. "Transfer" by you — defined	FA: Section 4.2.2 MUA: Section 4.2.2	FA: Transfer of franchise agreement rights, substantially all assets, operating control over the restaurant, or ownership in your business entity. MUA: Transfer of rights under the multi-unit agreement or ownership change or transfer of franchises.
l. Our approval of a transfer by you	FA: Section 4.2 MUA: 4.2.1	FA: We may withhold our approval to a transfer unless the conditions in Provision "m" below have been met. MUA: Same as franchise agreement.
m. Conditions for our approval of the transfer	FA: Sections 2.1.6.6 and 4.2 MUA: Sections 4.2.1. and 4.2.4	FA: The transferee meets our criteria for Sedona Taphouse restaurant franchisees; you are in compliance; you pay a transfer fee equal to 50% of the then-current initial fee; transferee signs new form of franchise agreement; upgrade and remodel of Restaurant Premises to our then-current standard; you acknowledge continuing confidentiality and noncompete requirements; release of claims

Provision	*Sections in the Franchise Agreement ("FA") and the Multi-Unit Agreement ("MUA")*	*Summary*
		from you; new manager is trained; we approve the terms of the transfer; you notify us of the closing. MUA: At least 50% of the restaurants to be opened under the MUA are open and operating; you transfer control over all such open and operating restaurants to the transferee; the transferee meets our criteria; you are in compliance; $10,000 transfer fee is paid; you acknowledge continuing confidentiality and noncompete requirements; we approve the terms of the transfer; you notify us of the closing.
n. Our right of first refusal to acquire your business	FA: Section 4.3 MUA: Section 4.3	FA: We can match any offer for your business. MUA: We can match any offer for your business.
o. Our option to purchase your business	FA: Section 5.3.2 MUA: Not applicable	FA: On termination or nonrenewal, we may purchase assets of your business at the lesser of their original acquisition cost, book value or fair market value.
p. Your death or disability	FA: Sections 4.2.6 and 4.2.7 MUA: Section 4.2.6	FA: The estate or personal representative must assign the franchise to an approved buyer within 12 months in the event of death, and 6 months in the event of disability. MUA: Same as franchise agreement.
q. Non-competition covenants during the term of the franchise	FA: Section 3.3.2 MUA: Section 3.2.2	FA: No involvement in competing business anywhere in the U.S. or in any other country in which a Sedona Taphouse restaurant operates. MUA: Same as franchise agreement.
r. Non-competition covenants after the franchise is terminated or expires	FA : Section 3.3.3 MUA : Section 3.2.3	FA: No competing business for two years (including after assignment) within 5 miles of any Sedona Taphouse restaurant business at the time the franchise is terminated or expires. MUA: Same as franchise agreement.
s. Modification of the franchise agreement	FA: Sections 1.4 and 7.13 MUA: Section 7.10	FA: No modifications generally unless signed by the parties, but the manual is subject to change. MUA: No modifications unless signed by the parties.

Provision	*Sections in the Franchise Agreement ("FA") and the Multi-Unit Agreement ("MUA")*	*Summary*
t. Integration/merger clause	FA: Section 7.13 MUA: Section 7.10	FA: Only the terms of the signed agreements are binding (subject to applicable law). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable. Our integration/merger clause does not disclaim the representations in this disclosure document. MUA: Same as franchise agreement.
u. Dispute resolution by arbitration or mediation	FA: Not applicable MUA: Not applicable	FA: You and we must try mediation to resolve any disputes, and if that fails then we must use arbitration to resolve disputes, except this does not apply to seeking a preliminary injunction to stop contract violations or trademark infringement. MUA: Same as franchise agreement.
v. Choice of forum	FA: Section 7.12 MUA: Section 7.8	FA: Richmond, Virginia, except as otherwise noted in Exhibit G (subject to applicable state law). MUA: Same as franchise agreement.
w. Choice of law	FA: Section 7.11 MUA: Section 7.7	FA: Virginia law applies except with regard to covenant not to compete, if your state's law is more favorable to enforcing it, and as otherwise noted in Exhibit G (subject to applicable state law). MUA: Same as franchise agreement.

See the state addenda for special state disclosures. (Exhibit G.)

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the

actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dennis Barbaro at DJB Franchising, LLC, 812 Moorefield Drive, Suite 301, Richmond, VA 23236, telephone 804-545-2498, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2023 to 2025

Outlet Type	*Year*	*Outlets at the Start of the Year*	*Outlets at the End of the Year*	*Net Change*
Franchised	2023	13	13	0
	2024	13	14	+1
	2025	14	13	-1
Company-Owned	2023	3	3	0
	2024	3	3	0
	2025	3	3	0
Total Outlets	2023	16	16	0
	2024	16	17	+1
	2025	17	16	-1

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2023 to 2025

State	*Year*	*Number of Transfers*
All States	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table No. 3
Status of Franchised Outlets
For Years 2023 to 2025

State	*Year*	*Outlets at Start of Year*	*Outlets Opened*	*Termina-tions*	*Nonre-newals*	*Reac-quired by Fran-chisor*	*Ceased Op-erations – Other Rea-sons*	*Outlets at End of the Year*
CT	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
KY	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
MI	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
NJ	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
NY	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	1	0	0	0
PA	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
TN	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
VA	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	1	0	0	0	0	4
Total	2023	13	0	0	0	0	0	13
	2024	13	1	0	0	0	0	14
	2025	14	1	0	2	0	0	13

Table No. 4
Status of Company-Owned Outlets
For Years 2023 to 2025

State	*Year*	*Outlets at Start of the Year*	*Outlets Opened*	*Outlets Reac-quired From Franchisee*	*Outlets Closed*	*Outlets Sold to Franchi-see*	*Outlets at End of the Year*
VA	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3
Total	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	0	0	0	0	3

Table No. 5
Projected Openings as of December 31, 2025

State	*Franchise Agreements Signed But Outlet Not Opened*	*Projected New Franchised Outlet in the Next Fiscal Year*	*Projected New Company-Owned Outlet in the Next Fiscal Year*
NY	0	1	0
VA	1	1	0
Total	1	2	0

Exhibit B1 lists the names of all current Sedona Taphouse restaurant franchisees and the addresses and telephone numbers of their outlets as of the date of this disclosure document.

Exhibit B2 lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Exhibit C1 lists, to the extent known, the names, addresses, telephone numbers, email address and Web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed.

Exhibit C2 lists the independent franchisee organizations that have asked to be included in this disclosure document.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that would restrict them from discussing with you their experiences as a franchisee in our franchise system.

Item 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit D are the audited financial statements of DJB Franchising, LLC, which comprise the balance sheets as at December 31, 2025 and 2024, and balance sheets as of December 31, 2024 and 2023, and the related statements of operations and member's equity, and cash flows for the years ended December 31, 2025, 2024 and 2023, and the related notes to the financial statements.

Our fiscal year ends on December 31.

Item 22

CONTRACTS

Exhibit F contains copies of the following contracts:

1. Franchise Agreement
2. Guaranty

3. Lease Addendum
4. Prospective Franchisee Confidentiality and Non-Competition Agreement
5. Multi-Unit Agreement
6. Consent to Transfer Agreement
7. Renewal Addendum
8. ACH Debit Application

Item 23

RECEIPTS

A detachable form for your use to acknowledge your receipt of this disclosure document, including all exhibits, is attached as Exhibit I at the very end of this disclosure document. You must date and sign this receipt and deliver it to us.

EXHIBIT A

STATE ADMINISTRATORS

AND

AGENTS FOR SERVICE OF PROCESS

State	***State Administrator***	***Agent for Service of Process***
California	California Department of Business Oversight One Sansome Street, #600 San Francisco, CA 94104 415-972-8559 320 West 4th Street Suite 750 Los Angeles, CA 90013 213-576-7500 Toll Free 866-275-2677 1515 K Street, Suite 200 Sacramento, CA 95814 916-445-7205 1350 Front Street San Diego, CA 92101 619-525-4233	California Commissioner of Business Oversight
Connecticut	Connecticut Department of Banking Securities and Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 860-240-8109	Banking Commissioner
Hawaii	Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 808-587-2617	Commissioner of Securities
Illinois	Illinois Attorney General Franchise Bureau 500 S. Second Street Springfield, IL 62706 217-782-4465	Attorney General

State	***State Administrator***	***Agent for Service of Process***
Indiana	Indiana Securities Division Secretary of State Indiana Gov't Center South, E-111 Indianapolis, IN 46204 317-232-6681	Secretary of State
Maryland	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360	Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Attorney General's Office Consumer Protection Division 525 W. Ottawa Street 670 Williams Building Lansing, MI 48909 517-373-7117	Attorney General
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 651-539-1600	Commissioner of Commerce
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222	Secretary of State Department of State of New York One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 701-328-4712	Securities Commissioner
Rhode Island	Department of Business Regulation 1511 Pontiac Avenue, Bldg 69-1 Cranston, RI 02920 401-462-9527	Director, Department of Business Regulation

State	***State Administrator***	***Agent for Service of Process***
South Dakota	Department of Labor and Regulation Division of Securities 124 South Euclid, Suite 104 Pierre, SD 57501 605-773-4823	Director of the Division of Securities
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 804-371-9051	Clerk, State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219 804-371-9733
Washington	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 360-902-8760	Director of Financial Institutions
Wisconsin	Wisconsin Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, WI 53701 608-266-8557	Administrator Division of Securities Department of Financial Institutions

EXHIBIT B1

FRANCHISEES

The following is the list of franchises in operation as of the end of our last fiscal year:

State	*Franchisee Name*	*Contact Name*	*Restaurant Address*	*Phone*
KY	JSK Investments LLC	Jatin Shah	1950 Newtown Pike Lexington, KY 40511	859-233-0512
KY	L&L Craft LLC	Alex Ahmadi & Eric Farber	3600 Paloma Center Drive Lexington, KY 40513	973-713-2839
MI	KW Novi Hospitality LLC	Marty Knollenberg & Joseph West	Twelve Oaks Mall 27466 Novi Rd Novi, MI 48377	215-668-8212
MI	Knollenberg Hospital-ity LLC	Martin Knollenberg	198 East Big Beaver Road Troy, MI 48083	248-422-6167
NJ	Anderson Ave LLC	Edward Young & Mendy Zuta	One Towne Center 679 Anderson Avenue Cliffside Park, NJ 07010	201-739-7741
PA	Pad Flite LLC	David Trout & Peter Shivery	131 Bridge Street #5 Phoenixville, PA 19460	215-668-8212
PA	Pad WC LLC	David Trout & Peter Shivery	44 West Gay St., 1st Floor West Chester, PA 19380	215-668-8212
PA	D&L R.E. LLC	David Trout & Lisa Trout	106 Squire Drive Newtown Square, PA 19073	215-668-8212
TN	Broadstone LLC	Alex Ahmadi & Rob Parke	1120 3rd Ave N. Nashville, TN 37208	973-713-2839
VA	CH Sedona Chantilly, LLC	Mitesh S. Amin	4970 Westcroft Boulevard Chantilly, VA 20151	804-400-1322
VA	Red Rock Partners LLC	Wayne Boone	1035 Millmont Street Charlottesville, VA 22903	434-296-2337
VA	CH Sedona Group, LLC	Mitesh S. Amin	435 Charles H. Dimmock Pkwy, Colonial Heights, VA 23834	804-400-1322
VA	CH Sedona Chester, LLC	Mitesh S. Amin	12530 Chestnut Hill Road Chester, VA 23836	804-806-5049

As of the end of our last fiscal year, we have signed a franchise agreement, and the franchisee has signed a lease, for the following location:

VA	STHVAB1, LLC	Vimal Patel Alan Campbell Shivam Amin	2128 Locksley Arch Virginia Beach, VA 23456 **Opened in January 2026**	757-971-8469 (for Vimal)

EXHIBIT B2

FORMER FRANCHISEES

State	*Franchisee Name*	*Contact Name*	*Restaurant Address*	*Phone*	*Closure Reason*
CT	R & J Hospitality Norwalk LLC	Ronald Duckstein & Jeff Hardy	Norwalk, CT	914-672-8442	Non-Renewal
NY	R & B Hospitality Mamaroneck	Ronald Duckstein & Bill Jablonski	Mamaroneck, NY	914-672-8442	Non-Renewal

EXHIBIT C

1. FRANCHISEE ORGANIZATIONS WE HAVE CREATED, SPONSORED OR ENDORSED

None as of the date of this disclosure document.

2. INDEPENDENT FRANCHISEE ASSOCIATIONS

None as of the date of this disclosure document.

EXHIBIT D

FINANCIAL STATEMENTS

DJB Franchising, LLC

Financial Statements

December 31, 2025 and 2024 and 2023

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
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DJB FRANCHISING, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Sole Member of
DJB Franchising, LLC

Opinion

We have audited the accompanying financial statements of DJB Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and member's equity, and cash flows for the years ended December 31, 2025, 2024, and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DJB Franchising, LLC as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years ended December 31, 2025, 2024, and 2023 in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auding standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auding standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



March 24, 2026
Glen Allen, Virginia

DJB FRANCHISING, LLC

Balance Sheets
December 31, 2025 and 2024

Assets

	2025	2024
Current assets:		
Cash	$ 3,217,702	$ 1,980,489
Investments	-	805,068
Royalties receivable	200,434	202,810
Marketing fees receivable	87,422	79,062
Other receivable	2,000	4,078
Due from related parties	623,220	599,664
Note receivable - related party, current	78,417	73,132
Total current assets	4,209,195	3,744,303
Note receivable - related party, net of current portion	507,573	585,990
Property and equipment, net	20,063	9,766
Total assets	$ 4,736,831	$ 4,340,059

Liabilities and Member's Equity

Current liabilities:		
Accounts payable	$ 109,871	$ 62,078
Deferred revenue, current	22,090	25,636
Total current liabilities	131,961	87,714
Deferred revenue, net of current portion	75,289	78,380
Total liabilities	207,250	166,094
Member's equity	4,529,581	4,173,965
Total liabilities and member's equity	$ 4,736,831	$ 4,340,059

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Operations and Member's Equity
Years ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Revenues:			
Franchise royalties	$ 2,364,419	$ 2,171,658	$ 2,175,208
Advertising revenue	811,612	725,094	710,377
Software revenue	56,448	45,918	38,730
Training income	41,979	43,462	-
Franchise fees	26,636	23,293	22,426
Total revenues	3,301,094	3,009,425	2,946,741
Operating expenses:			
Advertising	204,854	212,045	336,280
Professional fees	148,680	39,334	64,458
Training	17,281	31,087	-
Licensing fees	-	-	50,000
Other operating expenses	377,715	407,726	340,246
Depreciation and amortization	4,449	1,721	3,109
Total operating expenses	752,979	691,913	794,093
Operating income	2,548,115	2,317,512	2,152,648
Other income (expense):			
Interest income	61,424	66,831	68,225
Investment income	1,950	34,158	30,232
Other income (expense)	6,641	(12,000)	-
Total other income	70,015	88,989	98,457
Net income	2,618,130	2,406,501	2,251,105
Member's equity, beginning of year	4,173,965	3,680,282	3,516,771
Member's contributions	-	-	19,177
Member's distributions	(2,262,514)	(1,912,818)	(2,106,771)
Member's equity, end of year	$ 4,529,581	$ 4,173,965	$ 3,680,282

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Cash Flows
Years ended December 31, 2025 and 2024, and 2023

	2025	2024	2023
Cash flows from operating activities:			
Net income	$ 2,618,130	$ 2,406,501	$ 2,251,105
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	4,449	1,721	3,109
Gain on sale of property and equipment	(241)	-	-
Investment income	(1,950)	(34,158)	(30,232)
Changes in operating assets and liabilities:			
Franchise fees receivable	-	-	20,000
Royalties receivable	2,376	(18,284)	(1,763)
Marketing fees receivable	(8,360)	(18,076)	(4,954)
Other receivables	2,078	(1,995)	2,278
Due from related parties	(23,556)	6,515	(83,955)
Prepaid expenses	-	-	6,188
Accounts payable	47,793	18,693	(64,954)
Deferred revenue	(6,637)	11,707	(22,426)
Due to related party	-	-	(100,000)
Net cash provided by operating activities	2,634,082	2,372,624	1,974,396
Cash flows from investing activities:			
Purchase of property and equipment	(21,749)	(11,093)	-
Purchase of investments	-	(800,000)	-
Proceeds from sale of property and equipment	7,244	-	-
Proceeds from sale of investments	807,018	762,964	-
Collections of note receivable - related party	73,132	68,202	63,604
Net cash provided by investing activities	865,645	20,073	63,604
Cash flows used in financing activities:			
Member's contributions	-	-	19,177
Member's distributions	(2,262,514)	(1,912,818)	(2,106,771)
Net cash used in financing activities	(2,262,514)	(1,912,818)	(2,087,594)
Net change in cash	1,237,213	479,879	(49,594)
Cash, beginning of year	1,980,489	1,500,610	1,550,204
Cash, end of year	$ 3,217,702	$ 1,980,489	$ 1,500,610

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Notes to the Financial Statements

1. Summary of Significant Accounting Policies:

Description of Business: DJB Franchising, LLC (the "Company"), a wholly-owned subsidiary of DJB Hospitality Holding Co., Inc., was formed as a limited liability company on July 22, 2014 for the express purpose of selling franchises and supporting franchisees as detailed in management's franchise agreements.

The accompanying financial statements report the financial position of the Company as of December 31, 2025 and 2024, and its results of operations and cash flows for the years ended December 31, 2025, 2024, and 2023. These financial statements do not report the financial position, results of operations, and cash flows of DJB Hospitality Holding Co., Inc.

The Company offers the right to own and operate a Sedona Taphouse restaurant at locations throughout the United States. Each Sedona Taphouse restaurant is an upscale beer and food café restaurant featuring multiple taps and a long, revolving list of craft beer brands from around the world, as well as wine and cocktails, and proprietary and confidential food and beverage recipes and related items and services.

The Company may also offer a multi-unit franchise granting the right in a defined geographic area to open and operate a designated number of Sedona Taphouse restaurants within a specified period of time.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Cash: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables: Receivables consist of amounts management expects to collect from franchisees for franchise fees, royalties, and other receivables, net of any allowance for credit losses. The Company's receivables are carried at the original charge amount less an estimate made for uncollectible accounts based on management's estimate of the amount of receivables that will actually be collected. Management closely monitors outstanding balances and provides for uncollectible amounts through a charge to earnings and a credit to an allowance for credit losses.

The Company follows FASB Guidance Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which replaced the incurred loss methodology for estimating credit losses with the current expected credit loss ("CECL") model to estimate credit losses for most financial assets held at amortized cost, including accounts receivables. In estimating the allowance for credit losses, the Company performs an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions.

1. **Summary of Significant Accounting Policies, Continued:**

Receivables, Continued: In 2025, the Company adopted FASB ASU 2025-05 (Topic 326) using the practical expedient permitted for all entities. Accordingly, the Company presumes that the conditions prevailing at the balance sheet date will remain consistent throughout the anticipated lifespan of the receivables. Furthermore, the Company has elected the accounting policy, permitted for other than public business entities only, to consider subsequent cash collections through December 31, 2025 in evaluating the collectability of accounts receivable outstanding as of December 31, 2025. For items collected subsequent to year-end, no allowance for credit loss is recorded. For uncollectible balances, historical loss rate, adjusted for current, known, and specific customer conditions, are applied.

Management has determined that no allowance for credit losses was considered necessary at December 31, 2025 and 2024.

Investments: The Company invested in various securities. Such investments were exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it was at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements. The Company determined the appropriate classification of securities at the date the individual investment securities were acquired. The appropriateness of such classification was reassessed at each balance sheet date.

Securities were carried at fair value. Realized gains and losses on dispositions are based on the net proceeds and the carrying value of the securities sold, using the specific identification method. Unrealized gains and losses on investment securities are based on the difference between book value and fair value of each security. Realized and unrealized gains and losses are reported in the accompanying statements of operations and member's equity.

Property and Equipment: Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed by using the straight-line method based upon the estimated useful lives of the related asset which is five years. Purchases of property and equipment are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Intangible Assets: Intangible assets are stated at cost and relate to a website, software, and trademark acquired for use in franchise operations. The Company has determined that the intangible assets have finite lives and should continue to be amortized on the straight-line method over their expected useful lives of 3 to 10 years. Upon retirement or sale of an asset, the cost and accumulated amortization are removed from the accounts and any gain or loss is reflected in operations. As of December 31, 2024, the intangible assets were fully amortized. Amortization of the Company's intangible assets was $394 in 2024 and $3,109 in 2023.

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition: The Company follows FASB guidance ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Economic factors may impact the nature, amount, and timing of revenue recognition.

Franchise Fees – The Company earns revenue from the sale and support of individual franchises. Each franchisee enters into a franchise agreement whereby the Company licenses the Sedona Taphouse brand to the franchisee and provides on-going franchisee support services. Franchise fees vary by franchisee in accordance with the signed franchise agreement, with franchise fee revenue beginning once the franchisee has opened the specific location. Revenue is recognized with 40% of the franchise fee in the first year of operations, and the remaining 60% recognized equally over the remaining performance obligation, or initial franchise agreement. Franchise fees are recognized over time, beginning upon the franchise's location opening, with remaining fees included as deferred revenue.

Franchise Royalties and Advertising Revenue – The Company earns royalty and advertising fees from its franchisees based on percentages of monthly sales. The sales-based fees are recognized at a point in time as the franchisees' monthly sales occur.

Software Revenue – The Company assesses software revenue from its franchisees for the monthly use of the Company's software for payment processing and monthly reporting. The revenue is recognized at a point in time on a monthly basis.

Training and Consulting Income – The Company provides training services for all franchise locations prior to opening. Training is typically completed just prior to the opening of a franchise. Consulting services are provided upon request of the franchisee and includes services related to restaurant design and planning. Training and consulting services are billed and recognized at a point in time upon completion of the services provided.

The Company follows FASB guidance ASU No. 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*, which provides revenue recognition guidance for pre-opening services provided to franchisees. Under the guidance, a franchisor may account for pre-opening services as distinct from the franchise licensing fees. The Company recognizes pre-opening services as a single performance obligation.

A contract asset is the Company's right to consideration in exchange for goods or services the Company has transferred to a customer. Contract assets include franchise fees, franchise royalties, and advertising revenue due but not paid by franchisees as of year-end. Contract assets were $287,856, $281,872, and $245,512 as of December 31, 2025 and 2024, and 2023, respectively.

1. **Summary of Significant Accounting Policies, Continued:**

Revenue Recognition, Continued: Contract liabilities represent consideration received from a customer before the Company has transferred a good or service to the customer. Contract liabilities include deferred revenue and represent amounts paid from franchisees under franchise agreements to be recognized over time in accordance with the Company's policy as discussed above. Contract liabilities were $97,379, $104,016, and $92,309 as of December 31, 2025, 2024, and 2023, respectively.

Credit Risks and Concentrations: The Company maintains its cash in a financial institution with a balance that occasionally exceeds federally insured limits.

At December 31, 2025, three franchisees accounted for 38% of total franchise fee and royalties receivables. At December 31, 2024, four franchisees accounted for 46% of total franchise fee and royalties receivables. For 2025, five franchisees accounted for 59% of total fees and royalties revenues. For 2024, four franchisees accounted for 50% of total fees and royalties revenues. For 2023, four franchisees accounted for 50% of total fees and royalties revenues.

Advertising: The Company expenses advertising costs as they are incurred. Advertising expense amounted to $204,854 for 2025, $212,045 for 2024, and $336,280 for 2023.

Sales Taxes: The Company's sales are subject to sales tax imposed by various jurisdictions. The Company collects sales tax from customers and remits it to the applicable jurisdictions. The Company excludes the tax collected and remitted from sales and operating expenses.

Income Taxes and Uncertainties: The Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision for income taxes has been provided in these financial statements since all income, losses, deductions and credits are passed to and are reported by the member on the member's respective income tax returns.

Management has evaluated the Company's income tax positions and concluded that the Company has no significant financial statement exposure to uncertain income tax positions at December 31, 2025 and 2024. The Company is not currently under audit by any tax jurisdiction.

Use of Estimates: The preparation of the financial statements in conformity with 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 financial statements and the reported amount of revenues and expenses during the period reported. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies, Continued:

Subsequent Events: Management has evaluated subsequent events through March 24, 2026, the date the financial statements were available to be issued, and has determined that there are no disclosures necessary.

2. Franchise Agreements:

The following is a summary of changes in the number of franchise and sub franchise outlets during 2025, 2024, and 2023:

	2025	2024	2023
Franchised outlets			
In operation			
Beginning of year	14	13	13
Placed in operation during the year	1	1	-
Terminated during the year	(2)	-	-
End of year	13	14	13

In July 2024, the Company entered into a new franchise agreement. The location opened in January 2026.

All franchisees enter into a franchise agreement with the Company. Each agreement has a stated initial term, which is generally five to ten years and is renewable for successive five-year terms. Upon signing of the agreement, each franchisee is required to pay an initial franchise fee for the exclusive use of Sedona Taphouse trademarks and training.

In addition, the franchisee is obligated to pay a royalty fee and advertising fee determined as a percentage of the franchisee's monthly gross sales less taxes.

3. Investments and Fair Value Measurements

The Company follows FASB guidance for measurement and disclosure of fair value which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 — Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 — Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

3. Investments and Fair Value Measurements, Continued

The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Money market fund: Valued at the cash amount.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Company were deemed to be actively traded. As such, the Company classified these investments within Level 1 of the fair value hierarchy.

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

During 2025, the Company liquidated its investment balance, and no investments were outstanding at December 31, 2025. Investments recorded at fair value on a recurring basis measured using Level 1 inputs amounted to $805,068 at December 31, 2024. There were no investments recorded at fair value on a recurring basis measured using Level 2 or Level 3 inputs at December 31, 2024.

4. Property and Equipment:

Property and equipment consisted of the following at December 31:

	2025	2024
Furniture and fixtures	$ 13,875	$ 7,515
Kitchen machinery & equipment	8,145	-
Office machinery & equipment	6,042	6,042
Less accumulated depreciation	(7,999)	(3,791)
	$ 20,063	$ 9,766

Total depreciation expense associated with property and equipment was $4,449 in 2025, $1,327 for 2024, and $0 for 2023.

5. Related Party Transactions:

The Company had related party transactions with DJB Hospitality, LLC ("DJB Hospitality"), an entity which is also wholly-owned by the sole member of the Company. The Company was granted use rights of the Sedona Taphouse trademark and intellectual property in the marketing, sale, and provisions of franchises to the franchisees. The license required semi-annual payments of $25,000, beginning July 1, 2016, which was recorded as a licensing fee expense in the statements of operations and member's equity. The agreement was terminated in 2024. There was no expense for 2025 and 2024. The expense amounted to $50,000 for 2023. The Company also collects marketing revenue from franchisees, which is commonly redistributed to DJB Hospitality for shared expenses. The Company did not redistribute any shared services in 2025, 2024, or 2023.

From time to time, the Company makes advances to related parties for varying amounts. Except as noted below, there are no terms of repayment or agreement related to the advances as of December 31, 2025. Outstanding balances were $623,220 at December 31, 2025 and $599,664 at December 31, 2024 which were included in due from related parties on the accompanying balance sheets. Interest income amounted to $43,144 for 2025, $48,074 for 2024, and $52,672 for 2023.

During March 2022, the Company entered into a note receivable agreement with NKW1, LLC, a related party, for $835,800. The agreement includes monthly installments of $9,690 over 120 months, and interest on unpaid principal payments of 7% per annum. The outstanding balance on the related party note receivable was $585,990 at December 31, 2025 and $659,122 at December 31, 2024. Interest income was $43,144 and $48,074 during 2025 and 2024, respectively, and is included in interest income on the statements of operations and member's equity.

At times, the Company may make payments for entities related through common ownership, or have payments made on their behalf. At December 31, 2025 and 2024, the following amounts were reflected in the accompanying balance sheets:

	2025	2024
Due from related parties:		
NKW1, LLC	$ 473,772	$ 473,773
NKW Franchising, LLC	80,021	56,464
DJB Catering, LLC	69,427	69,427
	$ 623,220	$ 599,664

DJB Franchising, LLC

Financial Statements

December 31, 2024 and 2023 and 2022

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DJB FRANCHISING, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Sole Member of
DJB Franchising, LLC

Opinion

We have audited the accompanying financial statements of DJB Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and member's equity, and cash flows for the years ended December 31, 2024, 2023, and 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DJB Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023, and 2022 in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auding standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auding standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



April 9, 2025
Glen Allen, Virginia

DJB FRANCHISING, LLC

Balance Sheets
December 31, 2024 and 2023

Assets

	2024	2023
Current assets:		
Cash	$1,980,489	$1,500,610
Investments	805,068	733,874
Royalties receivable	202,810	184,526
Marketing fees receivable	79,062	60,986
Other receivable	4,078	2,083
Due from related parties	599,664	606,179
Note receivable - related party, current	73,132	68,201
Total current assets	3,744,303	3,156,459
Note receivable - related party, net of current portion	585,990	659,123
Property and equipment, net	9,766	-
Intangible assets, net	-	394
Total assets	$4,340,059	$3,815,976

Liabilities and Member's Equity

Current liabilities:		
Accounts payable	$ 62,078	$ 43,385
Deferred revenue, current	25,636	21,959
Total current liabilities	87,714	65,344
Deferred revenue, net of current portion	78,380	70,350
Total liabilities	166,094	135,694
Member's equity	4,173,965	3,680,282
Total liabilities and member's equity	$4,340,059	$3,815,976

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Operations and Member's Equity
Years ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Revenues:			
Franchise royalties	$2,171,658	$2,175,208	$2,158,265
Advertising revenue	725,094	710,377	528,414
Software revenue	45,918	38,730	36,853
Training income	43,462	-	-
Franchise fees	23,293	22,426	45,469
Total revenues	3,009,425	2,946,741	2,769,001
Operating expenses:			
Advertising	212,045	336,280	192,674
Professional fees	39,334	64,458	47,691
Training	31,087	-	500
Licensing fees	-	50,000	50,000
Other operating expenses	407,726	340,246	309,390
Depreciation and amortization	1,721	3,109	13,257
Total operating expenses	691,913	794,093	613,512
Operating income	2,317,512	2,152,648	2,155,489
Other income (expense):			
Interest income	66,831	68,225	46,064
Investment income	34,158	30,232	4,476
Other expense	(12,000)	-	-
Total other income	88,989	98,457	50,540
Net income	2,406,501	2,251,105	2,206,029
Member's equity, beginning of year	3,680,282	3,516,771	2,434,366
Member's contributions	-	19,177	-
Member's distributions	(1,912,818)	(2,106,771)	(1,123,624)
Member's equity, end of year	$4,173,965	$3,680,282	$3,516,771

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Cash Flows
Years ended December 31, 2024 and 2023, and 2022

	2024	2023	2022
Cash flows from operating activities:			
Net income	$2,406,501	$2,251,105	$2,206,029
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	1,721	3,109	13,257
Investment income	(34,158)	(30,232)	(4,476)
Changes in operating assets and liabilities:			
Franchise fees receivable	-	20,000	6,182
Royalties receivable	(18,284)	(1,763)	(2,966)
Marketing fees receivable	(18,076)	(4,954)	(9,577)
Other receivables	(1,995)	2,278	(4,361)
Due from related parties	6,515	(83,955)	707,517
Prepaid expenses	-	6,188	144
Accounts payable	18,693	(64,954)	9,611
Deferred revenue	11,707	(22,426)	(25,469)
Due to related party	-	(100,000)	33,950
Net cash provided by operating activities	2,372,624	1,974,396	2,929,841
Cash flows from investing activities:			
Purchase of property and equipment	(11,093)	-	-
Purchase of investments	(800,000)	-	(699,166)
Proceeds from sale of investments	762,964	-	-
Issuance of note receivable - related party	-	-	(835,800)
Collections of note receivable - related party	68,202	63,604	44,872
Net cash provided by (used in) investing activities	20,073	63,604	(1,490,094)
Cash flows from financing activities:			
Member's contributions	-	19,177	-
Member's distributions	(1,912,818)	(2,106,771)	(1,123,624)
Net cash used in financing activities	(1,912,818)	(2,087,594)	(1,123,624)
Net change in cash	479,879	(49,594)	316,123
Cash, beginning of year	1,500,610	1,550,204	1,234,081
Cash, end of year	$1,980,489	$1,500,610	$1,550,204

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Notes to the Financial Statements

1. Summary of Significant Accounting Policies:

Description of Business: DJB Franchising, LLC (the "Company") was formed as a limited liability company on July 22, 2014 for the express purpose of selling franchises and supporting franchisees as detailed in management's franchise agreements.

The Company offers the right to own and operate a Sedona Taphouse restaurant at locations throughout the United States. Each Sedona Taphouse restaurant is an upscale beer and food café restaurant featuring multiple taps and a long, revolving list of craft beer brands from around the world, as well as wine and cocktails, and proprietary and confidential food and beverage recipes and related items and services.

The Company may also offer a multi-unit franchise granting the right in a defined geographic area to open and operate a designated number of Sedona Taphouse restaurants within a specified period of time.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Cash: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables: Receivables consist of amounts management expects to collect from franchisees for franchise fees, royalties, and other receivables, net of any allowance for credit losses. The Company's receivables are carried at the original charge amount less an estimate made for uncollectible accounts based on management's estimate of the amount of receivables that will actually be collected. Management closely monitors outstanding balances and provides for uncollectible amounts through a charge to earnings and a credit to an allowance for credit losses.

The Company follows FASB guidance Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, for estimating credit losses with the current expected credit loss ("CECL") model for most financial assets held at amortized cost, including accounts receivable. This model requires entities to consider a wide range of information when estimating credit losses, including historical loss information, current conditions, and reasonable and supportable forecasts. Under the CECL model, the allowance for credit losses on financial assets reflects management's estimate of credit losses over the remaining expected life of the assets. Management has determined that no allowance for credit losses was considered necessary at December 31, 2024 and 2023.

1. Summary of Significant Accounting Policies, Continued:

Investments: The Company invests in various securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements. The Company determines the appropriate classification of securities at the date the individual investment securities are acquired. The appropriateness of such classification is reassessed at each balance sheet date.

Securities are carried at fair value. Realized gains and losses on dispositions are based on the net proceeds and the carrying value of the securities sold, using the specific identification method. Unrealized gains and losses on investment securities are based on the difference between book value and fair value of each security. Realized and unrealized gains and losses are reported in the accompanying statements of operations and member's equity.

Property and Equipment: Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed by using the straight-line method based upon the estimated useful lives of the related asset which is five years. Purchases of property and equipment are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Intangible Assets: Intangible assets are stated at cost and relate to a website, software, and trademark acquired for use in franchise operations. The Company has determined that the intangible assets have finite lives and should continue to be amortized on the straight-line method over their expected useful lives of 3 to 10 years. Upon retirement or sale of an asset, the cost and accumulated amortization are removed from the accounts and any gain or loss is reflected in operations.

Revenue Recognition: The Company follows FASB guidance ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Economic factors may impact the nature, amount, and timing of revenue recognition.

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued: Franchise Fees – The Company earns revenue from the sale and support of individual franchises. Each franchisee enters into a franchise agreement whereby the Company licenses the Sedona Taphouse brand to the franchisee and provides on-going franchisee support services. Franchise fees vary by franchisee in accordance with the signed franchise agreement, with franchise fee revenue beginning once the franchisee has opened the specific location. Revenue is recognized with 40% of the franchise fee in the first year of operations, and the remaining 60% recognized equally over the remaining performance obligation, or initial franchise agreement. Franchise fees are recognized over time, beginning upon the franchise's location opening, with remaining fees included as deferred revenue.

Franchise Royalties and Advertising Revenue – The Company earns royalty and advertising fees from its franchisees based on percentages of monthly sales. The sales-based fees are recognized at a point in time as the franchisees' monthly sales occur.

Software Revenue – The Company assesses software revenue from its franchisees for the monthly use of the Company's software for payment processing and monthly reporting. The revenue is recognized at a point in time on a monthly basis.

Training and Consulting Income – The Company provides training services for all franchise locations prior to opening. Training is typically completed just prior to the opening of a franchise. Consulting services are provided upon request of the franchisee and includes services related to restaurant design and planning. Training and consulting services are billed and recognized at a point in time upon completion of the services provided.

The Company follows FASB guidance ASU No. 2021-02, *Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*, which provides revenue recognition guidance for pre-opening services provided to franchisees. Under the standard, a franchisor may account for pre-opening services as distinct from the franchise licensing fees. The Company recognizes pre-opening services as a single performance obligation.

A contract asset is the Company's right to consideration in exchange for goods or services the Company has transferred to a customer. Contract assets include franchise fees, franchise royalties, and advertising revenue due but not paid by franchisees as of year-end. Contract assets were $281,872, $245,512, and $258,795 as of December 31, 2024 and 2023, and 2022, respectively.

Contract liabilities represent consideration received from a customer before the Company has transferred a good or service to the customer. Contract liabilities include deferred revenue and represent amounts paid from franchisees under franchise agreements to be recognized over time in accordance with the Company's policy as discussed above. Contract liabilities were $104,016, $92,309, and $114,735 as of December 31, 2024 and 2023, and 2022, respectively.

1. Summary of Significant Accounting Policies, Continued:

Credit Risks and Concentrations: The Company maintains its cash in a financial institution with a balance that occasionally exceeds federally insured limits.

At December 31, 2024, four franchisees accounted for 46% of total franchise fee and royalties receivables. At December 31, 2023, four franchisees accounted for 51% of total franchise fee and royalties receivables. For 2024, fourteen franchisees accounted for 100% of total fees and royalties revenues. For 2023 and 2022, thirteen franchisees accounted for 100% of total fees and royalties revenues.

Advertising: The Company expenses advertising costs as they are incurred. Advertising expense amounted to $212,045 for 2024, $336,280 for 2023, and $192,674 for 2022.

Sales Taxes: The Company's sales are subject to sales tax imposed by various jurisdictions. The Company collects sales tax from customers and remits it to the applicable jurisdictions. The Company excludes the tax collected and remitted from sales and operating expenses.

Income Taxes and Uncertainties: The Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision for income taxes has been provided in these financial statements since all income, losses, deductions and credits are passed to and are reported by the member on the member's respective income tax returns.

Management has evaluated the Company's income tax positions and concluded that the Company has no significant financial statement exposure to uncertain income tax positions at December 31, 2024 and 2023. The Company is not currently under audit by any tax jurisdiction.

Use of Estimates: The preparation of the financial statements in conformity with 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 financial statements and the reported amount of revenues and expenses during the period reported. Actual results could differ from those estimates.

Subsequent Events: Management has evaluated subsequent events through April 9, 2025, the date the financial statements were available to be issued, and has determined that there are no disclosures necessary.

2. Franchise Agreements:

The following is a summary of changes in the number of franchise and sub franchise outlets during 2024, 2023, and 2022:

	2024	2023	2022
Franchised outlets			
In operation			
Beginning of year	13	13	13
Placed in operation during the year	1	-	-
End of year	14	13	13

In July 2024, the Company entered into a new franchise agreement. The location is expected to open during 2025.

All franchisees enter into a franchise agreement with the Company. Each agreement has a stated initial term, which is generally five to ten years and is renewable for successive five-year terms. Upon signing of the agreement, each franchisee is required to pay an initial franchise fee for the exclusive use of Sedona Taphouse trademarks and training.

In addition, the franchisee is obligated to pay a royalty fee and advertising fee determined as a percentage of the franchisee's monthly gross sales less taxes.

3. Investments and Fair Value Measurements

The Company follows FASB guidance for measurement and disclosure of fair value which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

3. Investments and Fair Value Measurements

The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Money market fund: Valued at the cash amount.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Company are deemed to be actively traded. As such, the Company classifies these investments within Level 1 of the fair value hierarchy.

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments recorded at fair value on a recurring basis measured using Level 1 inputs amounted to $805,068 at December 31, 2024 and $733,874 at December 31, 2023. During 2023, all Level 2 assets were reinvested as Level 1 assets. There were no investments recorded at fair value on a recurring basis measured using Level 2 or Level 3 inputs at December 31, 2024 and 2023.

4. Property and Equipment:

Property and equipment consisted of the following at December 31:

	2024	2023
Furniture and fixtures	$ 7,515	$ 2,464
Office machinery & equipment	6,042	-
Less accumulated depreciation	(3,791)	(2,464)
	$ 9,766	$ -

Total depreciation expense associated with property and equipment was $1,327 in 2024, $0 for 2023, and $226 for 2022.

5. Intangible Assets:

Intangible assets consisted of the following at December 31:

	2024	2023
Website	$ 62,062	$ 62,062
Software	12,600	12,600
Trademark	3,092	3,092
	77,754	77,754
Less accumulated amortization	(77,754)	(77,360)
	$ -	$ 394

Amortization of the Company's intangible assets was $394 for 2024, $3,109 for 2023, and $13,031 for 2022. Intangible assets were fully amortized as of December 31, 2024.

6. Related Party Transactions:

The Company had related party transactions with DJB Hospitality, LLC ("DJB Hospitality"), an entity which is also wholly-owned by the sole member of the Company. The Company was granted use rights of the Sedona Taphouse trademark and intellectual property in the marketing, sale, and provisions of franchises to the franchisees. The license required semi-annual payments of $25,000, beginning July 1, 2016, which was recorded as a licensing fee expense in the statements of operations and member's equity. The agreement was terminated in 2024. There was no expense for 2024. The expense amounted to $50,000 for 2023 and 2022. The Company also collects marketing revenue from franchisees, which is commonly redistributed to DJB Hospitality for shared expenses. The Company did not redistribute any shared services in 2024, 2023, or 2022.

From time to time, the Company makes advances to related parties for varying amounts. Except as noted below, there are no terms of repayment or agreement related to the advances as of December 31, 2024. Outstanding balances were $599,665 at December 31, 2024 and $606,179 at December 31, 2023 which were included in due from related parties on the accompanying balance sheets.

During March 2022, the Company entered into a note receivable agreement with NKW1, LLC, a related party, for $835,800. The agreement includes monthly installments of $9,690 over 120 months, and interest on unpaid principal payments of 7% per annum. The outstanding balance on the related party note receivable was $659,122 at December 31, 2024 and $727,324 at December 31, 2023. Interest income was $48,074 and $68,225 during 2024 and 2023, respectively, and is included in interest income on the statements of operations and member's equity.

6. Related Party Transactions, Continued:

At times, the Company may make payments for entities related through common ownership, or have payments made on their behalf. At December 31, 2024 and 2023, the following amounts were reflected in the accompanying balance sheets:

	2024	2023
Due from related parties:		
NKW1, LLC	$ 473,773	$ 473,772
NKW Franchising, LLC	56,464	54,585
DJB Hospitality, LLC	-	8,395
DJB Catering, LLC	69,427	69,427
	$ 599,664	$ 606,179

DJB Franchising, LLC

Financial Statements

December 31, 2023 and 2022 and 2021

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DJB FRANCHISING, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Sole Member of
DJB Franchising, LLC

Opinion

We have audited the accompanying financial statements of DJB Franchising, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and member's equity, and cash flows for the years ended December 31, 2023, 2022, and 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DJB Franchising, LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022, and 2021 in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DJB Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auding standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auding standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



April 12, 2024
Glen Allen, Virginia

DJB FRANCHISING, LLC

Balance Sheets
December 31, 2023 and 2022

Assets

	2023	2022
Current assets:		
Cash	$1,500,610	$1,550,204
Investments	733,874	703,642
Franchise fees receivable	-	20,000
Royalties receivable	184,526	182,763
Marketing fees receivable	60,986	56,032
Other receivable	2,083	4,361
Due from related parties	606,179	522,224
Note receivable - related party, current	68,201	63,604
Prepaid expenses	-	6,188
Total current assets	3,156,459	3,109,018
Note receivable - related party, net of current portion	659,123	727,324
Intangible assets, net	394	3,503
Total assets	$3,815,976	$3,839,845

Liabilities and Member's Equity

Current liabilities:		
Accounts payable	$ 43,385	$ 108,339
Deferred revenue, current	21,959	22,426
Due to related party	-	100,000
Total current liabilities	65,344	230,765
Deferred revenue, net of current portion	70,350	92,309
Total liabilities	135,694	323,074
Member's equity	3,680,282	3,516,771
Total liabilities and member's equity	$3,815,976	$3,839,845

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Operations and Member's Equity
Years ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Revenues:			
Franchise fees	$ 22,426	$ 45,469	$ 46,981
Franchise royalties	2,175,208	2,158,265	1,741,886
Advertising revenue	710,377	528,414	416,429
Software revenue	38,730	36,853	36,704
Training income	-	-	65,260
Total revenues	2,946,741	2,769,001	2,307,260
Operating expenses:			
Licensing fees	50,000	50,000	50,000
Advertising	336,280	192,674	21,535
Professional fees	64,458	47,691	30,408
Training	-	500	42,981
Other operating expenses	340,246	309,390	351,438
Amortization	3,109	13,257	25,688
Total operating expenses	794,093	613,512	522,050
Operating income	2,152,648	2,155,489	1,785,210
Other income:			
Interest income	68,225	46,064	349
Investment income	30,232	4,476	-
Other income	-	-	919
Total other income	98,457	50,540	1,268
Net income	2,251,105	2,206,029	1,786,478
Member's equity, beginning of year	3,516,771	2,434,366	2,040,739
Member's contributions	19,177	-	-
Member's distributions	(2,106,771)	(1,123,624)	(1,392,851)
Member's equity, end of year	$3,680,282	$3,516,771	$2,434,366

See accompanying notes to financial statements.

DJB FRANCHISING, LLC

Statements of Cash Flows
Years ended December 31, 2023 and 2022, and 2021

	2023	2022	2021
Cash flows from operating activities:			
Net income	$2,251,105	$2,206,029	$1,786,478
Adjustments to reconcile net income to net cash from operating activities:			
Amortization	3,109	13,257	25,688
Investment income	(30,232)	(4,476)	-
Changes in operating assets and liabilities:			
Franchise fees receivable	20,000	6,182	5,818
Royalties receivable	(1,763)	(2,966)	74,682
Marketing fees receivable	(4,954)	(9,577)	14,950
Other receivables	2,278	(4,361)	-
Due from related parties	(83,955)	707,517	(795,717)
Prepaid expenses	6,188	144	56,168
Accounts payable	(64,954)	9,611	88,371
Deferred revenue	(22,426)	(25,469)	(57,579)
Due to related party	(100,000)	33,950	50,000
Net cash provided by operating activities	1,974,396	2,929,841	1,248,859
Cash flows from investing activities:			
Purchase of investments	-	(699,166)	-
Issuance of note receivable - related party	-	(835,800)	-
Collections of note receivable - related party	63,604	44,872	-
Net cash provided by (used in) investing activities	63,604	(1,490,094)	-
Cash flows used in financing activities:			
Member's contributions	19,177	-	-
Member's distributions	(2,106,771)	(1,123,624)	(1,392,851)
Net cash used in financing activities	(2,087,594)	(1,123,624)	(1,392,851)
Net change in cash	(49,594)	316,123	(143,992)
Cash, beginning of year	1,550,204	1,234,081	1,378,073
Cash, end of year	$1,500,610	$1,550,204	$1,234,081

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies:

Description of Business: DJB Franchising, LLC (the "Company") was formed as a limited liability company on July 22, 2014 for the express purpose of selling franchises and supporting franchisees as detailed in management's franchise agreements.

The Company offers the right to own and operate a Sedona Taphouse restaurant at locations throughout the United States. Each Sedona Taphouse restaurant is an upscale beer and food café restaurant featuring multiple taps and a long, revolving list of craft beer brands from around the world, as well as wine and cocktails, and proprietary and confidential food and beverage recipes and related items and services.

The Company may also offer a multi-unit franchise granting the right in a defined geographic area to open and operate a designated number of Sedona Taphouse restaurants within a specified period of time.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Recently Adopted Accounting Pronouncement: In June 2016, the FASB issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)*, commonly referred to as the Current Expected Cred Losses ("CECL") standard. The CECL guidance replaces the incurred loss methodology with a new measurement, recognition, and disclosure used to measure impairment losses to estimate credit losses for trade and other receivables. The new model requires entities to consider a wide range of information when estimating credit losses, including historical loss information, current conditions, and reasonable and supportable forecasts. Under the CECL model, the allowance for credit losses on financial assets reflects management's estimate of credit losses over the remaining expected life of the assets.

The Company adopted the new standard effective January 1, 2023, using the modified retrospective method. The adoption of the new standard did not have a material effect on the Company's financial statements.

Receivables: Receivables consist of amounts management expects to collect from franchisees for franchise fees, royalties, and other receivables, net of any allowance for credit losses. The Company's receivables are carried at the original charge amount less an estimate made for uncollectible accounts based on management's estimate of the amount of receivables that will actually be collected. Management closely monitors outstanding balances and provides for uncollectible amounts through a charge to earnings and a credit to an allowance for credit losses. Management has determined that no allowance for credit losses was considered necessary at December 31, 2023 and 2022.

1. Summary of Significant Accounting Policies, Continued:

Investments: The Company invests in fixed income government securities and mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements. The Company determines the appropriate classification of securities at the date the individual investment securities are acquired. The appropriateness of such classification is reassessed at each balance sheet date.

Securities are carried at fair value. Realized gains and losses on dispositions are based on the net proceeds and the carrying value of the securities sold, using the specific identification method. Unrealized gains and losses on investment securities are based on the difference between book value and fair value of each security. Realized and unrealized gains and losses are reported in the accompanying statements of operations and member's equity.

Property and Equipment: Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed by using the straight-line method based upon the estimated useful lives of the related asset which is five years. Purchases of property and equipment are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

Property and equipment consisted of furniture and fixtures at December 31, 2023 and 2022. There was no depreciation expense associated with property and equipment for 2023. Total depreciation expense associated with property and equipment was $226 for 2022 and $492 for 2021. Property and equipment were fully depreciated as of December 31, 2023 and 2022.

Intangible Assets: Intangible assets are stated at cost and relate to a website, software, and trademark acquired for use in franchise operations. The Company has determined that the intangible assets have finite lives and should continue to be amortized on the straight-line method over their expected useful lives of 3 to 10 years. Upon retirement or sale of an asset, the cost and accumulated amortization are removed from the accounts and any gain or loss is reflected in operations.

Revenue Recognition: The Company follows FASB guidance Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("Topic 606"). The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Economic factors may impact the nature, amount, and timing of revenue recognition.

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued: Franchise Fees – The Company earns revenue from the sale and support of individual franchises. Each franchisee enters into a franchise agreement whereby the Company licenses the Sedona Taphouse brand to the franchisee and provides on-going franchisee support services. Franchise fees vary by franchisee in accordance with the signed franchise agreement, with franchise fee revenue beginning once the franchisee has opened the specific location. Revenue is recognized with 40% of the franchise fee in the first year of operations, and the remaining 60% recognized equally over the remaining performance obligation, or initial franchise agreement. Franchise fees are recognized over time, beginning upon the franchise's location opening, with remaining fees included as deferred revenue.

Franchise Royalties and Advertising Revenue – The Company earns royalty and advertising fees from its franchisees based on percentages of monthly sales. The sales-based fees are recognized at a point in time as the franchisees' monthly sales occur.

Software Revenue – The Company assesses software revenue from its franchisees for the monthly use of the Company's software for payment processing and monthly reporting. The revenue is recognized at a point in time on a monthly basis.

Training and Consulting Income – The Company provides training services for all franchise locations prior to opening. Training is typically completed just prior to the opening of a franchise. Consulting services are provided upon request of the franchisee and includes services related to restaurant design and planning. Training and consulting services are billed and recognized at a point in time upon completion of the services provided.

The Company follows FASB guidance ASU No. 2021-02, "*Franchisors – Revenue from Contracts with Customers (Subtopic 952-606)*", which provides revenue recognition guidance for pre-opening services provided to franchisees. Under the standard, a franchisor may account for pre-opening services as distinct from the franchise licensing fees. The Company recognizes pre-opening services as a single performance obligation.

A contract asset is the Company's right to consideration in exchange for goods or services the Company has transferred to a customer. Contract assets include franchise fees, franchise royalties, and advertising revenue due but not paid by franchisees as of year-end. Contract assets were $245,512, $258,795, and $252,434 as of December 31, 2023 and 2022, and January 1, 2021, respectively.

Contract liabilities represent consideration received from a customer before the Company has transferred a good or service to the customer. Contract liabilities include deferred revenue and represent amounts paid from franchisees under franchise agreements to be recognized over time in accordance with the Company's policy as discussed above. Contract liabilities were $92,309, $114,735, and $140,204 as of December 31, 2023 and 2022, and January 1, 2021, respectively.

1. Summary of Significant Accounting Policies, Continued:

Credit Risks and Concentrations: The Company maintains its cash in a financial institution with a balance that occasionally exceeds federally insured limits.

At December 31, 2023, four franchisees accounted for 51% of total franchise fee and royalties receivables. At December 31, 2022, four franchisees accounted for 50% of total franchise fee and royalties receivables. For 2023, 2022, and 2021, thirteen franchisees accounted for 100% of total fees and royalties revenues.

Advertising: The Company expenses advertising costs as they are incurred. Advertising expense amounted to $336,280 for 2023, $192,674 for 2022, and $21,535 for 2021.

Sales Taxes: The Company's sales are subject to sales tax imposed by various jurisdictions. The Company collects sales tax from customers and remits it to the applicable jurisdictions. The Company excludes the tax collected and remitted from sales and operating expenses.

Income Taxes and Uncertainties: The Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision for income taxes has been provided in these financial statements since all income, losses, deductions and credits are passed to and are reported by the member on the member's respective income tax returns.

Management has evaluated the Company's income tax positions and concluded that the Company has no significant financial statement exposure to uncertain income tax positions at December 31, 2023 and 2022. The Company is not currently under audit by any tax jurisdiction.

Use of Estimates: The preparation of the financial statements in conformity with 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 financial statements and the reported amount of revenues and expenses during the period reported. Actual results could differ from those estimates.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent Events: Management has evaluated subsequent events through April 12, 2024, the date the financial statements were available to be issued, and has determined that there are no disclosures necessary.

2. Franchise Agreements:

The following is a summary of changes in the number of franchise and sub franchise outlets during 2023, 2022, and 2021:

	2023	2022	2021
Franchised outlets			
In operation			
Beginning of year	13	13	11
Placed in operation during the year	-	-	2
End of year	13	13	13

In December 2022, the Company entered into a new franchise agreement. The location is expected to open during 2024.

All franchisees enter into a franchise agreement with the Company. Each agreement has a stated initial term, which is generally five to ten years and is renewable for successive five-year terms. Upon signing of the agreement, each franchisee is required to pay an initial franchise fee for the exclusive use of Sedona Taphouse trademarks and training.

In addition, the franchisee is obligated to pay a royalty fee and advertising fee determined as a percentage of the franchisee's monthly gross sales less taxes.

3. Investments and Fair Value Measurements:

Investments consisted of fixed income securities and mutual funds.

The Company follows FASB guidance for measurement and disclosure of fair value which establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 — Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 — Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

3. Investments and Fair Value Measurements, Continued:

The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Fixed income: Valued at the closing price as reported on the active market on which bond funds are traded. Fixed income funds include U.S. government debt securities, which include treasury bonds created by the U.S. Treasury. These securities do not have quoted prices but use observable inputs to determine prices based on original cost adjusted for any premium or coupon. As such, the Company classifies these investments within Level 2 of the fair value hierarchy.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Company are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Company are deemed to be actively traded. As such, the Company classifies these investments within Level 1 of the fair value hierarchy.

The valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments recorded at fair value on a recurring basis measured using Level 1 inputs amounted to $733,874 at December 31, 2023. Investments recorded at fair value on a recurring basis measured using Level 2 inputs amounted to $703,642 at December 31, 2022. During 2023, all Level 2 assets were reinvested as Level 1 assets. Investments in fixed income securities had a cost of $699,196 as of December 31, 2022.

4. Intangible Assets:

Intangible assets consisted of the following at December 31:

	2023	2022
Website	$ 62,062	$ 62,062
Software	12,600	12,600
Trademark	3,092	3,092
	77,754	77,754
Less accumulated amortization	(77,360)	(74,251)
	$ 394	$ 3,503

Amortization of the Company's intangible assets was $3,109 for 2023, $13,031 for 2022, and $25,196 for 2021. Estimated amortization of the intangible assets for future periods is: 2024 - $309; and 2025 - $85.

5. Related Party Transactions:

The Company has related party transactions with DJB Hospitality, LLC ("DJB Hospitality"), an entity which is also wholly-owned by the sole member of the Company. The Company is granted use rights of the Sedona Taphouse trademark and intellectual property in the marketing, sale, and provisions of franchises to the franchisees. The license requires semi-annual payments of $25,000, beginning July 1, 2016, which is recorded as a licensing fee expense in the statements of operations and member's equity. The expense amounted to $50,000 for 2023, 2022, and 2021. As of December 31, 2022, $100,000 of the semi-annual payments for 2022 had not been paid and were included as due to related party on the accompanying balance sheets. During 2023, the Company paid all previously owed amounts relating to the licensing fee expense. The Company also collects marketing revenue from franchisees, which is commonly redistributed to DJB Hospitality for shared expenses. The Company did not redistribute any shared services in 2023, 2022, or 2021.

From time to time, the Company makes advances to related parties for varying amounts. Except as noted below, there are no terms of repayment or agreement related to the advances as of December 31, 2023. Outstanding balances were $606,179 at December 31, 2023 and $522,224 at December 31, 2022 which were included in due from related parties on the accompanying balance sheets.

5. Related Party Transactions, Continued:

During March 2022, the Company entered into a note receivable agreement with NKW1, LLC, a related party, for $835,800. The agreement includes monthly installments of $9,690 over 120 months, and interest on unpaid principal payments of 7% per annum. The outstanding balance on the related party note receivable was $727,324 at December 31, 2023 and $790,928 at December 31, 2022. Interest income was $68,225 and $46,064 during 2023 and 2022, respectively, and is included in interest income on the statement of operations and member's equity.

During 2021, the Company made payments for investments for various business endeavors on behalf of related parties in the amount of $590,000. These payments were treated as a distribution on the accompanying statement of operations and member's equity.

At times, the Company may make payments for entities related through common ownership, or have payments made on their behalf. At December 31, 2023 and 2022, the following amounts were reflected in the accompanying balance sheets:

	2023	2022
Due from (due to) related parties:		
NKW1, LLC	$ 473,772	$ 463,996
NKW Franchising, LLC	54,585	51,025
DJB Hospitality, LLC	8,395	(100,000)
DJB Catering, LLC	69,427	-
Sedona Taphouse, LLC	-	7,203
	$ 606,179	$ 422,224

EXHIBIT E

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TAPHOUSE

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AGREEMENTS



FRANCHISE AGREEMENT

DJB FRANCHISING, LLC

FRANCHISEE:

FRANCHISE LOCATION:

DATE OF AGREEMENT:

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SEDONA TAPHOUSE

FRANCHISE AGREEMENT

DJB FRANCHISING, LLC

This AGREEMENT is effective as of _____, 20_____ (the "Effective Date") between DJB FRANCHISING, LLC, a Delaware limited liability company (referred to in this Agreement as "we" or "us"), and _____, a _____ [if entity, indicate type and state of formation] (referred to in this Agreement as "you" or "your company").

We and our affiliated companies have developed a system (the "System") for establishing and operating upscale beer and food café restaurants featuring multiple taps and a long, revolving list of craft beer brands (craft beer being defined as any beer that includes water, yeast, malted barley and hops as its main ingredients), as well as proprietary and confidential food and beverage recipes and related products and services (the "Sedona Taphouse restaurants").

Sedona Taphouse restaurants operate under the trademark SEDONA TAPHOUSE and other trademarks, and we may create, use and license additional trademarks or substitute different trademarks in the future in conjunction with the operation of Sedona Taphouse restaurants, which trademarks may include distinctive, non-functional color schemes and design elements of the Sedona Taphouse restaurants that qualify for protection as our "trade dress"(collectively, the "Marks").

You have applied for a franchise to own and operate a Sedona Taphouse restaurant and we are pleased to grant the franchise to you on the terms and conditions set forth below.

Accordingly, you and we agree as follows:

ARTICLE I – GRANT AND OPERATION OF THE FRANCHISE

Section 1.1 – Grant of Rights

1.1.1 Grant of Rights. We grant to you the right, and you undertake the obligation, to operate a franchised Sedona Taphouse restaurant (the "Franchised Business") at the location stated in Schedule A (the "Site") in accordance with the System Standards (as defined in Section 1.4.1 below) and the terms and conditions contained in this Agreement.

1.1.2 Territory. So long as you are not in default under this Agreement, we may not operate or grant others the right to operate a Sedona Taphouse restaurant within the geographic area surrounding the Site as described in Schedule A (the "Territory") during the Term of this Agreement, except as set forth in Section 1.1.6.

1.1.3 Single Site. You must operate the Franchised Business only at the Site, or if the Site is not stated in Schedule A, then at a location approved by us that is within the Territory. You may not relocate the Franchised Business or operate the Franchised Business from any location other than the Site without our prior written approval in accordance with Section 1.2.10. You do not have the right to grant subfranchises of the rights granted under this Agreement. The grant of this franchise does not give you the right to receive additional franchises from us.

1.1.4 Products and Services Offered. You must offer and sell in the Franchised Business all of the beverages, cocktails and food items that are included on menus prescribed or approved by us and any other products we specify. You must strictly follow and use all of our recipes, mixes, formulas and preparation methods for beverages, cocktails and food in accordance with our then-current Manual (as defined in Section 1.4.1). You may not sell under the Marks or in the Franchised Business any food, products or services we do not specify or approve. If you desire to sell any food, products or services that we have not specified or approved, you must request our approval in accordance with Section 1.3.6. You must promptly implement changes to the food, beverages, cocktails, services or other items (each a "Product") as we request or direct from time to time. Upon notice from us given at any time, you must discontinue selling any Product that we disapprove or discontinue. In addition to our right to terminate this Agreement, we have the right to assess our then current prohibited Product fee if you continue offering any unapproved Product after your receipt of verbal or written notice from us advising you to cease sales of such Product.

1.1.5 Manner of Sale. The primary business of each Sedona Taphouse franchise is that of an on-premises, upscale, full service, sit down restaurant. Your Franchised Business may also offer catering, take-out, delivery service and special events within the Territory, provided that all receipts from such sales are processed through the point of sale system described in Section 1.3.8 and you comply with any requirements and standards for such activities that we set forth in the Manual. You agree to maintain an inventory of food and beverage products sufficient to meet the daily demands of the Franchised Business for all items specified in the menus.

1.1.6 Rights We Reserve. We and our affiliates retain all rights not specifically granted to you under this Agreement. These rights include, without limitation, the right:

1.1.6.1 – to establish Sedona Taphouse restaurants, whether franchised or company owned, anywhere outside the Territory;

1.1.6.2 – to establish Sedona Taphouse restaurants in non-traditional venues such as airports, hotels and resorts, military installations, school and university campuses, casinos, theme parks and sports stadiums, within or outside the Territory;

1.1.6.3 – to sell any products under the Marks and any other trademarks through other channels of distribution, such as grocery shops, supermarkets and similar outlets for resale anywhere and at any time, within or outside the Territory, and directly to customers through our website; and

1.1.6.4 – to acquire any business operating under different trademarks at any location and to continue to operate that business under trademarks other than the Marks.

1.1.7 Guaranty. Our grant of this franchise is made in reliance on the personal attributes of your company's owners and managers named in Schedule A. If your company is a legal entity such as a corporation or limited liability company rather than a sole proprietorship or general partnership, then our grant of this franchise is made on the condition that each person who now or later owns or acquires, either legally or beneficially, 10% or more of the equity or voting interest in your company (the "Guarantor" or "Guarantors"), must execute and deliver to us a guaranty and assumption agreement in a form acceptable to us (the "Guaranty"). If no person owns 10% or more, then persons approved by us whose combined equity interest is equal to or greater than 10% will be the Guarantors. We may require the spouse of any or all Guarantors to sign the Guaranty in our discretion. If any owner is not an individual, we will have the right to have the Guaranty executed by individuals who have an indirect ownership interest in your company and their spouses, if applicable. Transfers of interest are restricted in accordance with Article IV. Upon our request at any time, you will furnish us with a list of all holders of legal and beneficial interests in your company, together with descriptions of the type of interests owned and the percentage ownership amounts, and the names, addresses, email addresses and telephone numbers of the owners, certified as correct in the manner we specify. If any of your company's general partners, managers, officers or directors ceases to serve as such or if any new person becomes a general partner, manager, officer or director after the date of this Agreement, you will notify us of such change within 10 days. Any breach of a Guaranty will be deemed to be a breach of this Agreement.

Section 1.2 – Site Selection and Development; Opening

1.2.1 Site Selection. You are solely responsible for selecting the Site for the Franchised Business. You may not open or operate a Sedona Taphouse restaurant anywhere except at a Site that we have approved.

1.2.1.1 – Within 90 days after the date of this Agreement, you will deliver to us notice that you have selected the proposed Site together with the address and unexecuted copies of either (a) the lease for the proposed Site if you elect to lease the Site or (b) the purchase documents for the proposed Site if you elect to purchase the Site.

1.2.1.2 – We will have 30 days after we receive notice and the required documents to request information that we deem relevant to our decision to approve or reject the proposed Site. We will not unreasonably withhold our approval of any proposed Site. If we have not rejected the proposed Site within such 30-day period, the proposed Site will be deemed approved. If we reject the proposed Site, you and we will repeat the process described in this Section 1.2.1.

1.2.1.3 – Except as you and we may otherwise agree in writing, each lease, purchase and loan agreement for the development, opening and operation of your Sedona Taphouse restaurant (a) will be entered into by and in the name of your company as tenant, purchaser or borrower and (b) will not be entered into by or in the name of any of your affiliates or any other person or entity, as tenant, purchaser or borrower.

1.2.2 No Assurance. You acknowledge that neither our recommendation or approval of the Site nor any information regarding the Site we communicate to you constitutes a guarantee, assurance, representation or warranty of any kind, express or implied, as to the suitability of the Site for a Sedona Taphouse restaurant or of the successful operation or profitability of a Sedona Taphouse restaurant at the Site. You acknowledge that your acceptance of the franchise is based on your own independent investigation of the suitability of the Site.

1.2.3 Lease. If you lease the approved premises of the Franchised Business (the "Restaurant Premises"), you must submit your proposed lease for the Restaurant Premises to us for our prior written approval. You must deliver to us a copy of the signed lease within 14 days after it is signed by you and the landlord. We may require that the lease or any renewal lease contain certain provisions, including the following:

1.2.3.1 – The permitted use of the Restaurant Premises will be limited to the operation of a Sedona Taphouse restaurant.

1.2.3.2 – You are permitted to use and install the trademarks, trade dress, signage and related features associated with the System that we may prescribe.

1.2.3.3 – The landlord will provide us with copies of any written notice of default under the lease sent to you concurrently with the landlord's delivery of such notice to you. Such notice must grant to us the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default.

1.2.3.4 – You and the landlord will, at our request, enter into a conditional assignment of the lease, granting to us or our assignee the right to succeed to your rights and obligations under the lease in the event that this Agreement is terminated for any reason or it expires without a renewal agreement, or if you commit any breach of the lease that could lead to termination of the lease, and do not cure the breach within the cure period specified therein.

1.2.3.5 – We have the right (but not the obligation), to assume the lease upon the termination of this Agreement for any reason or upon the expiration of this Agreement. In such event, we will give the landlord notice of our assumption of the lease, the landlord will agree to recognize us as the new tenant under the lease, and we will thereafter be bound by the terms or the lease. If we subsequently assign our interest in the lease to a new franchisee with qualifications comparable or better than you, as of the date that you executed the lease, then we will have no further liability or obligation under the lease after such assignment. Unless and until we agree in writing to assume the lease, we will have no liability or obligation under the lease. In any event, you will be solely responsible to the landlord for all debts, payments and performance under the lease that were incurred before we or another franchisee actually takes possession of the Restaurant Premises.

1.2.3.6 – The landlord will not accept your voluntary surrender of the Lease without prior notice to us. You and the landlord will not renew or extend the term of the lease, nor

amend, modify or alter the lease, without our written consent. You may not assign your interest in the lease, nor sublet all or any portion of the Restaurant Premises, without our written consent.

1.2.4 Purchase of the Site. If you propose to purchase the Restaurant Premises or the real property constituting the Site, the form of any purchase agreement with the seller and any related documents, and the form of any loan agreement or mortgage related to the Site must be approved by us before you sign them. If you already own the real property constituting the Site, the form of any loan agreement or mortgage related to the Site that you propose to sign on or after the date of this Agreement must be approved by us before you sign them. Our consent to such documents may be conditioned upon the inclusion of various terms and conditions, including a requirement that the lender or mortgagee will provide us with copies of any written notice of deficiency or default under the terms of the loan or mortgage sent to you concurrently with the lender's or mortgagee's delivery of such notice to you. Such notice must grant to us the right (but not the obligation) to cure any default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default. Once the purchase contract and loan agreement or mortgage is signed, you must deliver to us a copy of the signed documents within 14 days after they are signed.

1.2.5 Site Development. You are solely responsible, at your own expense, for obtaining any necessary financing and all building, utility, sign, liquor, business and other permits and licenses required to develop and then operate the Franchised Business, and for constructing all required improvements to the Site and decorating the Restaurant Premises in compliance with plans and specifications we have prescribed or approved. We will furnish you with mandatory and suggested specifications and layouts for a Sedona Taphouse restaurant, including requirements for dimensions, design, image, interior layout, décor, equipment, fixtures, furnishings and signs. You acknowledge that our mandatory specifications and layouts for a Sedona Taphouse restaurant are proprietary to us, and that the color schemes and distinctive design and décor fixtures are to be used by you solely to operate a Sedona Taphouse restaurant and not in any other restaurant that you or your Affiliates may subsequently operate at the Site. To the extent that we specify required or approved suppliers or brands for items needed to develop the Sedona Taphouse restaurant, you must purchase such items in compliance with our specifications. You (or your landlord on your behalf) must engage an architect to prepare all required construction plans and specifications to comply with all applicable ordinances, building codes and permit requirements and with all lease or sublease requirements and restrictions, if any. You also must engage the interior designer that we specify to design both the interior and the exterior of the premises. You must submit construction plans and specifications to us for approval before construction of improvements to the Site commences, to make sure they comply with the designer's plans. You understand that you may modify our mandatory specifications only to the extent required to comply with applicable ordinances, building codes and permit requirements, and only with our prior written approval.

1.2.6 Beer and Wine Licenses; Business Licenses. You understand and acknowledge that your rights under this Agreement are conditioned on your securing and maintaining, at your sole cost, any and all state, county and local alcohol beverage licenses required for the on-premises sale and consumption (and retail sale, if applicable) of beer, wine and other approved products (food and non-food) at the location of your franchised Sedona Taphouse restaurant and any other business licenses required for the operation of the Franchised Business. If you

fail to secure the required alcohol beverage licenses by the date the Franchised Business is otherwise ready (or required) to open for business, then we may, in our sole discretion, terminate this Agreement upon 10 days' prior written notice to you and, in such event, we will not be required to refund all or any part of the initial fee. After you have secured the required alcohol beverage license, you must thereafter comply with all applicable laws and regulations relating to the sale of alcoholic beverages at the Franchised Business. If the sale and consumption of alcoholic beverages at the Franchised Business is suspended or prohibited for more than 10 consecutive days as a result of your failure to comply with applicable laws and regulations relating to the sale of alcoholic beverages at the Franchised Business, then we may, in our sole discretion, terminate this Agreement upon 10 days' prior written notice to you and, in such event, we will not be required to refund all or any part of the initial fee.

1.2.7 Menus. We will have the right to prescribe and subsequently vary the content and form of all menus (whether printed or digital) to be used in the Franchised Business. The menu content and formats may include requirements concerning organization, graphics, product descriptions, illustrations and other matters related to the menu. Prescribed menus may vary depending on the region, market size or other factors we deem to be relevant.

1.2.8 Conditions to Opening. You may not begin commercial operations at the Franchised Business until:

1.2.8.1 – all of your obligations pursuant to Sections 1.2.3 through 1.2.6, as applicable, are fulfilled;

1.2.8.2 – we determine that the Restaurant Premises have been constructed, furnished, equipped and decorated in accordance with our requirements;

1.2.8.3 – the people described in Section 1.5.2 have completed the initial training to our satisfaction;

1.2.8.4 – the initial franchise fee and all other amounts due to us and our affiliates have been paid in full;

1.2.8.5 – you have furnished us with certificates of insurance and copies of all insurance policies or such other evidence of insurance coverage as we reasonably request, as well as with copies of all bonds that may be required under state or local law; and

1.2.8.6 – we have given you our written approval of the opening. We may grant or withhold such approval in our sole discretion.

1.2.9 Time of Opening. You agree to open your franchised Sedona Taphouse restaurant for business within 12 months after the date of this Agreement. We will not unreasonably withhold our consent to your request for a three-month extension provided the delay is not within your control and you are taking all reasonable steps to open the restaurant in a timely manner and you are not otherwise in breach of this Agreement.

1.2.10 Relocation. If you need to relocate the Site, you must submit to us a written proposal identifying for our approval at least one potential Site in the Territory, in the format we require, together with any other information that we request. Following receipt of your written site proposal, we may make an on-site visit to the proposed Site at our expense if we believe that such a visit is necessary or desirable, although we are not required to make an on-site visit. We do not charge for the initial on-site evaluation, but we may charge for each additional on-site evaluation a reasonable fee plus our reasonable costs. In evaluating potential sites, you agree to consider our site selection criteria, which we will provide to you at your request. We will not unreasonably withhold or delay our approval of any site that meets our standards. Relocation will require a new build-out, renovation to the then current standards and design, lease modification, franchise agreement changes and a fee (as stated in Section 2.1.5.1) to cover our costs and expenses.

Section 1.3 – Supplies; POS System

1.3.1 Proprietary Products and Suppliers. You agree to purchase from us or approved manufacturers or suppliers all articles specified by us that are used in operating the Franchised Business and bear any of the Marks (the "Proprietary Products"). Proprietary Products may include employee clothing (such as ties, hats and aprons), glassware, beverage paraphernalia for retail sale to customers, stationary, forms, products and advertising materials.

1.3.2 Other Suppliers. You agree to use in the operation of the Franchised Business only those brands and models or types of equipment, supplies, furniture, signs and other products and services that we have designated or approved for Sedona Taphouse restaurants. We may require that you obtain equipment, fixtures, supplies, furniture, signs and other products and services only from our designated or approved suppliers.

1.3.3 Alcoholic Beverage and Food Supply Agreements. We have the right to approve the form and content of any agreements between you and any person or entity that may provide alcoholic beverages or food to you, and to approve the quality and brands of beer, wine and other beverages and foods to be sold at the Franchised Business. You must maintain an inventory of at least 500 different beer selections at all times.

1.3.4 Music. You acknowledge that providing music and other entertainment to patrons at the Franchised Business is or may become an integral part of the System. You agree to play only the types of music and display only the types of visual entertainment, at the decibel levels and using such equipment and in the manner that we may periodically prescribe or approve. You must acquire or install any audio or visual equipment that we designate or require for use by the Franchised Business and you must subscribe to music and video services as we may periodically specify. We may prohibit you from displaying, exhibiting, broadcasting or providing any media we choose, regardless of content, including prohibiting use of political, religious or social content in such media.

1.3.5 Compensation from Suppliers. We and our Affiliates reserve the right to receive rebates, credits, discounts and other compensation from suppliers that we designate or approve to provide goods or services to you based upon the purchases by you and other franchisees

of goods and services from such suppliers. We may use such compensation for any purpose we deem appropriate, including to subsidize our operating costs.

1.3.6 Approval of Supplies and Suppliers. If you propose to purchase any brand or model of equipment, supplies, furniture, signs or other products or services that are not then designated or approved by us, or to purchase from any supplier that is not then designated or approved by us, you must first notify us and submit to us sufficient written specifications, photographs, drawings, samples and other information we request to enable us to determine whether the proposed brand, model or supplier complies with our specifications and standards. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered either to us or to a third party designated by us for review and testing. We will use reasonable efforts to begin an investigation of the proposed supplier or product within 30 days of your request. We will notify you within 10 days after we complete our investigation whether we approve the proposed supplier or product. We are under no obligation to investigate or approve any supplies or supplier you request. If we do not approve the supplies or supplier within 60 days after your request, we will be deemed to have denied your request. We reserve the right to revoke our approval for any reason. We will not be required to approve any particular supplier nor to make available to you or to any prospective supplier any of our standards or specifications. In addition to our right to terminate this Agreement, we have the right to assess our then current prohibited product or service fee in the event you continue to purchase unapproved products or services after your receipt of verbal or written notice from us advising you to cease your purchase of such products or services.

1.3.7 Purchasing or Distribution Cooperatives. We may establish national or regional purchasing or distribution programs for the purchase or distribution of certain goods, materials or supplies at reduced prices. You agree to participate in any purchasing or distribution cooperatives that we may establish for the region where your Franchised Business is located.

1.3.8 Point of Sale and Computer Systems. You agree to install, maintain and use in the Franchised Business such computer hardware, (including computers, monitors, tablets and printers), software, point-of-sale and payment processing systems as we specify from time to time, using suppliers we specify or approve from time to time. We may require you to incur costs to purchase, lease and license computer hardware and software and to obtain service and support, and to maintain such systems and to upgrade and make such changes to such systems as we may specify in writing. We may require you to sub-license from us software (including software as a service) that we license from third party providers, and if so you will need to periodically pay us your proportionate share of our system-wide licensing fee, determined by dividing the amount of the fee we pay by the number of restaurants operating during the billing period (*e.g.* monthly). You acknowledge that we cannot estimate the future costs of the computer hardware, software, point-of-sale or payment processing systems or their maintenance or upgrades, or additions or modifications to these systems, and that these costs may not be fully amortizable over the remaining term of this Agreement. We have the right to charge a reasonable systems fee for software or systems modifications and enhancements specifically made for us that we license to you and other maintenance and support services that we or our affiliates furnish to you.

1.3.9 Electronic Communications. You agree to maintain adequate telephone service for the Franchised Business, including a dedicated telephone line with voicemail dedicated to the Franchised Business, and a high-speed Internet connection. You agree to use in the Franchised Business only such email addresses as we authorize and you will comply with such policies as we prescribe from time to time for email use. You agree to use the online table reservation system that we designate, and to honor reservations made in compliance with that system. We have the right to establish requirements that will permit us, as often as we deem appropriate, to access your computer system and to retrieve all information relating to the Franchised Business.

1.3.10 Operations Data. We will have continuous access to and use of all operations data, including specific items sold and other sales data, customer lists and all other content and data you collect or store on your computer system. We will periodically establish policies with respect to the use of such content and data, and you agree to comply with such policies.

1.3.11 No Warranty. We disclaim all express and implied warranties concerning any approved goods, materials or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability.

Section 1.4 – Manual; System Modifications

1.4.1 Manual. During the term of this Agreement, we will give you access to the confidential operations manual, training and other materials that we generally furnish to franchisees from time to time for use in operating a Sedona Taphouse restaurant (the "Manual"), in such media as we select, whether hard copy, digital, through a password-protected Website, or otherwise. The Manual and the bulletins and other written materials we provide to you will contain mandatory and suggested specifications, standards, operating procedures, policies, methods and rules ("System Standards") that we prescribe from time to time for the operation of a Sedona Taphouse restaurant and information relating to your other obligations under this Agreement. The Manual is and will remain at all times solely our property. You acknowledge that the Manual contains confidential information that is highly valuable to us. You will protect the confidentiality of such information in accordance with Section 3.2.

1.4.2 System Modifications by Us. We may modify or change the System Standards from time to time, and upon notice to you, we may make additions to, deletions from or revisions in the Manual to reflect such modifications or changes. Such modifications or changes may include, for example, the addition or discontinuation of products and services that you are required to sell at the Franchised Business, and may obligate you to invest additional capital in the Franchised Business ("Capital Modifications"). No modification or change that we make will alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modification that you cannot reasonably amortize during the remaining term of this Agreement and with respect to leasehold improvements over the remaining term of your lease, unless we agree to extend the term of this Agreement or unless such investment is necessary in order for you to comply with applicable laws. You agree to adopt or comply with each new or changed procedure, policy, method and requirement as promptly as practicable after notice from us, and in any event within the time period we reasonably require.

1.4.3 System Modifications by You. You agree not to implement any modification or change in the System Standards or in the Franchised Business without our prior written approval, which we may withhold in our discretion. If you or any of your employees makes an improvement to the System Standards or in the Franchised Business, such improvement will be our property. All recipe and menu changes you submit to us for our consideration and approval will become our property. We will have the right to use such improvements and recipe and menu changes anywhere and to authorize our affiliates and other franchisees to use them. You assign to us all rights to such improvements and recipe and menu changes, and you agree to sign any documents and to require that your employees sign any documents that we may reasonably request from time to time to evidence such assignment.

Section 1.5 – Personnel; Training and Support

1.5.1 Management. You (if you are a sole proprietor) or a manager who has successfully completed our required initial training program, must personally manage, oversee and supervise the Franchised Business and its employees at all times. This manager (the "Operating Manager") must actively devote his or her full time, attention and effort to the Franchised Business and provide direct, day-to-day supervision of the operation of the Franchised Business. He or she must attend and successfully complete such ongoing training as we may require from time to time. The Operating Manager will ensure at all times the proper levels of customer service in accordance with the Manual and this Agreement. You may not replace the Operating Manager without our prior written approval, which we may condition on, among other things, attendance and satisfactory completion by the prospective new Operating Manager of our initial training program at your expense.

1.5.2 Initial Training. Before you begin operating the Franchised Business, your Operating Manager and two other managers from your company must complete our initial training program in the operation of a Sedona Taphouse restaurant. We will provide this training program of approximately six weeks (450 hours) at our headquarters in Richmond, Virginia and at our Affiliate's operating Sedona Taphouse restaurant in that vicinity. We will endeavor to time the commencement of your training program so that it is completed at least 10 days before the scheduled opening of the Franchised Business. At your request and if space is available, we also will train additional personnel of your company at our then-current rate, which is $2,000 for each additional trainee as of the date of this Agreement. You must pay the compensation and travel and living expenses of all of your personnel who attend our training, regardless of whether we charge you a fee for such training.

1.5.3 Opening Assistance. We will provide pre-opening and opening training, supervision and assistance at your Franchised Business by one of our representatives for a period of approximately two weeks (80 hours) during the week before and the week after you open your Sedona Taphouse restaurant. You must pay us an amount equal to the payroll of our training team during this training, which ranges from $20,000 to $45,000 depending on the number of trainers and length of time needed. We require that you prepay the pre-opening employee training payroll with a deposit of $30,000 which is due two weeks before we send our opening training team to train your hourly employees. The team arrives approximately one week before the opening date. After we complete this service, we will either refund to you any overpayment or bill you for any

shortfall. In addition, you must reimburse us for the travel and lodging expenses of our training team, including airline, train and/or auto expense and hotel or other lodging expense, within thirty (30) days of when we send you an itemized summary of those expenditures.

1.5.4 Ongoing Training. We may develop and provide mandatory training for all managers of Sedona Taphouse restaurants, and if so require that up to two (2) of your managers attend such programs at the same time. We will not charge you any fee for such mandatory training, but you will need to pay all of your managers' expenses incurred to attend such training. By contrast, if any inspection of the Franchised Business indicates noncompliance with any System Standards or if we receive negative customer feedback, we may require previously trained and experienced managers and employees to attend refresher training courses at such times and locations as we designate, or we may send our personnel to your Franchised Business for training. We may charge our then-current fees and expenses for such remedial that we require because your personnel are not meeting our standards. Our fees and expenses will vary based on the staff, location, and type of training, and you agree to pay our then current fees for training and travel and living expenses for our personnel. Finally, if you request that we provide additional training, and if we agree, we will furnish additional training on terms satisfactory to us and you.

1.5.5 Staff Training. You must ensure that all members of your staff receive the job training and any certification we require from sources we approve, at your expense. Food handlers must complete an approved course in food safety. Managers must successfully complete an approved food safety and certification course. Front of house personnel, servers and bartenders must attend and pass alcohol training.

1.5.6 Replacement Manager. If the Operating Manager does not satisfactorily complete the initial training program or if we determine that such person cannot satisfactorily complete the training program, or if the Operating Manager ceases active management of the Franchised Business, then you must designate a qualified replacement (who must be reasonably acceptable to us) within 30 days, and such person must attend and complete our initial training program at your expense. Pending the appointment and training of an Operating Manager or if, in our judgment, the Franchised Business is not being managed properly, we have the right, but not the obligation, to appoint a manager for the Franchised Business and require you to pay in the manner described in Section 4.2.8.

1.5.7 Ongoing Support. We will provide support and guidance from time to time, either in person, or by remote communications (such as telephone and email), regarding the operation of the Franchised Business. We will provide regular operational reviews and advise you from time to time regarding the operation of the Franchised Business, based on reports you submit to us, inspections that we make, and customer feedback to ensure compliance with the System Standards and to recommend improvements. At your request, and if we agree, we will furnish additional on-site guidance and assistance and, in such case, we may require you to pay our then-current fees and expenses. Your failure to implement any corrective action we require to comply with this Agreement, System Standards or applicable law will constitute a material breach of this Agreement and may result in termination pursuant to Section 5.2.

1.5.8 Undertakings by Your Personnel. You agree to take appropriate steps to advise all of your employees and contractors of your obligations under this Agreement and to ensure compliance by all of your employees and contractors. Each manager of the Franchised Business and each person who receives or otherwise has access to Confidential Information (as defined in Section 3.2.1) who has not signed the Guaranty described in Section 1.1.7 must sign a written confidentiality agreement with your company in a form acceptable to us before having access to Confidential Information. At our request, you will submit to us a copy of any or all such written agreements. You must ensure that each such person complies with the terms of such agreement during the period that he or she is employed by you, and take reasonable actions to enforce such agreement against any former employee who you have reason to believe is violating their post-termination obligations thereunder. You will be in breach of the Franchise Agreement if any of your employees violates the confidentiality agreement with your knowledge, or if you discover that an employee has violated such agreement and you fail to take affirmative actions to enforce such agreement to maintain our proprietary rights to the Confidential Information.

1.5.9 Your Training Programs. You are responsible for the proper training of your employees. You agree not to employ (or to continue to employ) any person who is unqualified to perform his or her duties in accordance with standards, policies and procedures we establish for the operation of Sedona Taphouse restaurants. To protect our Marks and the System, we may require you to implement, at your expense, programs approved by us for the training of some or all of your managers and other employees. We may require you to obtain our re-certification of your training programs from time to time, and we may withhold certification if we determine that your training programs are insufficient to ensure the maintenance of high-quality Product and service standards in your Sedona Taphouse restaurant.

1.5.10 Employer Obligations. You will have sole authority and control over the day-to-day operations of the Franchised Business and its employees. You will be solely responsible for recruiting and hiring the persons you employ to operate the Franchised Business. You will also be responsible for their training, wages, taxes, benefits, safety, work schedules, work conditions, assignments, discipline and termination. You agree to comply with all workplace related laws. At no time will your employees be deemed to be employees of ours or of any or out affiliates. We will have no right or obligation to direct your employees.

1.5.11 Non-Solicitation of Our Employees. In consideration of the initial and ongoing support that we provide you for operation of the Franchised Business, you may not employ or solicit for employment any person who is at the time, or was within the preceding six (6) months, employed by us or any of our affiliates that operate Sedona Taphouse restaurants, or otherwise directly or indirectly induce or attempt to induce any such person to leave that person's employment or other business relationship with us or our affiliates that operate Sedona Taphouse restaurants. If you do not comply with this provision, then you must pay us the amount of Ten Thousand Dollars ($10,000) with regard to any employee who served as a manager of us or any of our affiliates (including general manager, assistant general manager, or kitchen manager), and you must pay us the amount of Five Thousand Dollars ($5,000) with regard to any employee who did not serve in a management capacity. You acknowledge and agree that the amount that you must pay us is a reasonable approximation of our damage suffered due to your wrongful interference with our employment relationships and is not a penalty.

Section 1.6 – Operation of the Franchised Business

1.6.1 System Standards. You agree to operate the Franchised Business in strict accordance with all System Standards in effect from time to time. You understand and acknowledge that every detail of the Franchised Business is important to you, to us and to other franchisees in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, and to protect the reputation and goodwill of the Sedona Taphouse restaurant brand.

1.6.2 Customer Service. You must provide prompt, courteous and efficient service to all customers and treat all customers with respect. You must give prompt attention to all complaints from dissatisfied customers, if any, and use your best efforts to resolve such complaints as quickly as practicable, giving the customer the benefit of the doubt whenever feasible. If we determine in our sole discretion that our intervention is necessary or desirable to protect the goodwill associated with the Sedona Taphouse restaurant brand, or if we believe that you have failed adequately to address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you will pay us immediately on demand.

1.6.3 Staff. You will maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers in accordance with the System Standards. You will hire all employees of the Franchised Business and you will be solely responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of the Franchised Business, in human resources and customer relations. You will employ only persons of good character who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the Sedona Taphouse restaurant brand.

1.6.4 Maintaining Goodwill. You will do nothing that, in our reasonable opinion, tends to discredit the Marks or the Sedona Taphouse restaurant brand or to bring either into disrepute, or is likely to diminish or affect adversely our reputation or goodwill.

1.6.5 Compliance with Laws. You will comply with all applicable laws, rules and regulations in the operation of the Franchised Business and pay all taxes when due.

1.6.6 Health and Safety Standards. You will meet and maintain a high degree of sanitation and safety at the Restaurant Premises and the highest health standards and ratings applicable to the operation of the Franchised Business. In this connection you agree as follows:

1.6.6.1 – If the municipality in which the Franchised Business is located maintains a rating system for or relating to the sanitary conditions of food establishments, you must maintain the highest rating possible for the Franchised Business. If you receive an inspection report or a warning, citation or notice that results in or may result in a lowering of such rating, you must provide us with a copy of such report, warning, citation or notice within 24 hours after you receive it and you must agree to take immediate steps to restore the highest rating for the

Franchised Business and to seek a reinspection or appeal as soon as possible in order to restore such rating.

1.6.6.2 – If you receive an inspection report or a warning, citation, certificate or notice that requires you to repair, replace or further sanitize any item at the Restaurant Premises within 72 hours, you must provide us with a copy of such report, warning, citation, certificate or notice within 24 hours after you receive it.

1.6.6.3 – In all cases not described in Sections 1.6.6.1 or 1.6.6.2, you will furnish us, within five days after you receive it, a copy of each inspection report, warning, citation, certificate, notice and rating resulting from an inspection conducted by any federal, state, county or municipal agency with jurisdiction over the Franchised Business.

1.6.6.4 – You will notify us within 48 hours of the occurrence of any accident or injury that may adversely affect the operation of the Franchised Business or your financial condition, or that may give rise to liability or a claim against you or us.

1.6.7 Maintaining the Premises. You will at all times maintain the Restaurant Premises in excellent repair and condition. You will make such additions, alterations, repairs and replacements as may be required for that purpose, including, without limitation, such periodic repainting and replacement of obsolete signs, furnishings, equipment and décor as we may reasonably direct.

1.6.8 Remedial Work. If we notify you of remedial work that is necessary to correct an unhealthy or unsafe condition, and you fail to commence such work in good faith or to complete such work within the period specified in our notice, we will have the right, in addition to all other remedies, but not the obligation, to enter the Restaurant Premises and complete the required repair or corrective work on your behalf. We will have no liability to you for any work performed. If we perform such work, we may require that you pay us in accordance with Section 2.1.5.5.

1.6.9 Remodeling. In addition to the requirements of Sections 1.6.7 and 1.6.8, we will require you periodically to make reasonable capital expenditures to remodel, modernize and redecorate the Restaurant Premises so that such premises reflect the then-current image of Sedona Taphouse restaurants. All remodeling, modernization and redecoration will be deemed to be Capital Modifications as defined in Section 1.4.2, and they must be done in accordance with our standards as modified from time to time and with our prior written approval. We may require you to make additional Capital Modifications as a condition to renewal pursuant to Section 5.1.2.6. You will complete all required Capital Modifications within the time period we reasonably require in our written notice.

1.6.10 Use of the Premises. You will use the Restaurant Premises solely for the operation of the Franchised Business and for no other purpose or activity.

1.6.11 Hours of Operation. You agree to keep the Franchised Business operating during such hours and days as we may specify from time to time or, if different, during such hours as the lease of the premises may require.

1.6.12 Entity Requirements. All certificates representing stock, membership or other ownership interests in your company must contain a legend stating that transfer of such stock, membership or other ownership interest is limited by the provisions of this Agreement. Upon our request, you will deliver to us copies of all organizational documents of your company, including articles of incorporation, by-laws, shareholders' agreement, limited liability company articles and operating agreement, and any certificates we may request certifying any resolution of directors. If your company is a partnership, its activities must also be confined solely to operating the Franchised Business, which requirement must be included in your partnership agreement, if any, and you agree, upon our request, to deliver to us a copy of your partnership agreement. Your company must remain in good standing throughout the term of this Agreement in its state of formation and, if different, in the state in which the Franchised Business is located.

1.6.13 Franchisee Advisory Council. We reserve the right to create one or more "Franchisee Advisory Councils" for the purpose of fostering communication among and between franchisees and us, and to advise us in establishing or modifying various policies applicable to Sedona Taphouse restaurant franchisees. Franchisee Advisory Councils may also advise us with respect to advertising, public relations and marketing programs. If and when a Franchisee Advisory Council is created, we may require you to participate in its meetings and programs. A Franchisee Advisory Council may advise and make recommendations, but will not act as a policy-making board and will have no authority whatsoever. We will determine or approve the rules under which any Franchisee Advisory Council functions. We may change the rules at any time and we may dissolve any Franchisee Advisory Council at any time. We may require you to pay dues to a Franchisee Advisory Council and you will pay all costs and expenses you incur in connection with participation in any Franchisee Advisory Council, including the costs of transportation, lodging and meals.

1.6.14 Customer Evaluations. We reserve the right to institute programs for auditing customer satisfaction and other quality control measures, and to require you to pay the cost of such programs. You agree to present to your customers such evaluation forms as we periodically prescribe and to participate and request your customers to participate in any surveys performed by us or on our behalf.

1.6.15 Inspections. During the term of this Agreement, we or our designated representatives will also have the right, at any time during your regular business hours, without prior notice to you, to enter upon the Restaurant Premises to inspect the premises; observe, photograph and videotape the operations of the Franchised Business for such periods as we deem necessary; remove samples of any products, materials or supplies for review and analysis; and to interview your personnel and customers. You agree to cooperate fully with us and our representatives during all inspections, observations, photographing, videotaping, product sample removal and interviews; and to take all steps reasonably necessary to correct any deficiencies in your compliance with System Standards or this Agreement within the time we specify. Your failure to implement any corrective action we require will constitute a material breach of this Agreement and may result in

termination pursuant to Section 5.2. In addition to our right to terminate this Agreement, we have the right to assess a fee equal to our then current prohibited operational breach fee as specified in Section 2.1.6.10 in the event you continue to be out of compliance with the System Standards after your receipt of verbal or written notice from us advising you of the nature of your default and requesting you to comply.

1.6.16 Prices. We reserve the right to require you to comply with reasonable and lawful restrictions on prices of specific goods or services offered and sold by the Franchised Business as required in the Manual or as we otherwise reasonably direct in writing from time to time.

1.6.17 Payments to Suppliers. You agree to pay all of your suppliers promptly in accordance with their payment terms and to comply in all other respect with your contractual obligations to third parties.

Section 1.7 - Advertising, Promotion and Marketing

1.7.1 Signage. You will post prominent signage relating to the franchised business in easily-seen locations both inside and outside the Restaurant Premises. We will prescribe or approve from time to time in writing the size, form, color scheme, content and location of all such signage. You agree to display and maintain signs reflecting the current image of Sedona Taphouse restaurants. You also agree to post any signs we designate to reflect the fact that you are a franchisee and the fact that franchise opportunities are available to others. You agree to discontinue the use of and destroy such signs as we declare to be obsolete within the reasonable time that we specify for such destruction, which will not be less than 30 days. Because of the importance of the Sedona Taphouse restaurant image, you grant to us the right to enter the Restaurant Premises to remove and destroy unapproved or obsolete signs in the event that you have failed to do so within the time we specify.

1.7.2 Grand Opening. You agree to conduct a grand opening public relations and advertising program for the Franchised Business during the period commencing 30 days before and ending 60 days after its opening and to expend at least $5,000 for such program. Such public relations and advertising program will use the materials we have developed or approved for public relations and advertising. It must be charity-based and it must include a donation to charity. We will provide you with guidelines and lists of suppliers and consult with you on your grand opening public relations and advertising program, but it will be your sole responsibility to develop and implement this program.

1.7.3 Local Advertising, System-Wide Promotions, and Charity Initiatives. You agree to use all reasonable efforts to promote the Franchised Business. You are responsible at your expense for providing local advertising, marketing, promotional and public relations programs and activities for the Franchised Business. You agree to spend annually for advertising and promotion of the Franchised Business not less than 2% of the Gross Sales of the Franchised Business (as defined in Section 2.1.3). You may spend additional amounts in your discretion, and we encourage you to do so. You must participate in all system-wide promotions and advertising campaigns. We may also require you to participate in one of our approved local charity initiatives on a monthly basis as part of our overall advertising plan. The amounts you spend on such promotions,

campaigns and/or initiatives, aside from your payment of the Marketing Fee to use pursuant to Section 2.1.5., will count toward this 2% requirement. We have the right to review your books and records from time to time to determine your expenditures for such advertising and promotion. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts to the Marketing and Support Fund.

1.7.4 Local Advertising Materials. We will create in-store point of sale materials and a toolkit of approved advertising that we will furnish to you for your use. All other materials you use in local advertising, marketing, promotional and public relations programs and activities must conform to such standards and requirements as we may specify from time to time. All such materials must be clear, factual and not misleading. You agree to submit to us, before you use them, samples of all materials you intend to use that we have not prepared or previously approved. This includes, without limitation, any information, audio, video, or images that you intend to post or use on the Internet or any webpage or website. We will endeavor to deliver to you our written approval or disapproval within 15 days after our receipt of such materials, but we will not be liable for any delay. If we have not notified you of disapproval within 15 days after your submission for approval, the materials will be considered approved. We may withdraw our approval at any time. If we withdraw our approval, you will must immediately cease the use, distribution and dissemination of such material. Any advertising, marketing or sales concepts, programs or materials that you propose or develop for the Franchised Business and we approve may be used by us and by our affiliates and other franchisees without any compensation to you. You agree to use all point of sale materials that we may supply to you from time to time, in the manner we prescribe.

1.7.5 National and Regional Advertising. We or our designee will exclusively maintain and administer any national and regional advertising, public relations and marketing programs and market research for Sedona Taphouse restaurants, including without limitation the System Website described in Section 1.8.1 and all programs financed by the Marketing and Support Fund, as described below. We have exclusive discretion to determine whether, and to what extent, such activities should be conducted. You agree to participate in all national and regional programs we specify from time to time in the manner we specify.

1.7.6 Marketing and Support Fund. We have established a marketing and support fund (the "Marketing and Support Fund"), subsidized by fees paid both by Sedona Taphouse restaurant franchisees and by company and affiliate-owned Sedona Taphouse restaurants, for such advertising, promotion, marketing and public relations programs and materials as we deem necessary or appropriate. You agree to contribute to the Marketing and Support Fund in accordance with Section 2.1.5. Sedona Taphouse restaurants that we or our affiliate own will contribute to the Marketing and Support Fund on the same basis as franchisees.

1.7.7 Use of the Marketing and Support Fund. The Marketing and Support Fund will be used to enhance the recognition of the Marks and the patronage of Sedona Taphouse restaurants nationally or regionally. We or our designee will have sole discretion over all matters relating to the Marketing and Support Fund, including without limitation the creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. The Marketing and Support Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national and regional advertising programs,

and engaging advertising, promotion and marketing agencies to assist us; website development and maintenance; toll-free telephone costs; and supporting public relations, market research and other advertising, promotion and marketing activities. The Marketing and Support Fund will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Marketing and Support Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Marketing and Support Fund. The Marketing and Support Fund will not be used to sell franchises, although we may use materials financed by the Marketing and Support Fund on the System Website (defined in Section 1.8.1), which may advertise the Sedona Taphouse restaurant franchise opportunity. The source of the advertising may be our in-house advertising department or an outside advertising agency. If we or our affiliates provide in-house advertising department services, we or our affiliates may be compensated from the Marketing and Support Fund provided that any compensation is reasonable.

1.7.8 Accounting for the Marketing and Support Fund. We will separately account for the Marketing and Support Fund monies, but we may commingle such monies with our other monies or maintain the Marketing and Support Fund monies in one or more separate accounts, in our discretion. We may spend, on behalf of the Marketing and Support Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Sedona Taphouse restaurants to the Marketing and Support Fund in that year, and the Marketing and Support Fund may borrow from us or others at reasonable interest rates to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Marketing and Support Fund will be used to pay advertising costs before other assets of the Marketing and Support Fund are expended. We will not be required to prepare annually, or cause to be prepared, a report or reports of the operations of the Marketing and Support Fund or to furnish such reports to you.

1.7.9 Marketing and Support Fund Entity. We have the right, but not the obligation, to establish a separate entity to operate the Marketing and Support Fund at any time. Any such entity will have all of the rights and duties with respect to the Marketing and Support Fund that we have under this section. The Marketing and Support Fund will not be deemed a trust, and we will have no fiduciary obligation to you in connection with the collection or administration of the Marketing and Support Fund.

1.7.10 Distribution of Advertising Expenditures. Although we will endeavor to use the Marketing and Support Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Sedona Taphouse restaurants, we undertake no obligation to ensure that expenditures by the Marketing and Support Fund will benefit all Sedona Taphouse restaurants equally nor in proportion to contributions.

1.7.11 Termination of Marketing and Support Fund. We reserve the right to defer, reduce or suspend contributions to the Marketing and Support Fund, and, upon 30 days' prior notice to you, to suspend operations of the Marketing and Support Fund for one or more periods of any length, and to terminate (and, if terminated, to reinstate) the Marketing and Support Fund (and, if suspended, deferred or reduced, to reinstate such contributions). If the Marketing and Support Fund is terminated, all unspent monies, if any, on the date of termination will be distributed

to Sedona Taphouse restaurants in proportion to their respective contributions to the Marketing and Support Fund during the preceding twelve-month period.

1.7.12 Cooperative Advertising. We may establish and coordinate from time to time cooperative advertising, marketing and sales programs, customer satisfaction programs and other programs or activities among Sedona Taphouse restaurant franchisees. These programs or activities may be on a local, regional or national basis. You will participate in such programs and activities as we may prescribe. Such programs and activities may (at our option) be paid for on any equitable basis by the participants.

1.7.13 Internet Advertising. Any Internet advertising you do must be submitted to us in advance for our approval in the manner described in Section 1.7.4. We will not unreasonably withhold our approval. You may not own an Internet domain name that includes any of the Marks or variations of any of the Marks.

1.7.14 Social Media. We or our affiliates may establish and operate social media accounts that are intended to promote the Marks, the Franchised Business, and the entire network of Sedona Taphouse restaurants. We will have the sole right to control all aspects of any social media marketing, including those related to the Franchised Business. You may not promote the Franchised Business through social media and similar means without our prior written approval, which we may withhold or withdraw in our sole discretion. If any of your employees posts objectionable content to a social media website, you will have 12 hours after notice from us to remove such content provided that it is capable of removal. If you fail to remove the objectionable content within this 12hour period, we will have the right to terminate this Agreement. You agree to check for social media postings of your employees from time to time to be sure that any comments they write are permitted and are consistent with our policies.

1.7.15 Coupons; Customer Loyalty and Gift Cards and Apps. You agree to participate in each gift card, customer loyalty card, mobile app and other similar program that we periodically establish or approve for use at Sedona Taphouse restaurants either in your area or nationally, for all franchised Sedona Taphouse restaurants that you or any affiliate of yours owns. You agree to timely execute and deliver such agreements and other documents as we may reasonably require to facilitate such programs. You will not initiate any such program yourself without our prior written approval, which we may withhold in our discretion. You will distribute customer loyalty cards and sell and issue gift cards and redeem (without an offset against Royalty payments) coupons, customer loyalty cards and gift cards in accordance with procedures and policies we specify in the Manual or otherwise in writing. We will manage any customer loyalty mobile app or program with the provider we select for the system of Sedona Taphouse restaurants in your area or nationally.

1.7.16 Advertising the Sale of Franchises. We have the right to advertise Sedona Taphouse franchises on the menu and in your restaurant.

1.7.17 Public Relations. You agree to refer all inquiries from news reporters regarding the Franchised Business or the System to the person we designate as the public relations

spokesperson for the Sedona Taphouse brand. You may not discuss any aspect of the Franchised Business or the System with any news reporter without our prior written approval in each instance.

Section 1.8 – Website

1.8.1 System Website. We maintain one or more websites to advertise, market and promote Sedona Taphouse restaurants, the products sold at Sedona Taphouse restaurants and the Sedona Taphouse restaurant franchise opportunity (the "System Website"). The System Website lists the locations of Sedona Taphouse restaurants. We own all intellectual property and other rights in the System Website and all information it contains.

1.8.2 Promotion of the System Website. All advertising, marketing and promotional materials that you develop for the Franchised Business must promote the System Website's url in the manner we designate.

1.8.3 Web Portal. In addition to the System Website, we may (but we will not be obligated to) maintain a web portal, extranet or other system for all Sedona Taphouse restaurant franchisees that can be accessed only by means of usernames and passwords and that will not be available to the general public. We may use this portal, extranet or system to provide support for franchisees and to allow for online franchise discussion groups. You agree both during and after the term of this Agreement not to disclose your username or password to any person or entity who is not under your direct supervision and who does not have a need to know such password. You agree to inform all persons under your supervision who may have access to such password of this obligation of confidentiality. You further agree to comply with all guidelines and policies we establish from time to time for the use of this portal, extranet or system.

ARTICLE II – FEES; PAYMENTS; RECORDS; INSPECTIONS

Section 2.1 – Fees and Reports

2.1.1 Initial Fees. Upon your signing of this Agreement, you will pay us the initial fee specified in Schedule A. The initial fee is fully earned at the time we grant the franchise and is not refundable under any circumstances. In addition, before your initial training begins, you will pay us the amount stated in Sections 1.5.2, if applicable. Before we provide pre-opening and opening training, supervision and assistance, you will pay us the amount stated in Section 1.5.3.

2.1.2 Royalty. You agree to pay us a royalty ("Royalty") in the amount of four and one-half percent (4.5%) of the Gross Sales (as defined below) of the Franchised Business each Accounting Period (defined below).

2.1.3 Definition of Gross Sales. As used in this Agreement, the term "Gross Sales" or "Gross Sales of the Franchised Business" means all sales made in the operation of the Franchised Business, whether collected or not, including, but not limited to, all amounts you receive at or away from the Restaurant Premises, whether from cash, check, credit card or credit transactions (with no deduction for fees that you pay), including proceeds of any business interruption insurance policies, but excluding all federal, state or municipal sales or use taxes collected

from customers for payment to the appropriate taxing authorities, and excluding actual customer refunds, adjustments and credits. We do not include revenues from your sale of gift cards in Gross Sales, but amounts paid by your customer using a gift card are part of your Gross Sales.

2.1.4 Definition of Accounting Period. "Accounting Period" means the specific period that we designate from time to time in the Manual or otherwise in writing for purposes of your financial reporting and payment obligations described in this Agreement. The Accounting Period may be a calendar month or a shorter or longer time period that we select, but not shorter than one week. We may designate different Accounting Periods for different purposes. As of the Effective Date, the Accounting Period for reporting Gross Sales, is a calendar month, and fees are due to us on the third (3rd) day of each month for sales during the Accounting Period just ended.

2.1.5 Marketing Fee. You agree to pay us a marketing fee (the "Marketing Fee") in the amount of 1.5% of the Gross Sales of the Franchised Business each Accounting Period. The Marketing Fee finances the Marketing and Support Fund described in Section 1.7.6. We may change the amount of the Marketing Fee and the frequency of payments from time to time after the first five years of the term provided that the Marketing Fee does not exceed 2% of your Gross Sales in any 12-month period.

2.1.6 Other Fees. In addition to any fees described elsewhere in this Agreement, you agree to pay us the following fees upon the occurrence of the following events:

2.1.6.1 – If you relocate the Franchised Business with our approval pursuant to Section 1.2.10, we may charge you a relocation fee of $5,000 plus any reasonable expenses we incur for site selection support.

2.1.6.2 – If we obtain insurance on your behalf in accordance with Section 6.3.3, you will pay us an amount equal to the premiums and related costs for the required insurance in full upon receipt of the invoice, plus a 25% service charge.

2.1.6.3 – If we provide additional or remedial training that we require because your personnel are not meeting our standards, or if you request and we agree to furnish additional on-site training, guidance or assistance in accordance with Section 1.5.5 or 1.5.7, you must pay our then-current fees and expenses or, where appropriate, the additional fee described in Section 1.5.2. If you choose to have your representative participate in optional training that we offer, then you must pay our then-current fee for providing additional headquarters training.

2.1.6.4 – If we perform work to correct an unhealthy or unsafe condition at your Sedona Taphouse restaurant because you fail to perform the work after we notify you pursuant to Section 1.6.8, we may require you to pay for labor and materials plus a 25% service charge and an amount sufficient to reimburse us for our actual direct costs to supervise, perform and inspect the work and procure any replacement items, including labor, materials, transportation, lodging, meals, contractor fees and other direct expenses, all of which will be due and payable upon your receipt of our invoice.

2.1.6.5 – If we perform an inspection or audit that is made necessary by your failure to furnish any information we require or if an audit or inspection reveals an understatement of Gross Sales greater than 2%, then we may require you to reimburse us for the reasonable cost of such inspection or audit in accordance with Section 2.2.6.

2.1.6.6 – If you transfer the Franchised Business with our consent pursuant to Section 4.2, you agree to pay us a transfer fee equal to 50% of the then current initial franchise fee.

2.1.6.7 – If the Operating Manager ceases active management of the Franchised Business or if the business is not being managed properly, then pending the appointment and training of a new Operating Manager, we may appoint a manager until you appoint a trained replacement manager and we you will pay in the manner described in Section 4.2.8.

2.1.6.8 – If you renew the franchise pursuant to Section 5.1.2, you agree to pay us our then-current renewal fee, which will be equal to 25% of our then-current initial franchise fee for new franchisees.

2.1.6.9 – If any required payment you make to us is rejected by your bank because of insufficient funds, you will pay us $50 for each occurrence.

2.1.6.10 – After you open your Sedona Taphouse restaurant, if you continue to sell or purchase an unauthorized product or service or you continue to be out of compliance with the System Standards after we have notified you to cease such sales or purchases, or to come into compliance with a System Standard, then you must pay us our then current fee pursuant to Section 1.1.4, 1.3.6 or 1.6.15. Such fee as of the date of this Agreement is $300 per day. You acknowledge and agree that your continued sale or purchase of unauthorized products or services or your continued noncompliance with System Standards after we have notified you to cease will cause us to incur damages, the actual amount of which would be speculative and difficult to calculate. You acknowledge that $300 per day is a fair and reasonable estimate of the foreseeable damages that we are likely to incur.

2.1.7 Inflation. Fees stated in Section 2.1.6 as dollar amounts may be increased from time to time to reflect increases in the Consumer Price Index for All Urban Consumers ("CPI-U") from the date of this Agreement, as published by the U.S. Department of Labor, or a successor index.

2.1.8 Reports. You will submit a report to us within two days after the end of each Accounting Period setting forth your true and correct Gross Sales for such Accounting Period in such detail and in such manner as we require from time to time. In addition, we will have the right, upon notice to you: (i) to require you to submit to us quarterly and annual balance sheets and income statements for the Franchised Business, prepared in accordance with generally accepted accounting principles consistently applied, in the format we prescribe, and verified as correct in the manner we prescribe from time to time; and (ii) to require you to supply us with reviewed financial statements prepared annually.

2.1.9 Payment. Two days after the end of each Accounting Period, you must pay to us the amount of the Royalty and Marketing Fee owed to us based on such Gross Sales. You must pay us for all other amounts within five (5) days of our invoice, including but not limited to reimbursements to us for amounts we spend on your behalf, amounts you incur for training, and purchases we make at your request or that we make on your behalf. Payments will be made via electronic funds transfer, initiated by us, for all amounts owed on the date due thereof. At our request, you agree to execute such documents as we determine are necessary for us to process electronic funds transfers from your designated bank account for payment of the amounts you owe to us. You will bear all costs to establish and maintain the required electronic payment system, and all bank service charges. You will comply with our procedures for electronic payment, which we may modify from time to time, including the maintenance of such minimum bank account balance as we specify from time to time.

2.1.10 Interest on Late Payments. Any payment that is not made by the date it is due will be subject to interest at the rate of 1.5% per month or the highest rate allowed by law, whichever is less. If no due date is stated, interest begins to run 10 days after billing. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Section 5.2.2.4. Interest will accrue whether or not we exercise our right to terminate. You acknowledge that this subsection does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to you or otherwise finance your operation of the Franchised Business.

2.1.11 No Setoff. Your obligations to make payments in accordance with this Agreement and any other agreement with us or any of our affiliates with respect to the Franchised Business are not subject to any abatement, reduction, setoff, defense or counterclaim due or alleged to be due for any past, present or future claim that you have or may have against us or any of our affiliates.

2.1.12 Application of Payments. All payments you make to us will be applied in such order as we may designate from time to time, regardless of any designation you may make with respect to the application of such payments, even if you specifically make payment conditional on our acceptance of your designated application or instructions.

2.1.13 Taxes. In the event that we are required to collect and pay any sales or use tax from you for payment to any tax authority based on your purchase of the franchise or any items relating to the franchise, or based on any continuing payments you make to us under this Agreement, you will pay such amounts to us upon receipt of our invoice.

Section 2.2 – Records; Inspection

2.2.1 Records. You agree to maintain at the Restaurant Premises full, complete and accurate records of the Franchised Business. You will maintain bookkeeping, accounting and records retention systems conforming to the requirements that we prescribe from time to time, and records relating to the operations of the Franchised Business that we prescribe from time to time. You agree to maintain and to furnish to us upon request complete copies of all income, sales, value added, use and service tax returns, as well as employee withholding, workers' compensation and

similar reports that you file or submit to any government or insurer, reflecting activities of the Franchised Business. You agree to preserve all records described in this Section 2.2.1 for a period of at least five years after their creation, or such longer period as may be required by law, during both the term of this Agreement, the term of any successor Franchise Agreement between us, and following the expiration or termination of this Agreement or any successor hereto.

2.2.2 Access to Systems. We may use the computer and point of sale systems described in Section 1.3.8 to collect electronically the reports referred to in Section 2.1.8 and the records referred to in Section 2.2.1. We have the right to establish requirements that will permit us, as often as we deem appropriate, to access your POS system, computer terminals and computer system to retrieve all information relating to the Franchised Business.

2.2.3 Right to Inspect. During the term of this Agreement, we or our designated representatives will also have the right, at any time during your regular business hours, without prior notice to you, to enter upon the Restaurant Premises to inspect the books and records of the Franchised Business and take excerpts. You agree to cooperate fully with us and our representatives during all such inspections.

2.2.4 Right to Audit. We have the right at any time during your regular business hours, without prior notice to you, to inspect and audit the records of the Franchised Business, or to cause such records to be inspected and audited. This right includes the right to access your computer systems.

2.2.5 Discrepancies. If any inspection or audit demonstrates an understatement of Gross Sales, you will pay the deficiency to us within 15 days after you receive the inspection or audit report.

2.2.6 Cost. All inspections and audits will be at our expense; but if an inspection or audit is made necessary by your failure to furnish, or your delay in furnishing, reports, supporting records, other information or financial statements we require, or if an understatement of Gross Sales for the period of any audit or inspection is determined by any such audit or inspection to be greater than 2%, you agree, within 15 days after our request, to reimburse us for the cost of such inspection or audit, including, without limitation, legal and accounting fees, and the travel expenses, including lodging, meals and per diem charges of the inspecting or auditing personnel. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

2.2.7 Survival of Inspection and Audit Rights. Our rights to inspect the books and records of the Franchised Business and to take excerpts, and to audit the Franchised Business, will continue for a period of twelve (12) months following the expiration or termination of this Agreement; but we may only inspect such books and records or perform any such audit following the expiration or termination of this Agreement upon at least 24 hours' prior notice to you.

2.2.8 Disclosure of Your Financial Information. We have the right to disclose data we receive from you regarding the Franchised Business without identifying you. If we are required by law to disclose any data we receive from you regarding the Franchised Business and

such disclosure will identify you, we will notify you of the disclosure to be made and, if you request, endeavor to obtain legally binding assurance that those who receive such disclosure will be bound by an obligation of confidentiality.

ARTICLE III - PROPRIETARY RIGHTS; CONFIDENTIALITY; NONCOMPETITION

Section 3.1 – Our Copyrights and Trademarks

3.1.1 Our Copyrights. We and our affiliates are the sole owners of all copyrights in the Manual and all supplemental materials, and other materials identified as ours that we provide to you, and in all advertising and promotional material created by or for us. You may not copy any such materials, nor create derivative works of any such materials, except as specifically authorized or permitted by us.

3.1.2 Our Trademarks. Your right to use the Marks is derived solely from this Agreement and is limited to your operation of the Franchised Business at and from the premises of your Sedona Taphouse restaurant pursuant to and in compliance with this Agreement and all System Standards. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Franchised Business in compliance with this Agreement). You will not contest or assist others in contesting our right to use the Marks.

3.1.3 Proper Use of the Marks. You may not use the Marks except as authorized under this Agreement. You understand that any use of the Marks other than as expressly authorized by this Agreement, without our prior written consent, may constitute infringement and that your right to use the Marks does not extend beyond the expiration or termination of this Agreement, absent entry into a successor Franchise Agreement with us. You agree to use the Marks as the sole identification of the Franchised Business, except that you agree to identify yourself as the independent owner of the Franchised Business in the manner we prescribe. You may not use any of the Marks or any word similar to any of the Marks as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized products or services or in any other manner we have not expressly authorized in writing. You may not use any of the Marks as part of a domain name or electronic address of a website. You agree to display the Marks prominently in the manner we prescribe at the Franchised Business and on business forms and advertising materials. You agree to give such notices of trademark registrations and our ownership of the Marks as we specify from time to time and to obtain any fictitious or assumed business name registrations required under applicable law.

3.1.4 Modifying the Marks. We will have the right to modify or change the Marks from time to time upon written notice to you specifically referring to this Agreement and describing such modification or change. Such right will include the right to use a trademark that is entirely different from "Sedona Taphouse restaurant" and the right to require you to use one or more

additional logos and marks; but we will make all such changes in the Marks only for good faith marketing, trademark or other reasons on a uniform basis for all Sedona Taphouse restaurant franchisees in the U.S. You agree, upon notice from us, to regard each such modified, changed, new or additional trademark as being within the definition of "Marks" under this Agreement, and to adopt and use each such trademark at your expense in accordance with the terms and conditions of this Agreement. We will not be obligated to reimburse you for any loss of revenue or expenses caused by any such modification or change.

3.1.5 Infringement. You agree to notify us of any apparent infringement of any Mark or of any of our copyrights, by any third party, promptly after such apparent infringement comes to your attention, and to notify us promptly of any challenge to your use of any Mark and of any claim by any person of any rights in any Mark, and you agree not to communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate with respect to such apparent infringement, challenge or claim and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark or our copyrights. You agree not to initiate any such action or proceeding, but to cooperate with us in any such action or proceeding and sign any and all instruments and documents, render such assistance and do such acts and things as may be necessary or advisable, in the opinion of our attorneys, to protect and maintain our interests in any litigation or any proceeding at the Patent and Trademark Office, or otherwise to protect and maintain our interests in the Marks or copyrights. In the event any sum is recovered based on our claim of infringement, we will have the exclusive right to such recovery.

3.1.6 Improvements**.** Any improvements or additions to the System copyrightable materials, the System Website, social media accounts or other websites concerning the System or any Sedona Taphouse restaurants, or any other documents or information pertaining to or relating to the System or the Franchised Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Franchised Business or any advertising and promotional ideas or inventions related to the Franchised Businesses (collectively, "**Improvements**") conceived or developed by Franchisee shall immediately become Franchisor's property. Franchisee agrees to assign and does hereby assign to Franchisor all right, title, and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. Franchisee shall fully disclose the Improvements to Franchisor and shall obtain Franchisor's written approval prior to using such Improvements. Any Improvement may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisor may apply for and own copyrights, patents, trade names, trademarks, and service marks relating to any such Improvement and Franchisee shall cooperate with Franchisor in securing such rights. Franchisor may also consider such Improvements as the property and trade secrets of Franchisor. In return, Franchisor shall authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by Franchisee or any other person or entity retained or employed by Franchisee is Franchisor's property, and Franchisor shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the

Improvements are not works made for hire or rights in the Improvements do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Improvements, which Franchisee and the author of such Improvements warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure Franchisor's right in the Improvements as required in this Section.

3.1.7 Photo/Video Release. Franchisee hereby authorizes Franchisor to use Franchisee's, Franchisee's owners', and Franchisee's guarantor's, likeness in a photograph in any and all of Franchisor's publications, including printed and digital publications and on websites and social media accounts. Franchisee agrees and understands that any photograph using Franchisee's likeness will become Franchisor's property and will not be returned. Franchisee irrevocably authorizes Franchisor to edit, alter, copy, exhibit, publish or distribute any photograph of Franchisee for any lawful purpose. Franchisee irrevocably waives any rights to royalties or any other compensation related to Franchisor's use of any photograph of Franchisee. Franchisee agrees to hold harmless and forever discharge Franchisor from all claims, demands, and causes of action which Franchisee may have in connection with this authorization.

Section 3.2 – Confidentiality and Use of Information

3.2.1 Confidential Information. We possess and will continue to develop and acquire certain confidential information relating to the development and operation of Sedona Taphouse restaurants ("Confidential Information"). Confidential Information means information that is not generally available to the public and that has commercial value to us or to the Franchised Business, or that is personally identifiable information of customers. "Confidential Information" includes, without limitation:

3.2.1.1 – the contents of the Manual and all supplemental materials;

3.2.1.2 – the content of our training and assistance;

3.2.1.3 – site selection criteria;

3.2.1.4 – sales and marketing techniques;

3.2.1.5 – recipes, mixes, formulas, and menu item preparation and presentation methods;

3.2.1.6 – customer lists;

3.2.1.7 – planned advertising and marketing programs;

3.2.1.8 – current, past and planned research, development and test programs for products, services and operations;

3.2.1.9 – specifications for and suppliers of certain equipment, fixtures, furnishings, signs, materials and supplies;

3.2.1.10 – the operating results and financial performance of Sedona Taphouse restaurants other than the Franchised Business;

3.2.1.11 – user names and passwords allowing access to protected areas on our website or computer network; and

3.2.1.12 – all improvements and modifications to the System developed by you or your personnel.

You will not acquire any interest in any Confidential Information other than the right to use Confidential Information disclosed to you in operating the Franchised Business during the term of this Agreement.

3.2.2 Customer Data. You only may use information and data collected about people patronizing the Franchised Business (the "Customer Data") in the Franchised Business, and for no other purpose whatsoever. You must make all reasonable efforts to safeguard the Customer Data from misappropriation or unauthorized use through computer intrusion or otherwise. Unless you transfer the Franchised Business to a third party we approve, upon termination or expiration of this Agreement all Customer Data shall immediately become our sole and exclusive property, and at that time you must execute any documents necessary to effectuate transfer of all control over the Customer Data to us.

3.2.3 Nondisclosure and Non-Use. At all times both during the term and after the expiration or termination of this Agreement, (i) you will keep all Confidential Information in the strictest confidence and you will not disclose any Confidential Information to any person other than your employees, agents or representatives who have a legitimate need to know such information, who are informed of this obligation of confidentiality, and who have signed either a Guaranty as described in Section 1.1.7 or a written confidentiality agreement with your company in a form acceptable to us, and (ii) you will not use any Confidential Information except for the purpose of fulfilling your obligations under this Agreement.

3.2.4 Isolated Disclosures. Notwithstanding the foregoing, we will not deem you to be in default of this Agreement as a result of isolated incidents of disclosure of Confidential Information by an employee other than an owner, provided that you have taken reasonable steps to prevent such disclosure, including but not limited to the steps a reasonable and prudent owner of confidential and proprietary information would take to prevent disclosure of such information by his or her employees, and further provided that you pursue all reasonable legal and equitable remedies against such employee for such disclosure of such Confidential information.

3.2.5 Exceptions. The obligations of confidentiality and non-use described above will not apply to information that: (i) you can clearly show was known to you on a non-confidential basis prior to its disclosure to you by us; (ii) is or becomes generally known among Competitive

Businesses (as defined in Section 3.3.1) in the U.S. other than through disclosure by you or any of your employees, contractors, agents or representatives; or (iii) you can clearly show was received by you on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation.

3.2.6 Disclosures Required by Law. In the event that you become legally compelled to disclose any Confidential Information, you will (i) promptly notify us that such information is required to be disclosed, (ii) use your best efforts to obtain legally binding assurance that all those who receive disclosure of such information are bound by an obligation of confidentiality, and (iii) disclose only that portion of the Confidential Information that your legal counsel advises is legally required to be disclosed.

3.2.7 Return of Information. Upon our request, you will promptly return to us all Confidential Information and all copies in your possession or under your control, and you will destroy all copies on your computers, disks and other digital storage devices.

Section 3.3 – Noncompetition

3.3.1 Definition of Competitive Business. As used in this Agreement, the term "Competitive Business" means any business that owns, operates, or grants franchises or licenses to others to operate, a bar, pub, tavern, or restaurant, or food or alcoholic beverage service facility, that (i) features beer, wine and related products as a primary menu item; (ii) serves craft beer; (iii) has more than 6 beers on tap, or (iv) offers for sale prepared food items that are part of the Sedona Taphouse menu and are associated with the southwestern United States or Mexico or Tex-Mex style of food, including (without limitation) guacamole, tacos, bacon wrapped jalapenos, and pasta with spicy cream sauce (other than a Sedona Taphouse restaurant operated under a franchise agreement with us or our affiliate). The restrictions of this section will not apply to the ownership, solely as an investment, of publicly traded securities that constitute less than 1% of a class of ownership interests of the issuing company.

3.3.2 Agreement Not to Compete. You agree that during the term of this Agreement, unless terminated by us or by you in compliance with Section 5.2., you will not, directly or indirectly (through one of your company's affiliates or owners or a member of the immediate family of any owner), either (i) have a direct or indirect interest in, or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any such Competitive Business located or operating anywhere in the U.S. or in any other country in which a Sedona Taphouse restaurant operates; or (iii) divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business in any manner.

3.3.3 Noncompetition After Termination. Upon the expiration of this Agreement, your termination of this Agreement without cause, our termination of this Agreement in accordance with its terms and conditions, or your transfer in accordance with Article IV, you and your company's owners agree for a period of two years following such expiration, termination or transfer, that you will not, directly or indirectly (through one of your company's affiliates or owners or a member of the immediate family of any owner), either (i) have a direct or indirect ownership interest in, or perform services as a director, officer, manager, employee, consultant,

representative, agent or otherwise for any such Competitive Business located or operating within 5 miles of the Site or of any Sedona Taphouse restaurant anywhere in the world at the time of such expiration, termination or transfer; or (ii) divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business in any manner.

3.3.4 Reasonableness of Restrictions. You acknowledge that the time and geographical limitations in Sections 3.3.2 and 3.3.3 are reasonable and do not impose a greater restraint than is necessary to protect our goodwill or other business interests. If any of the limitation in such sections is held unreasonable or unenforceable by a court or governmental agency, then such limitation will be deemed to be reduced as necessary to enable the court or agency to enforce such limitation to the fullest extent permitted under applicable law.

ARTICLE IV - TRANSFER

Section 4.1 – Transfer by Us

We may sell, assign or transfer our rights and obligations under this Agreement to any party, without your approval and without prior notice to you, provided that the buyer, assignee or transferee agrees in writing to assume all of our obligations under this Agreement. We will not be liable for obligations of the transferee arising after the date of transfer.

Section 4.2 – Transfer by You

4.2.1 No Transfer Without Our Approval. This Agreement is personal to you. We have granted the franchise to you in reliance upon our perceptions of your (or your company's owner's) individual or collective character, skill, aptitude, business ability and financial capacity. Accordingly, you may make no Transfer (as defined below) without our prior written approval. Any purported Transfer without such approval will be a breach of this Agreement and will entitle us to terminate this Agreement as provided below. Our consent to a Transfer does not constitute a representation as to the fairness of the terms of any contract between you or your company's owners and the transferee, a guaranty of the successful operation of the Franchised Business by the transferee or a waiver of any claims we may have against you or your company's owners or of our right to demand the transferee's compliance with any of the terms or conditions of this Agreement.

4.2.2 Definition of Transfer. As used in this Agreement, the term "Transfer" means your (or your company's owner's) voluntary, involuntary, direct or indirect assignment, sale, gift, pledge or other disposition of: (i) any legal or beneficial ownership or voting interest in your company: (ii) this Agreement, (iii) any material asset of the Franchised Business; or (iv) the lease or ownership of the Restaurant Premises (unless we agree to a relocation or unless the transfer of ownership does not affect your leasehold rights and obligations). "Transfer" also includes (v) the merger or consolidation of your company; (vi) the issuance of additional securities or other ownership or voting interests of your company, and (vii) the admission or departure of a partner or owner; (viii) transfers resulting from proceedings under the U.S. Bankruptcy Code or any similar law, (ix) transfers resulting from divorce; and (x) any grant of a security interest to a third party without our approval.

4.2.3 Notice of Transfer. You agree to notify us of any planned Transfer, and to provide us with any information we may reasonably request in order to permit us to evaluate the planned Transfer. If we do not exercise our right of first refusal under Section 4.3, we agree not to unreasonably withhold our approval of a Transfer. If we approve the Transfer, then you will be free, for 90 days following such approval, to effect the Transfer to the person or persons approved by us.

4.2.4 Conditions to Transfer. The following conditions will apply with respect to any Transfer except as described in Section 4.2.3:

4.2.4.1 – The proposed transferee, its management and owners, must be individuals of good character with sufficient business experience, aptitude, and financial resources to operate the Franchised Business and otherwise meet our then applicable standards for a new Sedona Taphouse restaurant franchisee.

4.2.4.2 – Neither the proposed transferee nor any of its management or owners may be a Competitive Business or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

4.2.4.3 – You will cure any default under this Agreement that we will have notified to you.

4.2.4.4 – You will pay all fees and any other amounts then owed to us and our affiliates.

4.2.4.5 – If any lease for the premises used in the business requires it, the landlord must consent to the assignment of the lease to the transferee.

4.2.4.6 – You or the transferee will pay us a nonrefundable transfer fee described in Section 2.1.6.6.

4.2.4.7 – We may require that the transferee or your company under ownership by the transferee, at the time of closing, enter into our then current form of franchise agreement amended to shorten the initial term to conform to the remaining term of this Agreement and to remove the requirement to pay the initial fee, and each Guarantor under the new franchise agreement will have signed our then-current form of guaranty.

4.2.4.8 – You and we will execute a written Consent to Transfer Agreement terminating this Agreement or an amendment to this Agreement acknowledging a change in ownership. Any such agreement or amendment must be in a form satisfactory to us and may include a general release of any claims against us and our affiliates and an acknowledgment of your obligations following the Transfer.

4.2.4.9 – You or your transferee will upgrade and remodel the Restaurant Premises as we may require to conform to the then-current standards and specifications of a new

franchised business then being established, and will complete the upgrading and remodeling within the time specified by us.

4.2.4.10 – The transferee or its designated personnel will have completed such training as we may require, to our satisfaction.

4.2.4.11 – We will have approved the material terms and conditions of such transfer and determined that the price and terms of payment are unlikely to adversely affect the transferee's ability to operate the Franchised Business in compliance with System Standards.

4.2.4.12 – If you or your owners finance any part of the sale price of the transferred interest, you or your owners will have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests are subordinate to the transferee's obligation to pay Royalties, Marketing Fees and other amounts due to us.

4.2.4.13 – After our authorization of the Transfer and your compliance with all of the requirements listed above, you will give us not less than five business days' written notice of the date, time and place of the closing of such Transfer, and you will give us an opportunity to have a representative present at the closing.

4.2.4.14 – If the transaction is brokered by a third party or by one of our authorized sales representatives, you or the proposed transferee will be responsible for paying broker fees at the same commission rate that we pay such broker or sales representatives.

4.2.4.15 – If the transaction is a securities offering as described in Section 4.2.9, you must pay us the greater of: (i) 50% of our then-current initial franchise fee; or (ii) our reasonable costs and expenses associated with reviewing the proposed offering.

4.2.5 Transfer to a Company you Control. Upon prior notice to us and the signing by the relevant parties of assignment documents acceptable to us, you may transfer this Agreement to an entity that conducts no business other than the Franchised Business in which you maintain management control and of which you or all of the owners of your company own and control 100% of the equity and voting power, provided that all assets of the Franchised Business are owned, and the entire Franchised Business is conducted by, a single entity. The requirements of Sections 4.2.4.6 through 4.2.4.13 will not apply to any such transfer. You will remain personally liable under this Agreement after such Transfer by signing a Guaranty as described in Section 1.1.7.

4.2.6 Transfer Upon Death or Disability. You or your executor or other personal representative must promptly notify us in the event of your death or disability or, if your company is an entity or a partnership, the death or disability of the Operating Manager. Any transfer upon death or disability will be subject to the same terms and conditions as those that apply to other transfers, as described in Sections 4.2.1 through 4.2.4; but you or your executor or other personal representative will have a period of 12 months in which to effect a transfer acceptable to us in the event of death, and six months in the event of disability. The Operating Manager must be replaced in the manner described in Section 1.5.6. As used in this Agreement, the term "disability" means a mental, emotional or physical injury, illness, incapacity, disability or impairment that is

reasonably expected to prevent or actually does prevent you or your Operating Manager from performing the obligations set forth in this Agreement for more than 30 days, and from which such person is unlikely to recover and resume performing their obligations within 180 days from onset. A person's disability for purposes of this section will be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person will automatically be deemed disabled for purposes of this section as of the date of refusal. We will pay the cost of the examination to the extent it is not covered by insurance.

4.2.7 Operation of the Franchised Business Upon Death or Disability. If within 30 days after your death or disability or, if your company is an entity, the death or disability of the Operating Manager in your company, the Franchised Business is not being actively managed by an Operating Manager who has attended and successfully completed such training as we may require, you must appoint a new Operating Manager to operate the Franchised Business. Such Operating Manager will be required to complete our training at your expense if he or she has not already done so. Pending the appointment and training of an Operating Manager or if, in our judgment, the Franchised Business is not being managed properly, we have the right, but not the obligation, to manage the Franchised Business ourselves or through another franchisee.

4.2.8 Transitional Management Costs. In the event that we appoint a manager for the Franchised Business pursuant to Section 4.2.7 or Section 1.5.6, all funds from the operation of the Franchised Business during the management by our appointed manager will be kept in a separate account, and all expenses of the Franchised Business, including compensation, other costs and travel and living expenses of our manager, will be charged to this account during the period that our appointed manager manages the Franchised Business. We will also have the right to charge a management fee of $2,000 per week, subject to increase for inflation pursuant to Section 2.1.2., (in addition to the Royalty and Marketing Fee and other fees payable under this Agreement). Operation of the Franchised Business during any such period will be on your behalf. We will not be liable to you or your company's owners for any debts, losses or obligations incurred by the Franchised Business or to any of your suppliers for any products, materials, supplies or services the Franchised Business purchased during any period it is managed by our appointed manager.

4.2.9 Securities Offerings. You agree to submit to us, for our review, all materials for an offering or exempt private placement of stock or partnership or other interests in your company or any of your affiliates that are required by federal or state law before such materials are filed with any government agency and before they are used. We may require such materials to contain a written statement, prescribed by us, indicating that we are not participating in such offering in any way. You and all other participants in the offering must fully indemnify us and our subsidiaries, affiliates, successors and assigns, and our and their respective members, managers, directors, officers, shareholders, partners, agents and representatives in connection with the offering. For each proposed offering, you will reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You will give us written notice at least 30 days before the date that any offering or other transaction described in this Section 4.2.9 commences. Any such offering will be subject to all of the other provisions of this Section 4.2.

4.2.10 Grants of Security Interests. You will not grant to any third party a security interest in or encumbrance of any assets of the Franchised Business without our prior written approval, which approval we will not unreasonably withhold. We may condition our approval, in our sole discretion, on the written agreement by the secured party that, in the event of your default under any agreement related to the security interest, we will have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of all sums then due to the secured party. If you (or any person with a direct or indirect interest in your company) finances any part of the price paid in connection with the Transfer, the person or entity providing the financing must agree that all obligations of the proposed transferee and any security interest retained in the assets being transferred, will be subordinate to (a) the proposed transferee's obligations to pay all amounts due to us and our affiliates; and (b) otherwise comply with this Agreement and all other agreements with us or our affiliates.

Section 4.3 – Our Right of First Refusal

4.3.1 Notice of Third-Party Offer. If you or any of your company's owners at any time desire to sell, assign or transfer for consideration an interest in this Agreement and the Franchised Business or an ownership interest in your company to anyone other than as described in Section 4.3.4, you will obtain and immediately submit to us a true and complete copy of a bona fide written offer from the third party that desires to acquire such interest (the "Third Party Offer"). The Third-Party Offer must include the names of all owners of any entity offeror and the names of all partners of any partnership offeror or, in the case of a publicly-held entity, copies of the most current quarterly report and Form 10K. The Third-Party Offer must contain details of the payment terms of the proposed sale and the source and terms of any financing of the proposed purchase price, and may not include or be contingent upon the purchase of assets other than those related to the Franchised Business.

4.3.2 Exercise of Our Right of First Refusal. We will have the right, exercisable by notice delivered to you or your company's selling owner or owners within 30 days after the date of our receipt of a copy of the Third Party Offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in the Third Party Offer, provided that (i) we may substitute cash for any form of payment proposed in such offer; and (ii) we will have at least 60 days after giving notice of our election to prepare for closing. If we exercise our right of first refusal, you and we will execute a written agreement, in a form satisfactory to us, acknowledging the seller's continuing obligations. We may require the seller to sign a general release of any claims against us and our affiliates. We may assign our rights hereunder to a new franchisee, provided such new franchisee pays cash to you at closing.

4.3.3 Consequence of Non-exercise of Our Right of First Refusal. If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 4.2; but if the sale to such purchaser is not completed within 120 days after delivery of the Third Party Offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the thirty day period following either the expiration of such 120-day period or the notice to us of the material

changes in the terms of the sale, either on the terms originally offered (following such 120-day period) or the modified terms (following notice to us of material changes in the terms of the sale).

4.3.4 Exceptions. Our right of first refusal will not apply to transfers among the current owners of your company unless the Operating Manager is transferring his or her ownership.

ARTICLE V - TERM AND TERMINATION

Section 5.1 - Term and Renewal

5.1.1 Initial Term. This Agreement will be effective as of the date set forth in the opening paragraph of this Agreement. The initial term of this Agreement will expire on the date specified in Schedule A, but if no expiration date appears in Schedule A, then the initial term of this Agreement will expire 10 years after the date of this Agreement. If a current lease or sublease will expire before the expiration of this Agreement, you may attempt to obtain a replacement lease or sublease. We will have the right to approve any proposed replacement lease or sublease as otherwise provided in Section 1.2.3. If you are unable to obtain a replacement lease or sublease that meets our approval before the current lease or sublease expires, (i) you have the right to terminate this Agreement, subject to your observation of all notice provisions and post-term obligations set forth in this Agreement, or (ii) we have the right to terminate this Agreement in accordance with Section 5.2. In addition, if the current lease or sublease is terminated for any reason before it expires, we have the right to terminate this Agreement in accordance with Section 5.2.

5.1.2 Renewal. You will have the right to acquire a successor franchise for a term of 10 years, provided that you comply with the following conditions:

5.1.2.1 – you will have given us notice of your desire to acquire a successor franchise ("Renewal Notice") not less than 12 months nor more than 24 months before the end of the then-current term;

5.1.2.2 – you and your affiliated companies must not be in default under this Agreement or any other agreement with us or any of our affiliates at the time you give your Renewal Notice, or if you are in default, you have cured such default in the manner described below;

5.1.2.3 – you comply with our then-current financial qualifications and training requirements for new Sedona Taphouse restaurant franchises;

5.1.2.4 – you must not have received more than three notices of default during any 24-month period during the term of this Agreement, whether or not such defaults have been cured;

5.1.2.5 – you present evidence to us that you have the right to remain in possession of the Restaurant Premises for the duration of the term of the successor franchise agreement, or you obtain our approval of a new location for the Franchised Business for the duration of the successor franchise term;

5.1.2.6 – to comply with our then-current standards in effect for new Sedona Taphouse restaurant franchises, at your cost and expense, you remodel and refurbish the Restaurant Premises, and you repair or replace equipment (including computer and point of sale systems), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Franchised Business as we may reasonably require, and you obtain any new or additional equipment, fixtures, supplies and other products and materials that we may reasonably require;

5.1.2.7 – if we require, you execute a general release, in a form prescribed by us, of any and all claims against us and our affiliates and their respective members, managers, officers, directors, shareholders, partners, agents and employees; and

5.1.2.8 – you execute our then-current standard form of franchise agreement, which agreement will supersede this Agreement in all respects; but you will not be required to pay the initial fee stated in the successor franchise agreement. Instead, you will pay us the renewal fee referred to in Section 2.1.6.8. You understand that the successor franchise agreement may contain materially different terms than this Agreement, including, but not limited to, increased fees.

If you or any of your affiliated companies is in default under this Agreement or any other agreement with us or any of our affiliates at the time you give your Renewal Notice, we will give you notice, not more than 30 days after receipt by us of your Renewal Notice, of such default, and we will give you 30 days to cure. In the event that you fail to cure in that period, or in the event that any other condition set forth in this Section 5.1.2 is not satisfied, your right to renew will terminate. Nothing in this Section 5.1.2 will limit our right to terminate this Agreement in accordance with Section 5.2.2.

5.1.3 Hold Over. If you do not sign a new franchise agreement before the term of this Agreement expires and you continue to accept the benefits of this Agreement after this Agreement expires, or if you continue to accept the benefits of this Agreement after this Agreement terminates or after the effective date of termination, then at our option, we may treat this Agreement either as: (i) expired as of the date of expiration, with you then being deemed to be operating without a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the "Interim Period") until either (A) both you and we sign a new franchise agreement or (B) either you or we give at least 30 days' prior written notice to the other party of your or our intention to terminate the Interim Period, in which case the Interim Period and this Agreement will terminate on the date specified in the notice, which will not be more than 60 days following the date of the notice unless both you and we so agree. All of your obligations will remain in full force and effect during the Interim Period as if this Agreement had not expired.

Section 5.2 - Termination

5.2.1 Termination by You. You may not terminate this Agreement except in the event of our material breach of this Agreement. In the event that you claim that we have materially breached this Agreement, you will provide us with written notice of such claim within twelve

months of its occurrence, specifically enumerating all alleged deficiencies and providing us with an opportunity to cure, which will in no event be less than 90 days from the date of our receipt of the notice. Your failure to give such notice will constitute a waiver of your right to terminate on the basis of such breach.

5.2.2 Termination by Us Upon Notice. We may terminate this Agreement upon written notice to you with immediate effect if:

5.2.2.1 – you or any of your company's owners have made any material misrepresentation or omission in connection with your application for and purchase of the franchise;

5.2.2.2 – your Operating Manager fails to complete the initial training to our satisfaction in accordance with Section 1.5.2;

5.2.2.3 – you fail to commence operation of the Franchised Business within the time required by Section 1.2.9;

5.2.2.4 – you are more than five days late in your payment of any amount due to us under this Agreement or to any of the suppliers of the Franchised Business, and you fail to make such payment within five days after we will have notified you that such payment is past due;

5.2.2.5 – you or any of your affiliates default under your lease for the Restaurant Premises and have not cured such default within the time required under the lease, or you lose the right to possession of the Restaurant Premises and have not relocated to another site approved by us;

5.2.2.6 – you fail to have a competent, conscientious, trained staff in numbers sufficient to promptly service customers in accordance with the System Standards, and we have previously notified you of your failure to meet this requirement under Section 1.6.3 (whether or not you cured your first notice of default thereunder);

5.2.2.7 – you or any of your company's owners use or disclose any Confidential Information in violation of the requirements of Section 3.2;

5.2.2.8 – you or any of your company's owners make any unauthorized use of the Marks or challenge or seek to challenge the validity of any of the Marks;

5.2.2.9 – you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

5.2.2.10 – a threat or danger to public health or safety results from the construction or maintenance of the premises or from the operation of the Franchised Business, or you violate any health, safety or sanitation law, ordinance or regulation or your obligations under Section 1.6.6 ("Health and Safety Standards"), and do not begin to correct such noncompliance or

violation immediately, and completely correct such noncompliance or violation within 72 hours after written notice of such threat, danger, noncompliance or violation is delivered to you;

5.2.2.11 – you fail to remove any objectionable content posted to a social media website within 12 hours after we request you to remove it pursuant to Section 1.7.14;

5.2.2.12 – you knowingly maintain false books or records or submit to us a report that understates the Gross Sales of the Franchised Business three or more times during the term of this Agreement or by more than five percent on any one occasion;

5.2.2.13 – you fail for a period of 15 days after notification by appropriate authority to comply with any other law or regulation applicable to the operation of the Franchised Business;

5.2.2.14 – you or any of your company's owners effect or attempt to effect a Transfer without our approval and contrary to the provisions of Article IV;

5.2.2.15 – in the event of your death or disability or the death or disability of an owner of your company, this Agreement or such owner's interest is not assigned as required by Article IV;

5.2.2.16 – you or any of your company's owners are or have been convicted of, or plead or have pleaded guilty or no contest to, a felony or any other crime or offense, or engage in any dishonest, deceptive or unethical conduct that may, in our opinion, adversely affect the reputation of the Franchised Business, other Sedona Taphouse restaurants or the goodwill associated with the Marks;

5.2.2.17 – you fail to operate the Franchised Business for three consecutive business days, unless the Franchised Business has been closed for a purpose we have approved or because of a casualty or Force Majeure (as defined in Section 7.3 below);

5.2.2.18 – you fail to pay when due any federal or state income, service, sales, withholding or other taxes due in connection with the operation of the Franchised Business, unless you are contesting your liability for such taxes in good faith or you have received an extension from the applicable government agency of the time within which to make such payments;

5.2.2.19 – you fail a mystery shopper or announced inspection two or more times in any period of 12 consecutive months, whether or not you cured the failures noted in the first failed mystery shopper or announced inspection;

5.2.2.20 – you commit three or more defaults under this Agreement in any period of 12 consecutive months, whether or not each such default has been cured after notice was delivered to you;

5.2.2.21 – your assets, property or interests or those of any of your owners are blocked under any law, rule or regulation relating to terrorist activities;

5.2.2.22 – you become insolvent or make a general assignment for the benefit of creditors; or, unless prohibited by law, if a petition in bankruptcy is filed by you or filed against and consented to by you or not dismissed within 30 days; or if a proceeding for the appointment of a receiver or other custodian of your company, business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of all or any part of your business or assets is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement); or if your company is dissolved;

5.2.2.23 – you or any of your affiliates default under any financing agreement or arrangement with any party advancing funds to you in connection with the operation of the Franchised Business or the operation of another business under a franchise agreement with us; or

5.2.2.24 – any other Sedona Taphouse restaurant franchise agreement now or hereafter in effect between us and you or any of your affiliates is terminated due to a breach by you or your affiliate.

5.2.3 Termination After Cure Period. Except as set forth in Section 5.2.2, you will have 30 days after receipt of written notice from us of a material default in which to remedy the default and provide evidence of that remedy to us. If any such default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time unless we notify you otherwise in writing.

5.2.4 Relationship Laws. Notwithstanding the provisions described in this Section 5.2, if any valid, applicable law or regulation limits our right to terminate this Agreement or requires different or longer notice periods than those set forth in this Agreement, this Section 5.2 is deemed amended to conform to the minimum notice periods or restrictions upon termination required by such law or regulation. We will not however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination of this Agreement.

Section 5.3 - Consequences of Termination

5.3.1 General Consequences. Upon the expiration of this Agreement or its termination for any reason:

5.3.1.1 – all rights and licenses granted to you under this Agreement will immediately terminate;

5.3.1.2 – you will remit to us, within 15 days of such expiration or termination, or on such later date that the amounts due to us are determined, such Royalties and Marketing Fees, amounts owed for purchases from us, interest due and all other amounts owed to us that are then unpaid, and you will submit to us any reports and other information you may be required to

submit to us with respect to the operation of the Franchised Business up to the date of expiration or termination;

5.3.1.3 – you will cease to use the Marks and the System in any way, cease referring to or identifying yourself as a Sedona Taphouse restaurant franchisee and remove all such identifying materials from the Restaurant Premises, unless we instruct you otherwise;

5.3.1.4 – you will take such action as may be required to cancel all fictitious or assumed name or equivalent registrations or domain name registrations relating to your use of any Marks;

5.3.1.5 – you will promptly return to us or deliver to us or otherwise dispose of as we may instruct, the Manual, and all supplemental materials, amendments, revisions and copies of the Manual (including copies stored electronically), as well as all other Confidential Information and all copies of such information in your possession or under your control, and all printed materials containing any Mark, and you will remove and destroy all copies from your computers and other electronic storage media, and you will allow us, without liability to you or to third parties, to remove all such items from the Franchised Business; and

5.3.1.6 – as we require upon termination or expiration, at our option, you either (a) will assign to us or our designee all of your right, title and interest in and to your telephone numbers, websites, domain names, directory listings and meta tags associated with the Mark (the "Listings") notify the telephone company and all listing agencies that you authorize the transfer of the Listings to us or our designee, or (b) you will promptly cancel all of telephone numbers and Listings, and notify the telephone company and all listing agencies of the termination of your right to use any of the Listings.

5.3.1.7 – if we decline our options under Sections 5.3.3 and 5.3.4 below, and you will continue to operate a restaurant that is not a Competing Business, before resuming restaurant operations under a new name you must make all modifications and alterations to the Restaurant Premises and the Site necessary to reasonably distinguish your new restaurant so clearly from its former appearance and from other Sedona Taphous restaurants as to prevent any likelihood or possibility of confusion with Sedona Taphouse restaurants by the public, and to prevent the operation of any business at the Site by you or anyone else in derogation of this Section 5.3.1.7 or Section 3.3.3 hereof. Such modifications must include, without limitation, repainting the interior and exterior of the Site; removing or covering over all distinctive design features, signs and emblems associated with the Franchised Business; changing of telephone numbers, website and Internet listings; and such other specific additional changes as Licensor may reasonably request for this purpose. In addition, you must adopt a new menu that does not use any menu item names that are distinct to Sedona Taphouse or contain any items that are on the Sedona Taphouse menu as of termination or expiration and that are associated with the southwestern United States, Mexico or Tex-Mex style of food.

5.3.2 Liquidated Damages. If we terminate the franchise due to your default, then within thirty (30) days of termination you must pay us an amount that equals the greater of (a) average amount of royalties that accrued to us (pursuant to Section 2.1.2) during the prior twelve

("12") months (or such shorter period in which the Restaurant has operated), multiplied by the number thirty-six ("36") (*i.e.*, 3 years' worth of royalties), or Seventy-Five Thousand Dollars ($75,000). However, if we choose to exercise our option to lease the Restaurant Premises or assume your lease pursuant to Section 5.3.4, then the amount of the liquidated damages that you must pay shall be Fifty Thousand Dollars ($50,000). You acknowledge and agree that this remedy is a reasonable approximation of the financial losses that we are likely to incur following the closure of your Restaurant, and is not a penalty. The existence of this remedy is in addition to our rights to require your compliance with the covenant not to compete and other post-termination obligations, including those identified in Section 5.3 of the Franchise Agreement.

5.3.3 Right to Purchase Assets. Upon the termination of this Agreement for any reason, or upon expiration, if we have cause not to offer or you elect not to accept a successor franchise, we will have the right, but not the obligation, to purchase some or all of the assets of the Franchised Business, including any furnishings, fixtures, equipment, signs, inventory, supplies and marketing materials and all other items, including the leasehold rights (subject to any rights of approval retained by the owner of the Restaurant Premises) to or ownership of the Restaurant Premises. The purchase price for such assets will be their fair market value of those assets purchased as agreed by you and us or, if we are unable to agree, as determined in the manner described in Section 5.3.4. Before exercising our purchase right under this section, we will have the right to enter the Restaurant Premises during reasonable hours to inspect the assets. If we elect to exercise our purchase right under this section, we will give you written notice of our intent to do so within 30 days after the expiration or termination of this Agreement (inclusive of any Interim Period under Section 5.1.3 hereof). We will have the right to offset all amounts you owe to us or our affiliates against any payment due to you under this section.

We have the unrestricted right to assign this option. We will be entitled to all customary warranties and representations in connection with such an asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements we choose to assume; and indemnification against liabilities affecting the assets, contingent or otherwise. This provision will also apply in the event of death or disability under Section 4.2.6.

5.3.4 Leasehold Rights. If we exercise our right to assume your lease, you agree at our election, (i) to assign your leasehold interest in the Restaurant Premises to us or (ii) if you are unable to assign your leasehold interest, to enter into a sublease at a fair market rental for the remainder of the lease term on the same terms (including renewal option) as the prime lease; or (iii) if you own the premises, to lease the premises to us at a reasonable commercial rent and according to terms comparable with rental terms for similar leased property in the marketplace where the Site is located. If we assume the leasehold interest, then we will purchase all usable tangible assets of the Restaurant that remain in compliance with our then-current facility requirements for a Sedona Taphouse restaurant, and also reimburse you for unamortized leasehold improvements that you paid for and for which you did not receive reimbursement from the owner of the Restaurant Premises.

5.3.5 Purchase Price and Closing. If we exercise our right to purchase assets as specified in Section 5.3.2 above:

5.3.5.1 – The purchase price for the assets will be the greater of their book value or their fair market value, determined in a manner consistent with reasonable depreciation and the age and condition of the assets purchased. Absent exceptional circumstances, the fair market value of an asset shall not exceed its original purchase price.

5.3.5.2 – If we and you are unable to agree on the value of the assets we choose to purchase, or the fair rental value of the Restaurant Premises if you own it and we choose to rent it, such asset value or fair rental value will be determined by one independent appraiser agreed to by you and us. If we fail to agree on an appraiser within 30 days after our notice to you of our intent to purchase such assets, then each party will name its own reputable appraiser within seven days thereafter, and the average of their determinations will be binding. If one appraiser is chosen, then the parties will share the cost of the appraiser equally. If two appraisers are used, each party will pay its own appraisal fees. You and we will instruct the appraiser or appraisers to complete their appraisal within 30 days after their appointment.

5.3.5.3 – The closing of the purchase described in this section will take place not later than 90 days after the determination of the purchase price. We will pay the purchase price at the closing, but we have the right to set off against the purchase price any and all amounts you or your company's owners owe to us. At the closing, you agree to deliver instruments transferring to us (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and other transfer taxes paid by you, and if we are assuming the lease for the Restaurant Premises, then (ii) all licenses and permits of the Franchised Business that are assignable; and (iii) a leasehold interest in the Restaurant Premises and the improvements thereto.

ARTICLE VI - REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION; INSURANCE

Section 6.1 - Representations and Warranties

6.1.1 Your Representations. You represent and warrant as follows:

6.1.1.1 – You acknowledge that the franchise sale is for more than $1,233,100, in the sense that the cost to develop and open a Sedona Taphouse, excluding the cost of unimproved land on which it will be situated, exceeds that dollar amount, and further that if you are owned by a single individual or a married couple that invests at least that threshold amount, either in equity or through their personal guaranty of loans made to you, then this franchise sale is exempt from the Federal Trade Commission's Franchise Rule disclosure requirements, pursuant to 16 C.F.R. § 436.8(a)(5)(i).

6.1.1.2 – You have not relied on any promises, representations or agreements not expressly contained in this Agreement or the Sedona Taphouse restaurant Franchise Disclosure Document in making your decision to sign this Agreement. You have not received from us or our representatives any promises, representations or warranties, oral or written, other than those that are expressly contained in this Agreement and the Sedona Taphouse restaurant Franchise Disclosure Document. We expressly disclaim the making of any representation or warranty that is

contrary OR IN ADDITION to the contents of this Agreement or the Sedona Taphouse restaurant Franchise Disclosure Document.

6.1.1.3 – You have conducted an independent investigation of the business venture contemplated by this Agreement, and you recognize that, like any other business, an investment in a Sedona Taphouse restaurant franchise involves business risks and that your abilities and efforts are vital to the success of the venture.

6.1.1.4 – You received the Sedona Taphouse restaurant Franchise Disclosure Document at least 14 days (and 10 business days) before the earlier of the date on which you (i) signed this Agreement or any related agreement or (ii) paid any consideration in connection with the sale or proposed sale of a Sedona Taphouse restaurant franchise.

6.1.1.5 – You have read and understood this Agreement and have had ample opportunity to consult with an attorney and other advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You acknowledge that we have advised you to have this Agreement reviewed and explained to you by an attorney.

6.1.1.6 – All statements you have made and all materials you have submitted to us in connection with your application for and purchase of the franchise are accurate and complete and, in that connection, you have made no misrepresentations to us or omitted disclosing any material information to us.

6.1.1.7 – You are under no obligation or restriction, nor will you assume any obligation or restriction, that would in any way interfere or be inconsistent with, or present a conflict of interest concerning, your rights and obligations under this Agreement.

6.1.1.8 – Schedule A completely and accurately describes all of your company's owners, directors, officers, members, partners and managers and their ownership interests and management positions in your company.

6.1.2 Your Representations as an Entity. If your company is a corporation or limited liability company, you further represent and warrant as follows:

6.1.2.1 Your company is duly organized or formed and in good standing under the laws of the state of its formation.

6.1.2.2 Your company has the power and authority to enter into this Agreement and to perform its obligations under this Agreement.

6.1.2.3 Your company's publicly-filed charter or organizational documents, and its operating agreement or shareholders agreement (as applicable), state that the issuance and transfer of your company's ownership interests are restricted by the terms of this Agreement, and all certificates and other documents representing your company's ownership interests will bear a legend referring to the restrictions of this Agreement.

6.1.3 Your Compliance with Laws. You represent and warrant that neither you nor any person holding any ownership interest in your company, controlled by you or under common control with your company, (a) is identified on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control, (b) is designated under Executive Order 13224 as a person with whom we may not transact business, (c) is affiliated with or supports any individual or entity engaged in, contemplating or supporting terrorist activity, or (d) has violated any law prohibiting corrupt business practices or money laundering, or any sanctions that the United States has issued against the citizens or nationals of any foreign country.

Section 6.2 - Indemnification

6.2.1 Your Indemnity. You will indemnify and hold us and our affiliates, and the members, managers, stockholders, directors, officers, employees and agents of our company and our affiliates, harmless from and against all costs, expenses, liabilities and losses, including reasonable attorneys' fees and disbursements, directly or indirectly relating to: (i) the failure of any of your representations, warranties or covenants set forth in this Agreement, (ii) any act or omission of yours or anyone associated with or employed by or affiliated with you; or (iii) any claims made by any party other than you arising from your operation of the Sedona Taphouse restaurant, except as described in Section 6.2.2. We will have the right to participate in the defense, with counsel of our own choice and at our own expense, of any action that may give rise to your obligation to indemnify, and to reject any settlement that might adversely affect us.

6.2.2 Our Indemnity. We will defend and indemnify and hold you and your affiliates, and the members, managers, stockholders, directors, officers, employees and agents of your company and its affiliates, harmless from and against all costs, expenses, liabilities and losses, including reasonable attorneys' fees and disbursements, arising any claims made by any party other than you or your owners alleging any damages or harm proximately caused by: (i) your use of the System or any of the Marks in full compliance with the terms and conditions of this Agreement; or (ii) advertising or promotion carried out by us or by agencies or media engaged by us, or by you using materials that we prepared and provided to you, relating to the Sedona Taphouse restaurant brand, provided that you (a) have timely notified us of each such claim or proceeding, (b) have given us sole control of the defense and settlement, and (c) have otherwise complied with this Agreement.

6.2.3 Notice of Claim; Survival. Each party will give the other notice of any claim that may require indemnification promptly after such party learns of such claim. The rights and obligations of the parties under this Section 6.2 will survive the expiration or termination of this Agreement.

Section 6.3 – Insurance.

6.3.1 Insuring the Franchised Business. During the term of this Agreement and any renewal, you will obtain and maintain, at your own expense, such insurance as the landlord of the Restaurant Premises requires, and such other insurance as may be required by law or by the Manual. At a minimum, you will maintain broad form comprehensive general liability coverage

with limits of not less than $2,000,000 per occurrence and in the aggregate and a deductible of no more than $5,000. Such insurance must name us as additional insured. The insurance must be primary coverage without right of contribution from any other insurance of ours. We may, from time to time and in our sole discretion, make such changes in minimum policy limits and endorsements as we may determine, provided that all changes will apply to all of our franchisees that are similarly situated.

6.3.2 Certificates of Insurance. On or before the date of this Agreement and at least ten days before you are first required to carry any additional insurance, and thereafter at least thirty days before the expiration of any policy, you will deliver to us a certificate of insurance evidencing your compliance with this Section 6.3. Each certificate of insurance must expressly provide that we must receive at least thirty days' prior written notice in the event of material alteration to or cancellation or non-renewal of any coverage evidenced by the certificate.

6.3.3 Our Remedies. If you fail to obtain or maintain the required insurance in accordance with this Section 6.3, we or our designee will each have the right and authority (but not the obligation) to obtain such insurance on your behalf. Such right will be in addition to and not in lieu of any other rights or remedies available to us. If we obtain such insurance on your behalf, we may require you to pay us the charges described in Section 2.1.5.2.

6.3.4 No Effect on Indemnity. Nothing in this Section 6.3 will relieve you of liability under the indemnity provisions in Section 6.2.

ARTICLE VII - MEDIATION

Section 7.1 – Mandatory Mediation. As a condition precedent to proceeding with arbitration under Article VIII hereof, except as stated below, the parties first must submit all controversies, disputes or claims arising out of or related to: (i) this Franchise Agreement or any other agreement between Franchisor and Franchisee or its Affiliates; (ii) the relationship of Franchisor and Franchisee; or, (iii) the validity of this Franchise Agreement or any other agreement between Franchisor and Franchisee or their related parties, or any provision of such agreements, to non-binding mediation in Richmond, Virginia, or county and state in which the Franchisor then maintains its principal place of business. The mediator will be any mediator approved by the state trial court of general jurisdiction, or by its supervising court system, in the county and state in which the Franchisor then maintains its principal place of business who is mutually agreed to by the parties. All costs of mediation will be equally borne by the parties. A Controlling Principal with settlement authority must personally appear at mediation.

Section 7.2 – Exceptions. This 0 mandating non-binding mediation will not apply with respect to any claim or dispute arising under this Franchise Agreement or any other agreement between the parties that concerns: (i) the failure to pay Ten Thousand Dollars ($10,000.00) or less of fees or other monetary obligation(s) of either party under said agreement(s); or (ii) the Marks, the enforcement of covenants not to compete, or obtaining temporary injunctive relief. If either party fails or refuses to timely cooperate with the scheduling or proceeding of the mediation, the other party may proceed with arbitration pursuant to Article VIII of this Agreement.

ARTICLE VIII - ARBITRATION

Section 8.1 – Mandatory Arbitration. Subject to the provisions contained in this Article VIII, the parties agree to submit any and all claims, controversies and disputes between the parties arising out of or relating to this Franchise Agreement (including all Schedules and Exhibits attached hereto) and/or the relationship created by this Franchise Agreement (each, a "Dispute") to binding arbitration in accordance with the Commercial Rule Arbitration Rules of, and administered by, the American Arbitration Association ("AAA") or a comparable organization if AAA ceases to exist. However, if such rules conflict in any way with the provisions of this Franchise Agreement then the terms of this Franchise Agreement shall control, and the arbitrator shall apply the Federal Rules of Evidence during the conduct of the hearing with respect to the admissibility of evidence. The arbitration shall be conducted in Richmond, Virginia, by a single arbitrator experienced in the arbitration of disputes between franchisors and franchisees. If the parties are unable to agree on an arbitrator within fifteen (15) days following delivery from either party of a notice of such party's desire to submit the Dispute to arbitration, the arbitrator shall be selected in accordance with the AAA's arbitrator selection process. The arbitrator shall apply Virginia law for purposes of arbitrating the Dispute. The arbitrator shall decide any disputes over whether any claim by either party must be arbitrated.

Section 8.2 – Arbitration Expenses. The costs and expenses of the arbitration, including compensation and expenses of the arbitrator (but excluding the attorneys' fees and other professional fees incurred by either party), shall be borne by the parties equally; provided, that the arbitrator may award arbitration costs and fees to the prevailing party, if any, as well as reimbursements pursuant to Section 8.9 of this Agreement.

Section 8.3 – Exceptions. The mandatory arbitration provision of this Article VIII shall not apply to (i) disputes relating to actions to obtain possession of the Premises, (ii) actions by either party for temporary or preliminary injunctive relief, (iii) actions by Franchisor for non-payment of Ten Thousand Dollars ($10,000) or less in monies due, and (iv) actions, which under applicable law, are not permitted to be arbitrated.

Section 8.4 – No Class or Group Actions. Only Disputes involving Franchisee or its Guarantors may be brought under this Article VIII. No claim for or on behalf of any other franchisee or other party may be brought hereunder. Any arbitration will be conducted on an individual basis and not on a consolidated or class-wide basis.

Section 8.5 – Business Judgment Rule. The parties recognize, and any arbitrator is advised, that certain provisions of this Franchise Agreement describe Franchisor's right to take (or refrain from taking) actions in the exercise of its business judgment based on Franchisor's assessment of the overall best interests of the System. Where Franchisor has exercised the discretion described in a manner consistent with the obligations of corporate directors under the business judgment rule, then the arbitrator may not substitute his or her judgment of the appropriate course of conduct for the judgment so exercised by Franchisor.

Section 8.6 – Punitive or Exemplary Damages. Both parties waive, to the greatest extent permitted by law, its right to seek or be awarded punitive or exemplary damages by an

arbitrator, except that Franchisor may seek and obtain an award against Franchisee of trebled damages for trademark infringement should Franchisee continue to use the Marks after termination of the Franchise Agreement.

Section 8.7 – Court Referral in Select Circumstances. The foregoing provisions notwithstanding, if any court finds that the punitive damages limitation or class action waiver contained in this Article VIII is unconscionable or otherwise unenforceable, then either party may require a dispute otherwise subject to this Article VIII to be decided by a court in accordance with the terms of this Franchise Agreement without first submitting the dispute to arbitration.

Section 8.8 – Arbitration as Partial Consideration. Franchisee, its Guarantors and Franchisor acknowledge that the parties' agreement regarding governing law and forum set forth in this Article VIII provide each of the parties with the mutual benefit of uniform interpretation of this Franchise Agreement and disputes arising out of this Franchise Agreement or the parties' relationship created by this Franchise Agreement. Each of Franchisee, its Guarantors and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement to comply with the provisions of this Article VIII have been negotiated for in good faith and are part of the benefit of the bargain reflected by this Franchise Agreement.

Section 8.9 – Attorneys and Experts Costs. A party that is successful in enforcing its rights under this Franchise Agreement through commencement of an action in arbitration shall be entitled to an award of its costs (including charges for investigation and preparation filing fees, expert witness, the arbitrator and the arbitration administrator) and reasonable attorneys' fees incurred in such arbitration.

Section 8.10 – Binding From Execution. This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Franchise Agreement. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

Section 8.11 – General Arbitration Provisions. The provisions in this Article VIII are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement. Furthermore, this Article VIII will be construed as independent of any other covenant or provision of this Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law, subject to Section 0 hereof.

ARTICLE IX - MISCELLANEOUS

Section 9.1 – Relationship of the Parties. You are an independent contractor and not an agent of ours. You will have no power or authority to make any commitment or enter into any contract or agreement obligating or purporting to obligate us, and you will not hold yourself out as having such power or authority. Nothing in this Agreement creates a fiduciary relationship

between the parties. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, your employees and others as the owner of an independent business under a franchise from us and to place such notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we require from time to time.

Section 9.2 – Reasonable Business Judgment. You acknowledge that the long-term interests of the network of Sedona Taphouse restaurants, and our company and its owners, taken together, require that we have the latitude to make business decisions with respect to the franchise system. The ultimate responsibility to make decisions with respect to the System and the System Standards is vested in us because we, you and all Sedona Taphouse restaurant franchisees have a collective interest in working within a franchise system that can quickly adjust to changing business conditions, including changes in the competitive environment, new laws and regulations, and emerging business opportunities. We have this right even if, at times, a particular decision adversely affects you. We will not be required to consider your particular economic or other circumstances or to disregard our own economic or other business interest when making decisions under this Agreement. You recognize that the exercise of business judgment is based on our assessment of the long-term interest of the System as a whole. Where such discretion has been exercised, you agree that neither a mediator, arbitrator or judge shall substitute his or her judgement for the judgment so exercised.

Section 9.3 – Force Majeure. "Force Majeure" means acts of God, war, riot, epidemic, fire or other catastrophe beyond a party's control, which cannot be overcome by use of normal commercial measures. With regard to Franchisee, a Force Majeure shall occur only if the Franchisee is completely prevented from operating the Restaurant, and not if operation is limited but not completely suspended. If a Force Majeure event occurs, then Franchisee must continue to pay to Franchisor any and all amounts that it became obligated to pay prior to the occurrence of any Force Majeure event, as well as Royalty Fees and Marketing Fees on any business interruption insurance payments received by Franchisee. Franchisee also must continue to indemnify and hold harmless the Franchisor Parties in accordance with Section 6.2 hereof. Except as provided in the immediately preceding sentences, and subject to full compliance with the requirements of this Section 7.3, no party hereto may be held liable for a failure to comply with any terms and conditions of this Franchise Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any Force Majeure event, the party affected thereby must give prompt written notice thereof to the other parties, together with a description of the event, the duration for which the party reasonably expects its ability to comply with the provisions of this Franchise Agreement to be affected thereby and a commercially reasonable plan for resuming operation under this Franchise Agreement, which the party must promptly undertake and maintain with due diligence.

Section 9.4 – Injunctive Relief. You understand that your covenants set forth in Article III constitute essential elements of this Agreement. If you fail to comply strictly with any such covenants, we will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against you in a court of competent jurisdiction.

Section 9.5 – Interpretation. For purposes of this Agreement: (a) the words "include," "includes," and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto,"

and "hereunder" refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine, and neuter forms. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Exhibits, and Schedules mean the Articles and Sections of, and Exhibits and Schedules attached to, this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Exhibits and Schedules referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 9.6 – Severability. If any restrictive covenant in this Agreement is held to be invalid or unenforceable because its duration is too long or its scope is too broad, you and we agree that the court making such determination will have the power to reduce the duration or scope in such a manner that the remaining revised covenant will be valid and enforceable. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under applicable law, such prohibition or invalidity will not invalidate the remainder of such provision or the other provisions of this Agreement.

Section 9.7 – No Waiver of Rights. No delay or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default.

Section 9.8 – Notices. All notices, requests, consents and other communications required or permitted by this Agreement must be in writing, printed and be delivered either by hand, overnight delivery service, or registered or certified first class mail, to the following address, or such other address as either party, by like notice, designates with respect to its own address:

If to us:	DJB Franchising, LLC 10800 Midlothian Turnpike, Suite 120 Richmond, VA 23235
If to you:	The address indicated in Schedule A

Specifically, any communication alleging a breach of this Agreement (other than a failure to report sales or pay required fees), termination of this Agreement for any reason, requesting approval of a transfer or denying approval thereof, or requesting or denying a request for a successor franchise agreement ("renewal") must be delivered to the physical mailing address specified

in this Section 9.8. Any such notice, request, consent or other communication will be deemed given and be effective upon receipt at such address.

Section 9.9 – Affiliates. As used in this Agreement, the term "affiliate" of party means a company directly or indirectly controlling, controlled by or under common control with such party. "Control" of another company, as used in this Agreement, means the ownership of or the power to vote, directly or indirectly through majority-owned companies, more than 50% of the voting stock or voting rights of such other company.

Section 9.10 – Limitation of Actions. Any and all claims and actions arising out of or relating to this Agreement brought by either party against the other must be brought or asserted before the expiration of the earlier of (a) the time period for bringing an action under any applicable statute of limitations; (b) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to the claim; or (c) two years after the first act or omission giving rise to the alleged claim. Claims and actions not brought within such time period will be irrevocably barred. However, claims by us of your underreporting of sales, your failure to pay monies owed, or for indemnification will be subject only to the applicable statute of limitations.

Section 9.11 – Waiver of Jury Trial and Punitive Damages. We and you irrevocably waive trial by jury in any action, proceeding or counterclaim brought by either of us. We and you each waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other party, and we and you agree that any recovery in a dispute between us will be limited to equitable relief and to the recovery of actual damages sustained. For clarity, actual damages include indemnification against any punitive damages awarded to a third party for which either we or you are entitled to indemnify under Section 6.2.

Section 9.12 – No Class Actions. Any litigation and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. No such proceeding will be consolidated with any other proceeding involving any other person, except for disputes involving affiliates of the parties.

Section 9.13 – Governing Law. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Virginia applicable to agreements made and to be performed entirely within the Commonwealth of Virginia, without regard to Virginia's conflict of laws principles. However, the Virginia Retail Franchising Act does not apply to our relationship with you, unless you operate the Sedona Taphouse restaurant within the Commonwealth of Virginia. Moreover, to the extent that Virginia law does not permit enforcement of a provision of this Agreement (including the covenant not to compete) but the law of the state where the Site is located (the "Site State") permits enforcement of such provision, either as written or as equitably reformed, any such provision shall be governed by and construed in accordance with the law of the Site State.

Section 9.14 – Jurisdiction. You irrevocably consent to the non-exclusive jurisdiction of the federal and state courts for the city or county in which our principal office is located at the time suit is filed. If we assign or otherwise transfer this Agreement, then the exclusive venue for all legal actions between the parties will be in a state or federal court in the judicial district

where our assignee's or transferee's principal office is located at the time the suit is filed, subject to the assignee reserving the right to obtain injunctive in the courts located within the Site State if you violate any covenant or post-termination obligation. You hereby waive, to the full extent permitted by law, defenses based on jurisdiction, venue and forum non-covenants. You further consent to service of process in any action by registered mail, return receipt requested, or by any other means permitted by law.

Section 9.15 – Costs and Expenses. In any legal action arising out of or pursuant to this Agreement or otherwise in connection with the relationship between us, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees). Attorneys' fees include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred in preparation for or in contemplation of the filing of a written demand or claim, or in the course of an action, hearing or proceeding to enforce the obligations of the parties under this Agreement.

Section 9.16 – Entire Agreement. This Agreement and all related agreements executed simultaneously with this Agreement constitute the entire understanding of the parties and supersede any and all prior oral or written agreements between you and us on the matters contained in this Agreement; but nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you. Except for changes permitted under this Agreement to be made unilaterally by us, no amendment to this Agreement will be binding unless such amendment is in writing and executed by the parties.

The parties have signed this Agreement on the dates set forth below, with effect as of the effective date as stated in the opening paragraph of this Agreement.

By signing below, the person doing so on behalf of the corporation listed affirmatively represents and warrants that they have been duly authorized and have the legal authority to bind the listed corporation to this Agreement and acknowledges their personal obligations for all of the duties of that party if they are subsequently found to have lack the legal authority to bind that business entity party to this Agreement.

DJB FRANCHISING, LLC	[Franchisee]
By _____	By _____
Title _____	Title _____
Date _____	Date _____

ARTICLE I SCHEDULE A

FRANCHISEE INFORMATION

See Sections 1.1.1, 1.1.3, 2.1.1, 5.1.1, 6.1.1.8 and 7.6 of the Franchise Agreement

1. Approved location (the Site): _____

2. Territory: _____

   _____ Check if map is attached

3. Agreement expiration date: _____

4. Initial fee _____

5. Address for notices (if different than 1): _____
   (Cannot be a post office box address)

6. Ownership and management of the franchisee.

Your company is a _____ [limited liability company/corporation].

The following persons are the [owners and managers] [shareholders, directors and officers] of your company:

Name and Address	Positions	Percentage Ownership

STATE OF NEW YORK
ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to DJB FRANCHISING, LLC Franchise Agreement is agreed to this _____ day of _____, 20___, between DJB FRANCHISING, LLC and _____ ("**Franchisee**") to amend and revise said Franchise Agreement as follows:

1. In recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680 through 695, the Franchise Agreement shall be amended as follows:

- Notwithstanding any provision of the Agreement to the contrary, DJB FRANCHISING, LLC will not make any assignment of the Agreement except to an assignee who, in DJB FRANCHISING, LLC's good faith judgment, is willing and able to assume DJB FRANCHISING, LLC's obligations under the Agreement. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

- Article XIII of the Agreement is amended by adding the following to the end of such section:

The indemnification contained in this Article XIII shall not apply to any liability imposed on DJB FRANCHISING, LLC as a result of Franchisee's reliance upon or use of procedures or products which were required by DJB FRANCHISING, LLC, if such procedures or products were utilized by Franchisee in the manner required by DJB FRANCHISING, LLC.

- The Agreement contains provisions requiring a general release as a condition of renewal or transfer of the franchise. These provisions shall be amended to provide that no release shall be required which is intended to exclude claims arising under the General Business Law of the State of New York, Article 3, Sections 687.4 and 687.5.

2 Section 11.3(a)(iii) of the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the General Business Law of the State of New York applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

DJB FRANCHISING, LLC	Franchi- see:_____
_____ By: _____ Title: _____	By:_____ (print name) Title:_____

COMMONWEALTH OF VIRGINIA
ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to DJB FRANCHISING, LLC Franchise Agreement is agreed to this _____ day of _____, 20___, between DJB FRANCHISING, LLC ("**Franchisor")** and _____ ("**Franchisee**") to amend and revise said Franchise Agreement as follows:

1. This Addendum applies solely to Sedona Taphouse franchise agreements which contemplate or require the franchisee to establish or maintain a Sedona Taphouse restaurant within the Commonwealth of Virginia

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act (the "Act"), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. Under subdivision A 4 of § 13.1-563 of the Act, it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. Accordingly, Section 3.3.3. of Franchise Agreement is deleted and of no force and effect for parties signing this Addendum.

4. However, as permitted by subsection B of § 13.1-563 of the Act, if Franchisee sells the Restaurant at a mutually agreed upon price to a third party, to Franchisor or to one of Franchisor's affiliates, then Franchisor may require that the business sale agreement include a term restricting the right of the selling Franchisee and its Principals to engage in a Competitive Business for a period of two years after such sale, under terms substantively similar to those in Section 3.3.3 of the Franchise Agreement, and if a third party (not Franchisor or its affiliates) is the buyer, then Franchisor may require such sale of business covenant to identify Franchisor and its affiliates as third-party beneficiaries thereof.

5. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Act applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

DJB FRANCHISING, LLC	Franchisee:_____
_____	
By: _____	By:_____ (print name)
Title: _____	Title:_____

SEDONA TAPHOUSE RESTAURANT

Guaranty and Assumption of Obligations
[for one guarantor]

In order to induce DJB FRANCHISING, LLC, a Delaware limited liability company (the "Franchisor") to enter into a Sedona Taphouse franchise agreement dated as of _____ (the "Franchise Agreement") with _____, a _____ (the "Franchisee") for a Sedona Taphouse Restaurant located at _____, the undersigned person (the "Guarantor"), hereby agrees as follows:

1. ***Guaranty of Payment***

1.1 *Personal Guaranty.* The Guarantor personally and unconditionally guarantees to the Franchisor and the Franchisor's successors and assigns the due, punctual and complete payment of all amounts that the Franchisee is obligated to pay to the Franchisor under the Franchise Agreement and under any modification of, amendment to or renewal of the Franchise Agreement. Capitalized terms used but not defined herein have the meaning ascribed in the Franchise Agreement.

1.2 WAIVER OF DEFENSES. THE GUARANTOR WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW (A) ANY DEFENSE BASED UPON ANY (I) LEGAL DISABILITY OR LACK OF AUTHORITY OF THE FRANCHISEE, (II) LEGAL OR EQUITABLE DISCHARGE OR LIMITATION OF THE LIABILITY OF THE FRANCHISEE, WHETHER CONSENSUAL OR ARISING BY OPERATION OF LAW, (III) BANKRUPTCY, INSOLVENCY, REORGANIZATION OR OTHER SIMILAR PROCEEDING AFFECTING A GUARANTOR OR THE FRANCHISEE, OR (IV) INVALIDITY, IRREGULARITY OR UNENFORCEABILITY OF ANY OR ALL OF THE PROVISIONS OF THIS GUARANTY OR THE FRANCHISE AGREEMENT; (B) PRESENTMENT, DEMAND, PROTEST OR NOTICE OF ANY OTHER KIND; (C) NOTICE OF ACCEPTANCE OF THIS GUARANTY; (D) OTHER DEFENSES AVAILABLE TO A GUARANTOR UNDER APPLICABLE LAW; OR (E) ANY REQUIREMENT OF DILIGENCE ON THE PART OF THE FRANCHISOR OR ANY RIGHT THE GUARANTOR MAY HAVE TO REQUIRE THE FRANCHISOR TO PROCEED FIRST AGAINST THE FRANCHISEE.

1.3 GUARANTY OF PAYMENT. THIS IS A GUARANTY OF PAYMENT AND NOT OF COLLECTION. THE FRANCHISOR MAY REQUIRE PAYMENT FROM THE GUARANTOR OF ANY OBLIGATION OF THE FRANCHISEE UNDER THE FRANCHISE AGREEMENT AND MAY SUE THE GUARANTOR FOR DAMAGES WITHOUT FIRST SEEKING OR TAKING ANY ACTION AGAINST THE FRANCHISEE.

1.4 *No Modification or Release.* The liability of the Guarantor is unaffected by (a) any modification, amendment, termination or variation in or addition to the Franchise Agreement; (b) any extension of time for performance or any waiver of performance or any delay of the Franchisor in enforcing any right, remedy, power or privilege that the Franchisor may have against the Franchisee or any other person; (c) the release of the Franchisee, in whole or in part, from performance or observance of any of the agreements, covenants, terms or conditions contained in the Franchise Agreement, whether made with or without notice to the Guarantor; or (d) any other guaranty now or hereafter executed by anyone else in connection with the transactions contemplated by the Franchise Agreement.

2. ***Proprietary Rights; Confidentiality; Noncompetition***

2.1 *Improvements.* The Guarantor agrees that if he or she makes an improvement to the Franchisor's business system or method, such improvement will be the property of the Franchisor pursuant to the terms of Section 1.4.3 of the Franchise Agreement and the Guarantor will promptly disclose such improvement to the Franchisee and to the Franchisor with reference to this undertaking. The Guarantor hereby assigns all rights in such improvements to the Franchisor and agrees to sign any documents that the Franchisor may reasonably request from time to time to evidence such assignment.

2.2 *Copyrights and Trademarks.* The Guarantor acknowledges that the Franchisor's copyrights and trademarks may only be used by the Franchisee in accordance with Section 3.1 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.1 and not to use any of the Franchisor's copyrights or trademarks except on behalf of the Franchisee in furtherance of the Franchisee's business, and the Guarantor agrees that any such use will be in compliance with the Franchisee's obligations under the Franchise Agreement as if the Guarantor were the Franchisee under the Franchise Agreement.

2.3 *Confidentiality.* The Guarantor acknowledges the Franchisee's obligations of confidentiality under Section 3.2 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.2 and not to disclose or use any Confidential Information (as defined in Section 3.2.1 of the Franchise Agreement) except on behalf of the Franchisee in furtherance of the Franchisee's business in compliance with the Franchisee's obligations under the Franchise Agreement, and only to the extent that the Franchisee is permitted under the Franchise Agreement to disclose and use Confidential Information. Upon the request of the Franchisor, the Guarantor will promptly return to the Franchisor all Confidential Information and all copies in the Guarantor's possession or under the Guarantor's control, and the Guarantor will destroy all copies on the Guarantor's computers, disks and other digital storage devices.

2.4 *Noncompetition.* The Guarantor acknowledges the Franchisee's obligations under Section 3.3 of the Franchise Agreement not to compete with the Franchisor. The Guarantor personally agrees to comply with and be bound by all of the Franchisee's obligations under Section 3.3 to the same extent that the Franchisee is bound by the obligations of Section 3.3, both during and after the term of the Franchise Agreement.

2.5 *Remedies.* If the Guarantor fails to comply strictly with any of the undertakings in Sections 2.1 through 2.4 above, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against such Guarantor in a court of competent jurisdiction. In the event this Guaranty and Assumption of Obligations is placed in the hands of an attorney for enforcement and the Franchisor is the prevailing party, the Guarantor will reimburse the Franchisor for all reasonable expenses incurred in the enforcement of the Franchisor's rights, including reasonable attorneys' fees and expenses.

3. TRANSFER

3.1 TRANSFER BY THE FRANCHISOR. IF THE FRANCHISOR TRANSFERS ITS RIGHTS AND OBLIGATIONS UNDER THE FRANCHISE AGREEMENT PURSUANT TO SECTION 4.1 OF THE FRANCHISE AGREEMENT, THIS GUARANTY WILL BE DEEMED TO BE TRANSFERRED AUTOMATICALLY TO THE TRANSFEREE WHO, UPON SUCH TRANSFER, WILL HAVE ALL OF THE RIGHTS GRANTED TO THE FRANCHISOR UNDER THIS GUARANTY VIS-A-VIS THE GUARANTOR, AND THE OBLIGATIONS OF THE GUARANTOR WILL THEN ACCRUE TO THE BENEFIT OF THE TRANSFEREE.

3.2 *Transfer by the Franchisee*. The Guarantor acknowledges the Franchisee's transfer restrictions under Sections 4.2 and 4.3 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Sections 4.2 and 4.3.

4. ***Miscellaneous***

4.1 *Waiver.* No delay or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy.

4.2 GOVERNING LAW. THE LAWS OF THE COMMONWEALTH OF VIRGINIA, WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PRINCIPLES, GOVERN ALL MATTERS ARISING UNDER OR RELATING TO THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS; BUT NOTHING IN THIS AGREEMENT WILL BE DEEMED TO EXTEND THE APPLICATION

OF THE VIRGINIA RETAIL FRANCHISING ACT TO THE SALE OF FRANCHISES OUTSIDE OF THE COMMONWEALTH OF VIRGINIA. MOREOVER, TO THE EXTENT THAT VIRGINIA LAW DOES NOT PERMIT ENFORCEMENT OF A PROVISION OF THIS AGREEMENT (INCLUDING THE COVENANT NOT TO COMPETE) BUT THE LAW OF THE STATE WHERE THE SITE IS LOCATED (THE "SITE STATE") PERMITS ENFORCEMENT OF SUCH PROVISION, EITHER AS WRITTEN OR AS EQUITABLY REFORMED, ANY SUCH PROVISION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE SITE STATE.

4.3 SEVERABILITY. IN THE EVENT THAT ANY ONE OR MORE PROVISIONS OF THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ARE DEEMED UNENFORCEABLE OR VOID, THE REMAINING PROVISIONS WILL CONTINUE TO BE VALID AND ENFORCEABLE.

4.4 AMENDMENTS. THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS MAY NOT BE MODIFIED OR AMENDED EXCEPT IN WRITING SIGNED BY THE FRANCHISOR AND THE GUARANTOR TO BE BOUND BY SUCH MODIFICATION OR AMENDMENT.

IN WITNESS WHEREOF, the Guarantor has signed this Guaranty as of the date of the Franchise Agreement.

_____

Acknowledged and agreed:

DJB FRANCHISING, LLC

By _____

Title _____

Date _____

STATE OF)
) ss.:
COUNTY OF)

ON THE ____ DAY OF _____, BEFORE ME PERSONALLY CAME _____, TO ME KNOWN TO BE THE INDIVIDUAL DESCRIBED IN AND WHO EXECUTED THE FOREGOING GUARANTY, AND HE/SHE ACKNOWLEDGED THAT HE/SHE EXECUTED THE SAME.

_____
Notary Public

SEDONA TAPHOUSE RESTAURANT

Guaranty and Assumption of Obligations
[for two or more guarantors]

In order to induce DIB FRANCHISING, LLC, a Delaware limited liability company (the "Franchisor") to enter into a Sedona Taphouse franchise agreement dated as of _____ (the "Franchise Agreement") with _____, a _____ (the "Franchisee") for a Sedona Taphouse restaurant located at _____, each of the undersigned persons (the "Guarantors"), jointly, individually and severally, hereby agrees as follows:

1. ***Guaranty of Payment***

1.1 *Personal Guaranty.* Each Guarantor personally and unconditionally guarantees to the Franchisor and the Franchisor's successors and assigns the due, punctual and complete payment of all amounts that the Franchisee is obligated to pay to the Franchisor under the Franchise Agreement and under any modification of, amendment to or renewal of the Franchise Agreement. Capitalized terms used but not defined herein have the meaning ascribed in the Franchise Agreement.

1.2 WAIVER OF DEFENSES. EACH GUARANTOR WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW (A) ANY DEFENSE BASED UPON ANY (I) LEGAL DISABILITY OR LACK OF AUTHORITY OF THE FRANCHISEE, (II) LEGAL OR EQUITABLE DISCHARGE OR LIMITATION OF THE LIABILITY OF THE FRANCHISEE, WHETHER CONSENSUAL OR ARISING BY OPERATION OF LAW, (III) BANKRUPTCY, INSOLVENCY, REORGANIZATION OR OTHER SIMILAR PROCEEDING AFFECTING A GUARANTOR OR THE FRANCHISEE, OR (IV) INVALIDITY, IRREGULARITY OR UNENFORCEABILITY OF ANY OR ALL OF THE PROVISIONS OF THIS GUARANTY OR THE FRANCHISE AGREEMENT; (B) PRESENTMENT, DEMAND, PROTEST OR NOTICE OF ANY OTHER KIND; (C) NOTICE OF ACCEPTANCE OF THIS GUARANTY; (D) OTHER DEFENSES AVAILABLE TO A GUARANTOR UNDER APPLICABLE LAW; AND (E) ANY REQUIREMENT OF DILIGENCE ON THE PART OF THE FRANCHISOR OR ANY RIGHT A GUARANTOR MAY HAVE TO REQUIRE THE FRANCHISOR TO PROCEED FIRST AGAINST THE FRANCHISEE.

1.3 GUARANTY OF PAYMENT. THIS IS A GUARANTY OF PAYMENT AND NOT OF COLLECTION. THE FRANCHISOR MAY REQUIRE PAYMENT FROM EACH GUARANTOR OF ANY OBLIGATION OF THE FRANCHISEE UNDER THE FRANCHISE AGREEMENT AND MAY SUE EACH GUARANTOR FOR DAMAGES WITHOUT FIRST SEEKING OR TAKING ANY ACTION AGAINST THE FRANCHISEE.

1.4 *No Modification or Release.* The liability of each Guarantor is unaffected by (a) any modification, amendment, termination or variation in or addition to the Franchise Agreement; (b) any extension of time for performance or any waiver of performance or any delay of the Franchisor in enforcing any right, remedy, power or privilege that the Franchisor may have against the Franchisee or any other person; (c) the release of the Franchisee, in whole or in part, from performance or observance of any of the agreements, covenants, terms or conditions contained in the Franchise Agreement, whether made with or without notice to Guarantor; or (d) any other guaranty now or hereafter executed by anyone else in connection with the transactions contemplated by the Franchise Agreement..

2. ***Proprietary Rights; Confidentiality; Noncompetition***

2.1 *Improvements.* Each Guarantor agrees that if a Guarantor makes an improvement to the Franchisor's business system or method, such improvement will be the property of the Franchisor pursuant to the terms of Section 1.4.3 of the Franchise Agreement and the Guarantor will promptly disclose such improvement to the Franchisee and to the Franchisor with reference to this undertaking. The Guarantor hereby assigns all rights in such improvements to the Franchisor and agrees to sign any documents that the Franchisor may reasonably request from time to time to evidence such assignment.

2.2 *Copyrights and Trademarks.* Each Guarantor acknowledges that the Franchisor's copyrights and trademarks may only be used by the Franchisee in accordance with Section 3.1 of the Franchise Agreement. Each Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.1 and not to use any of the Franchisor's copyrights or trademarks except on behalf of the Franchisee in furtherance of the Franchisee's business, and each Guarantor agrees that any such use will be in compliance with the Franchisee's obligations under the Franchise Agreement as if the Guarantor were the Franchisee under the Franchise Agreement.

2.3 *Confidentiality.* Each Guarantor acknowledges the Franchisee's obligations of confidentiality under Section 3.2 of the Franchise Agreement. Each Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.2 and not to disclose or use any Confidential Information (as defined in Section 3.2.1 of the Franchise Agreement) except on behalf of the Franchisee in furtherance of the Franchisee's business in compliance with the Franchisee's obligations under the Franchise Agreement, and only to the extent that the Franchisee is permitted under the Franchise Agreement to disclose and use Confidential Information. Upon the request of the Franchisor, each Guarantor will promptly return to the Franchisor all Confidential Information and all copies in the Guarantor's possession or under the Guarantor's control, and the Guarantor will destroy all copies on the Guarantor's computers, disks and other digital storage devices.

2.4 *Noncompetition.* Each Guarantor acknowledges the Franchisee's obligations under Section 3.3 of the Franchise Agreement not to compete with the Franchisor. Each Guarantor personally agrees to comply with and be bound by all of the Franchisee's obligations under Section 3.3 to the same extent that the Franchisee is bound by the obligations of Section 3.3, both during and after the term of the Franchise Agreement.

2.5 *Remedies.* If any Guarantor fails to comply strictly with any of the undertakings in Sections 2.1 through 2.4, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against such Guarantor in a court of competent jurisdiction. In the event this Guaranty and Assumption of Obligations is placed in the hands of an attorney for enforcement and the Franchisor is the prevailing party, the Guarantors will reimburse the Franchisor for all reasonable expenses incurred in the enforcement of the Franchisor's rights, including reasonable attorneys' fees and expenses.

3. TRANSFER

3.1 TRANSFER BY THE FRANCHISOR. IF THE FRANCHISOR TRANSFERS ITS RIGHTS AND OBLIGATIONS UNDER THE FRANCHISE AGREEMENT PURSUANT TO SECTION 4.1 OF THE FRANCHISE AGREEMENT, THIS GUARANTY WILL BE DEEMED TO BE TRANSFERRED AUTOMATICALLY TO THE TRANSFEREE WHO, UPON SUCH TRANSFER, WILL HAVE ALL OF THE RIGHTS GRANTED TO THE FRANCHISOR UNDER THIS GUARANTY VIS-A-VIS THE GUARANTORS, AND THE OBLIGATIONS OF THE GUARANTORS WILL THEN ACCRUE TO THE BENEFIT OF THE TRANSFEREE.

3.2 *Transfer by the Franchisee*. Each Guarantor acknowledges the Franchisee's transfer restrictions under Sections 4.2 and 4.3 of the Franchise Agreement. Each Guarantor personally agrees to comply with all of the Franchisee's obligations under Sections 4.2 and 4.3.

4. MISCELLANEOUS

4.1 *Waiver.* No delay or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy.

4.2 *Governing Law*. The laws of the Commonwealth of Virginia, without giving effect to its choice of law principles, govern all matters arising under or relating to this Guaranty and Assumption of Obligations; but nothing in this Agreement will be deemed to extend the application of the Virginia Retail Franchising Act to the sale of franchises outside of the Commonwealth of Virginia. Moreover, to the extent that Virginia

law does not permit enforcement of a provision of this Agreement (including the covenant not to compete) but the law of the state where the Site is located (the "Site State") permits enforcement of such provision, either as written or as equitably reformed, any such provision shall be governed by and construed in accordance with the law of the Site State.

4.3 SEVERABILITY. IN THE EVENT THAT ANY ONE OR MORE PROVISIONS OF THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ARE DEEMED UNENFORCEABLE OR VOID, THE REMAINING PROVISIONS WILL CONTINUE TO BE VALID AND ENFORCEABLE.

4.4 AMENDMENTS. THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS MAY NOT BE MODIFIED OR AMENDED EXCEPT IN WRITING SIGNED BY THE FRANCHISOR AND THE GUARANTOR TO BE BOUND BY SUCH MODIFICATION OR AMENDMENT.

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

_____ _____

Acknowledged and agreed:

DJB FRANCHISING, LLC

By _____

Title _____

Date _____

STATE OF)
) ss.:
COUNTY OF)

ON THE ____ DAY OF _____, BEFORE ME PERSONALLY CAME _____ AND _____, TO ME KNOWN TO BE THE INDIVIDUALS DESCRIBED IN AND WHO EXECUTED THE FOREGOING GUARANTY, AND THEY ACKNOWLEDGED THAT THEY EXECUTED THE SAME.

_____
Notary Public

SEDONA TAPHOUSE RESTAURANT

Guaranty and Assumption of Obligations

[for a partial transfer of ownership]

In order to induce DJB FRANCHISING, LLC, a Delaware limited liability company (the "Franchisor") to approve the transfer to the undersigned person (the "Guarantor") of a __% ownership interest in _____, a _____, the franchisee of a Sedona Taphouse restaurant located at _____ (the "Franchisee") pursuant to a Sedona Taphouse franchise agreement dated as of _____ (the "Franchise Agreement"), the Guarantor hereby agrees as follows, jointly and severally with the co-owners of the Franchisee, each of whom entered into unconditional personal guarantees with the Franchisor upon the execution of the Franchise Agreement:

1. ***Guaranty of Payment***

1.1 *Personal Guaranty.* The Guarantor personally and unconditionally guarantees to the Franchisor and the Franchisor's successors and assigns the due, punctual and complete payment of all amounts that the Franchisee is obligated to pay to the Franchisor under the Franchise Agreement and under any modification of, amendment to or renewal of the Franchise Agreement. Capitalized terms used but not defined herein have the meaning ascribed in the Franchise Agreement.

1.2 *Waiver of Defenses.* The Guarantor waives to the fullest extent permitted by law (a) any defense based upon any (i) legal disability or lack of authority of the Franchisee, (ii) legal or equitable discharge or limitation of the liability of the Franchisee, whether consensual or arising by operation of law, (iii) bankruptcy, insolvency, reorganization or other similar proceeding affecting a Guarantor or the Franchisee, or (iv) invalidity, irregularity or unenforceability of any or all of the provisions of this Guaranty or the Franchise Agreement; (b) presentment, demand, protest or notice of any other kind; (c) notice of acceptance of this Guaranty; (d) other defenses available to a Guarantor under applicable law; and (e) any requirement of diligence on the part of the Franchisor or any right the Guarantor may have to require the Franchisor to proceed first against the Franchisee.

1.3 *Guaranty of Payment.* This is a guaranty of payment and not of collection. The Franchisor may require payment from the Guarantor of any obligation of the Franchisee under the Franchise Agreement and may sue the Guarantor for damages without first seeking or taking any action against the Franchisee.

1.4 *No Modification or Release.* The liability of the Guarantor is unaffected by (a) any modification, amendment, termination or variation in or addition to the Franchise Agreement; (b) any extension of time for performance or any waiver of performance or any delay of the Franchisor in enforcing any right, remedy, power or privilege that the Franchisor may have against the Franchisee or any other person; (c) the release of the Franchisee, in whole or in part, from performance or observance of any of the agreements, covenants, terms or conditions contained in the Franchise Agreement, whether made with or without notice to the Guarantor; or (d) any other guaranty now or hereafter executed by anyone else in connection with the transactions contemplated by the Franchise Agreement.

2. ***Proprietary Rights; Confidentiality; Noncompetition***

2.1 *Improvements.* The Guarantor agrees that if he or she makes an improvement to the Franchisor's business system or method, such improvement will be the property of the Franchisor pursuant to the terms of Section 1.4.3 of the Franchise Agreement and the Guarantor will promptly disclose such improvement to the Franchisee and to the Franchisor with reference to this undertaking. The Guarantor hereby assigns all rights in such improvements to the Franchisor and agrees to sign any documents that the

Franchisor may reasonably request from time to time to evidence such assignment.

2.2 *Copyrights and Trademarks.* The Guarantor acknowledges that the Franchisor's copyrights and trademarks may only be used by the Franchisee in accordance with Section 3.1 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.1 and not to use any of the Franchisor's copyrights or trademarks except on behalf of the Franchisee in furtherance of the Franchisee's business, and the Guarantor agrees that any such use will be in compliance with the Franchisee's obligations under the Franchise Agreement as if the Guarantor were the Franchisee under the Franchise Agreement.

2.3 *Confidentiality.* The Guarantor acknowledges the Franchisee's obligations of confidentiality under Section 3.2 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Section 3.2 and not to disclose or use any Confidential Information (as defined in Section 3.2.1 of the Franchise Agreement) except on behalf of the Franchisee in furtherance of the Franchisee's business in compliance with the Franchisee's obligations under the Franchise Agreement, and only to the extent that the Franchisee is permitted under the Franchise Agreement to disclose and use Confidential Information. Upon the request of the Franchisor, the Guarantor will promptly return to the Franchisor all Confidential Information and all copies in the Guarantor's possession or under the Guarantor's control, and the Guarantor will destroy all copies on the Guarantor's computers, disks and other digital storage devices.

2.4 *Noncompetition.* The Guarantor acknowledges the Franchisee's obligations under Section 3.3 of the Franchise Agreement not to compete with the Franchisor. The Guarantor personally agrees to comply with and be bound by all of the Franchisee's obligations under Section 3.3 to the same extent that the Franchisee is bound by the obligations of Section 3.3, both during and after the term of the Franchise Agreement.

2.5 *Remedies.* The Guarantor acknowledges that if the Guarantor fails to comply strictly with any of the undertakings in Sections 2.1 through 2.4 above, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against such Guarantor in a court of competent jurisdiction. In the event this Guaranty and Assumption of Obligations is placed in the hands of an attorney for enforcement and the Franchisor is the prevailing party, the Guarantor will reimburse the Franchisor for all reasonable expenses incurred in the enforcement of the Franchisor's rights, including reasonable attorneys' fees and expenses.

3. ***Transfer***

3.1 *Transfer by the Franchisor.* If the Franchisor transfers its rights and obligations under the Franchise Agreement pursuant to Section 4.1 of the Franchise Agreement, this Guaranty will be deemed to be transferred automatically to the transferee who, upon such transfer, will have all of the rights granted to the Franchisor under this Guaranty vis-a-vis the Guarantor, and the obligations of the Guarantor will then accrue to the benefit of the transferee.

3.2 *Transfer by the Franchisee*. The Guarantor acknowledges the Franchisee's transfer restrictions under Sections 4.2 and 4.3 of the Franchise Agreement. The Guarantor personally agrees to comply with all of the Franchisee's obligations under Sections 4.2 and 4.3.

4. ***Miscellaneous***

4.1 *Waiver.* No delay or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy.

4.2 *Governing Law.* This Guaranty and Assumption of Obligations will be governed by and construed in accordance with the laws of the Commonwealth of Virginia applicable to agreements made and

to be performed entirely within the Commonwealth of Virginia, without regard to that state's conflict of laws principles; but nothing in this Agreement will be deemed to extend the application of the Virginia Retail Franchising Act to the sale of franchises outside of the Commonwealth of Virginia. Moreover, to the extent that Virginia law does not permit enforcement of a provision of this Agreement (including the covenant not to compete) but the law of the state where the Site is located (the "Site State") permits enforcement of such provision, either as written or as equitably reformed, any such provision shall be governed by and construed in accordance with the law of the Site State.

4.3 *Severability*. In the event that any one or more provisions of this Guaranty and Assumption of Obligations are deemed unenforceable or void, the remaining provisions will continue to be valid and enforceable.

4.4 *Amendments.* This Guaranty and Assumption of Obligations may not be modified or amended except in writing signed by the Franchisor and the Guarantor to be bound by such modification or amendment.

IN WITNESS WHEREOF, the Guarantor has signed this Guaranty as of the date of the Franchise Agreement.

_____

Acknowledged and agreed:

DJB FRANCHISING, LLC

By _____

Title _____

Date _____

STATE OF)
) ss.:
COUNTY OF)

On the ____ day of _____, before me personally came _____, to me known to be the individual described in and who executed the foregoing guaranty, and he/she acknowledged that he/she executed the same.

_____
Notary Public

SPOUSAL PROPERTY INTEREST WAIVER

[TO BE SIGNED BY NON-OWNER SPOUSE OF GUARANTOR]

WHEREAS, I reside in the state of _____ and I am the lawful spouse of _____ (the "**Franchise Owner**");

WHEREAS, Franchisor Owner, or a limited liability entity in which Franchise owner is a principal owner (the "**Franchisee**") will be entering into a franchise agreement with NKW Franchising, LLC (the "**Franchisor**") to acquire a Sedona Taphouse franchise and operate a Sedona Taphouse restaurant; and

WHEREAS, to induce Franchisor to enter into that franchise agreement, Franchise Owner will personally guarantee that Franchisee will meet all of its payment and performance obligations to Franchisor, and Franchise Owner will be personally bound by each and every provision of the Franchise Agreement as an individual;

NOW, THEREFORE, I acknowledge and agree to the following:

1. I hereby waive any right, now or in the future, to assert any ownership of, or any community property or quasi community property interest in, the franchise, the Franchise Agreement, the Sedona Taphouse restaurant, or the Franchisee entity. I understand that, in the absence of this Spouse Property Interest Waiver, the Franchisor, as a condition of granting the Sedona Taphouse franchise to Franchise Owner, would have required me to execute a personal guaranty of all of Franchisee's obligations under the Franchise Agreement. I represent and agree that the waiver of this condition by Franchisor is sufficient consideration for this Spousal Property Interest Waiver.

2. I understand that, if I did not wish to provide this Spousal Property Interest Waiver, I could have agreed to personally execute the Franchise Agreement or the personal guaranty thereof.

3. I will not seek to access or benefit from Franchisor's business methods, trade secrets or trademarks, or Franchisee's business assets as gained through its relationship with Franchisor, but to the extent that I receive such information I promise not to use it to compete with Franchisee or with any other Sedona Taphouse franchise.

4. If, notwithstanding this Spousal Property Interest Waiver, I claim or am awarded in a legal action a community property interest, quasi community property interest, or other ownership interest in the franchise, the Franchise Agreement, the Sedona Taphouse restaurant, or the Franchisee entity, other than by way of a transfer approved in writing by Franchisor as provided in the Franchise Agreement, I hereby agree, without further action or execution of further instruments, that at the Franchisor's option: (i) I will be personally bound by all of the terms of the Franchise Agreement and be liable for the performance of all obligations thereunder, or (ii) the claim or awarding of such interest in the franchise, the Franchise Agreement, the Sedona Taphouse restaurant, or the Franchisee entity constitutes grounds for termination of the Franchise Agreement as an unapproved transfer, subject to any restrictions on termination of a franchise under any applicable state franchise relationship laws.

WITNESS

_____

Print Name: _____

SPOUSE

_____

Print Name: _____

Date: _____

SEDONA TAPHOUSE
LEASE ADDENDUM

This Addendum to the Retail Lease dated as of _____ ("Lease") by and among _____ ("Landlord") and _____ ("Tenant"), and DJB FRANCHISING, LLC, a Delaware limited liability company ("Franchisor") is entered into as of the effective date of the Lease.

Pursuant to the Lease, Landlord will lease or has leased to Tenant certain real property and improvements located at _____ ("Leased Premises") for the operation of a franchised Sedona Taphouse restaurant.

Tenant will develop and operate the Sedona Taphouse restaurant pursuant to the terms of a Franchise Agreement dated as of _____ (the "Franchise Agreement") with Franchisor, which Franchise Agreement, among other things, authorizes Tenant to use the Sedona Taphouse system and trademarks in operating a Sedona Taphouse restaurant franchise (the "Franchised Business").

The Franchise Agreement requires, among other things, that the Lease contain certain provisions. The parties desire to supplement the Lease pursuant to the provisions set forth below.

Therefore, notwithstanding anything to the contrary elsewhere in the Lease, Landlord, Tenant and Franchisor agree as follows:

1. **Signage**. So long as Tenant complies with the terms of the Lease and applicable law, Landlord consents to Tenant's use of the proprietary signs, distinctive exterior and interior designs, colors and layouts, and the trademarks prescribed by Franchisor, and upon expiration or the earlier termination of the Lease, consents to permit Tenant, at Tenant's expense, to remove all such items, so long as Tenant makes repairs to the Leased Premises caused by such removal.

2. **Consent to Collateral Assignment & Assumption of Lease by Franchisor**. Landlord consents to the collateral assignment of the Lease from Tenant to Franchisor. Landlord acknowledges that the Franchise Agreement grants Franchisor the right, but not the obligation, to assume the Lease in the event of a default by Tenant under the terms of the Lease or under the Franchise Agreement. Upon any such assumption of the Lease by Franchisor, Franchisor will give Landlord written notice of the assumption of the Lease and Franchisor will thereafter be bound by all of the terms and conditions in the Lease. Upon receipt of such notice, Landlord agrees to recognize Franchisor as the new tenant under the Lease, without the signing by Tenant of an assignment and assumption agreement. Unless and until Franchisor exercises its rights under the Franchise Agreement and the provisions of this Addendum and agrees in writing to assume the Lease, Franchisor will have no liability or obligation under the Lease.

3. **Notice**. Landlord will deliver to Franchisor copies of any and all default notices or notice of termination sent to Tenant relating to the Leased Premises at the same time that such letters or notices are sent to Tenant. Franchisor's address for any such notice is as follows:

   DJB Franchising, LLC
   812 Moorefield Drive, Suite 301
   Richmond, VA 23236

   In the event that the notice is a default notice and Tenant fails to timely cure the default described in the notice, Franchisor shall have a fifteen-day period after the expiration of Tenant's cure period under the Lease to cure Tenant's default. Franchisor shall have the option, but not the obligation, to effect a cure before Landlord exercises any remedies; provided, however, Landlord shall have the right to exercise any rights and remedies available at law, in equity, and/or under the Lease if Franchisor fails to cure such default within such fifteen-day period. Franchisor's

election to cure shall not be deemed an election to assume the Lease unless and until Franchisor expressly does so in writing. If Franchisor elects not to cure the breach or default or fails to cure such default within the time periods prescribed herein, Landlord may proceed directly against Tenant in the manner provided in the Lease, but will have no remedy against Franchisor.

4. **Refranchising**. At any time following Franchisor's election to take an assignment of Tenant's rights under the Lease, Franchisor may, upon written notice to Landlord, assign the Lease or sublet the Leased Premises to an affiliate of Franchisor approved by Landlord or to a franchisee approved by Franchisor and Landlord, without charge or penalty, so long as Landlord approves of such affiliate or franchisee in writing in advance. Landlord's consent will not be unreasonably withheld, conditioned or delayed. Upon an assignment, Franchisor shall be released from any further obligations under the Lease. Landlord agrees to execute written documentation confirming any such assignment and release in a form reasonably acceptable to Landlord.

5. **Additional Covenants**. Tenant and Landlord agree that they will not amend, modify, or alter any other Lease term without Franchisor's prior written consent. Tenant may not assign its interest in the Lease, nor sublet all or any portion of the Leased Premises, without Franchisor's prior written consent.

6. **De-Identification**. Upon the expiration or termination of the Franchise Agreement, Franchisor will have the right to cause a de-identification of the Leased Premises by entering to make any modifications and to remove signs and fixtures to protect the franchise system, as determined by Franchisor in its sole discretion, without being guilty of trespass or liable for any tort; provided, however, in no event shall Franchisor have the right to make any alterations to the Leased Premises which affect the structure or the building systems serving the Leased Premises, and provided further, that prior to the commencement of any such work, Franchisor shall deliver to Landlord plans for such work, which plans shall be subject to the prior written approval of Landlord. Franchisor agrees to repair any damage to the Leased Premises or the property of which it is a part caused by such entry, modifications and removals.

7. **Effect**. This Addendum supplements the Lease and shall apply during the entire term of the Lease, including any renewal terms. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth in this Addendum will govern and control as between Landlord and Franchisor, but the Lease shall control as between Landlord and Tenant. This Addendum will be binding upon, and will inure to the benefit of, the parties and their successors, assigns, heirs and personal representatives.

8. **Counterparts & Execution**. This Addendum may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original. Each of the persons executing this Addendum on behalf of each party represents and warrants that such party has the full right, power and authority to execute and deliver this Addendum and that each person signing on such party's behalf is authorized to do so.

[LANDLORD]

By _____
Title _____
Date _____

[TENANT]

By _____
Title _____
Date _____

DJB FRANCHISING, LLC

By _____
Title _____
Date _____

DJB FRANCHISING, LLC

PROSPECTIVE FRANCHISEE
CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

_____ _____

Recipient Date

1. ***Purpose of this Agreement.*** The recipient named above (the "Recipient") is considering entering into a Franchise Agreement with DJB FRANCHISING, LLC, a Delaware limited liability company with its principal office located at 812 Moorefield Drive, Suite 301, Richmond, VA 23236 (the "Franchisor"). In the course of the Recipient's due diligence, the Recipient may receive certain confidential information of the Franchisor in the course of visiting a Sedona Taphouse restaurant or the Franchisor's office or in talks with Sedona Taphouse franchisees. Accordingly, the Recipient agrees to comply with the terms and conditions of this Agreement.

2. ***Confidentiality and Non-competition.***

(a) *Confidential Information*. As used herein, the term "Confidential Information" means the Franchisor's know-how, technical knowledge, methods of operation, business and marketing plans and all other information that the Recipient may receive from the Franchisor or Sedona Taphouse franchisees or any of their employees, agents or representatives, either before or on or after the date of this Agreement, that is not generally available to the public and that has commercial value to the Franchisor. "Confidential Information" includes, without limitation, the content of all manuals used or approved for use in the operation of the franchised business, all user names and passwords allowing access to the Sedona Taphouse Intranet, and all information that constitutes Franchisor's trade secrets. The Recipient acknowledges that all Confidential Information is confidential and proprietary information of the Franchisor.

(b) *Nondisclosure.* At all times both during and after the Recipient's due diligence, the Recipient will keep all Confidential Information in the strictest confidence and will not disclose any Confidential Information to any third party except as may be set forth in a franchise or other written agreement between the Recipient and the Franchisor and except for any disclosure required by law, in which event the Recipient shall give notice to the Franchisor of the disclosure to be made.

(c) *Non-Use.* At all times both during and after the Recipient's due diligence, the Recipient will not use any Confidential Information except for the purpose of fulfilling the Recipient's legitimate obligations under a Sedona Taphouse franchise agreement signed by the Recipient or a company Recipient owns or manages.

(d) *Exceptions.* The obligations of confidentiality and non-use described above will not apply to information that, (i) can be clearly shown by the Recipient to have been known to the Recipient on a non-confidential basis before its disclosure to the Recipient by the Franchisor or one of its franchisees; (ii) is now, or hereafter becomes, information generally available to the public not due to any act or failure to act by the Recipient; or (iii) can be clearly shown by the Recipient to have been received by Recipient on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation.

(e) *Disclosures Required by Law.* In the event that the Recipient becomes legally compelled to disclose any Confidential Information, the Recipient will (i) promptly notify the Franchisor that such information is required to be disclosed, (ii) use his or her best efforts to obtain legally binding assurance that all

those who receive disclosure of such information are bound by an obligation of confidentiality, and (iii) disclose only that portion of the Confidential Information that legal counsel of the Recipient advises is legally required to be disclosed.

(f) *Return of Information*. Upon the request of the Franchisor, the Recipient will promptly return to the Franchisor, all Confidential Information and all copies thereof in the Recipient's possession or under the Recipient's control, and the Recipient will destroy all copies thereof on the Recipient's computers, disks and other digital storage devices.

(g) *Non-competition*. Except as may be set forth in a franchise or other written agreement between the Franchisor and the Recipient, the Recipient shall not, either during or for a period of two years following the Recipient's due diligence, operate directly or indirectly, whether as principal, shareholder (except of publicly traded securities), director, officer, manager, employee, consultant, lender, guarantor, representative or agent or in any other capacity any business directly or indirectly competitive with the Sedona Taphouse business: (i) within ten miles of the geographic boundaries of the Territory, as defined in the Franchise Deposit Agreement; or (ii) within ten miles of the territory of any Sedona Taphouse franchised or company business in existence in the U.S.A. at the time such two-year period begins.

3. ***Miscellaneous.***

(a) *Remedies.* The Recipient acknowledges that if the Recipient fails to comply strictly with any of the above undertakings, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against the Recipient in a court of competent jurisdiction. In the event that the Franchisor prevails in any such litigation, the Recipient shall reimburse the Franchisor for all costs, attorneys' fees and other expenses incurred by the Franchisor in connection therewith.

(b) *Notices.* All notices, requests, consents and other communications required or permitted by this Agreement will be in writing and will be delivered by hand, fax, overnight delivery service, or registered or certified first class mail, to then-current address of the Recipient known by the sender, to the attention of the person then holding the title of the person signing this Agreement on behalf of the recipient. Any such notice, request, consent or other communication will be deemed given and be effective upon receipt at such address.

(c) *Entire Agreement; Amendments.* This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof, superseding all prior agreements, arrangements and understandings between the parties relating to its subject matter. This Agreement may not be amended or changed in any way unless such changes are in writing signed by the parties hereto.

(d) *Waiver.* No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default.

(e) Severability. In the event that any one or more provisions of agreement are deemed unenforceable or void, the remaining provisions will continue to be valid and enforceable.

(f) *Governing Law.* This undertaking will be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

(f) *Entire Agreement.* This Agreement constitutes the entire understanding of the parties and supersedes any prior oral or written agreements between the parties with respect to the subject matter hereof.

The parties have signed this Agreement on the dates set forth below.

DJB FRANCHISING, LLC	RECIPIENT
By _____	_____
Title _____	Address _____
Date _____	_____
	Date _____



MULTI-UNIT AGREEMENT

DJB FRANCHISING, LLC

DEVELOPER:

TERRITORY:

DATE OF AGREEMENT:

2026 Version

DJB FRANCHISING, LLC

MULTI-UNIT AGREEMENT

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DJB FRANCHISING, LLC

MULTI-UNIT AGREEMENT

AGREEMENT effective as of _____, between DJB FRANCHISING, LLC, a Delaware limited liability company (referred to in this Agreement as "we" or "us"), and _____, a _____ *[if entity, indicate type and state of formation]* (referred to in this Agreement as "you" or "your company" or "Developer").

We and our affiliated companies have developed a system (the "System") for establishing and operating upscale beer and food café restaurants featuring multiple taps and a long, revolving list of craft beer brands (craft beer being defined as any beer that includes water, yeast, malted barley and hops as its main ingredients), as well as proprietary and confidential food and beverage recipes and related products and services (the "Sedona Taphouse restaurants").

Sedona Taphouse restaurants operate under the trademark SEDONA TAPHOUSE and other trademarks, and we may use and license additional trademarks or substitute different trademarks in the future in conjunction with the operation of Sedona Taphouse restaurants (collectively, the "Marks").

You desire to open and operate an agreed number of Sedona Taphouse restaurants in an agreed geographic area under an agreed timetable, and we desire to grant to you the right to do so on the terms and conditions set forth below.

Accordingly, you and we agree as follows:

ARTICLE I – **GRANT OF RIGHTS TO YOU**

Section 1.1 – ***Grant of Rights.*** We grant to you the right, under the terms and conditions contained in this Agreement, to open and operate Sedona Taphouse restaurants in the geographic area described in Schedule A (the "Territory") in accordance with the development schedule contained in Schedule B (the "Development Schedule"). The rights granted by this Agreement are limited to the Territory. This Agreement does not confer any rights outside of the Territory.

Section 1.2 – ***Development Schedule.*** You or your Affiliate (as defined below) will open the first Sedona Taphouse restaurant under the Development Schedule no later than nine months after the date of this Agreement. You agree to open or arrange for the opening of subsequent Sedona Taphouse restaurants in accordance with the Development Schedule. In this connection, you acknowledge that time is of the essence. We will not unreasonably withhold our consent to your request for a three-month extension provided the delay is not within your control, you are taking all reasonable steps to open the restaurant in a timely manner and you are not otherwise in breach of this Agreement.

Section 1.3 – ***Franchise Agreements.*** Before you begin to develop a Sedona Taphouse restaurant at any specific location, you or your Affiliate (as defined below) must enter into our then-current standard form of franchise agreement setting forth the terms and conditions under which you or your Affiliate will open and operate the Sedona Taphouse restaurant. This standard form may vary from the form we currently use, except that the initial fee for franchise agreements to be signed by you or your Affiliate will be the amount set forth in Schedule A of this Agreement.

Section 1.4 – ***Affiliates.*** At your request, we will permit the franchise agreement for any Sedona Taphouse restaurant in the Territory to be executed by an entity formed by you to develop and operate the Sedona Taphouse restaurant ("Affiliate"), provided all of the following conditions are met: (a) you or your owners have management control of the Affiliate; (b) you or your owners own (i) more than 50% of the

voting securities of an Affiliate that is a corporation, (ii) more than a 50% membership interest in an Affiliate that is a limited liability company, or (iii) all of the general partnership interests of an Affiliate that is a partnership; (c) the Affiliate conducts no business other than the operation of the Sedona Taphouse restaurant; (d) you and your owners agree to assume full and unconditional liability for, and agree to perform all obligations contained in the franchise agreement; (e) all owners of the entity possess good moral character, as determined by us, and (f) you provide us all reasonably requested information to permit us to make such a determination.

Section 1.5 – ***Site Acquisition***

1.5.1 *Site Selection*. Prior to requesting a franchise agreement from us for opening an NKS Restaurant pursuant to your development rights, you must identify and obtain our approval of the site for such restaurant. You are solely responsible for selecting the location of each NKW Restaurant (each of which will be a "Site").

1.5.1.1. To request our approval, you must provide us with the address and unexecuted copies of either (a) the lease for the proposed Site if you elect to lease it, or (b) the purchase documents for the proposed Site if you elect to purchase it.

1.5.1.2. We will have 30 days after we receive notice and the required documents to request information that we deem relevant to our decision to approve or reject the proposed Site. We will not unreasonably withhold our approval of any proposed Site. If we have not rejected the proposed Site within such 30-day period, the proposed Site will be deemed approved. If we reject the proposed Site, you and we will repeat the process described in this Section 1.2.1.

1.5.2 *No Assurance*. You acknowledge that neither our recommendation or approval of any Site nor any information regarding any Site we communicate to you constitutes a guarantee, assurance, representation or warranty of any kind, express or implied, as to the suitability of the Site for a NKW Restaurant or of the successful operation or profitability of a NKW Restaurant at the Site. You acknowledge that your acceptance of the franchise is based on your own independent investigation of the suitability of the Site.

1.5.3 *Lease.* We may require that the lease or any renewal lease for a Site contain certain provisions, including the following:

1.5.3.1. The sole permitted use of the premises will be the operation of a NKW Restaurant.

1.5.3.2. You are permitted to use and install the trademarks, trade dress, signage and related features associated with the System that we may prescribe.

1.2.3.3. The landlord will provide us with copies of any written notice of default under the lease sent to you concurrently with the landlord's delivery of such notice to you. Such notice must grant to us the right (but not the obligation) to cure any default under the lease (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default.

1.5.3.4. You and the landlord will, at our request, enter into a conditional assignment of the lease, granting to us or our assignee the right to succeed to your rights and obligations under the lease in the event that this Agreement is terminated for any reason or it expires without a renewal agreement, or if you commit any breach of the lease that could lead to termination of the lease, and do not cure the breach within the cure period specified therein.

1.5.3.5. We have the right (but not the obligation), to assume the lease upon the termination of this Agreement for any reason or upon the expiration of this Agreement. In such event, we will give the landlord notice of our assumption of the lease, the landlord will agree to recognize us as the new tenant under the lease, and we will thereafter be bound by the terms or the lease. If we

subsequently assign our interest in the lease to a new franchisee with qualifications comparable or better than you, as of the date that you executed the lease, then we will have no further liability or obligation under the lease after such assignment. Unless and until we agree in writing to assume the lease, we will have no liability or obligation under the lease. In any event, you will be solely responsible to the landlord for all debts, payments and performance under the lease that were incurred before we or another franchisee actually takes possession of the Restaurant Premises.

1.5.3.6. The landlord will not accept your voluntary surrender of the Lease without prior notice to us. You and the landlord will not renew or extend the term of the lease, nor amend, modify or alter the lease, without our written consent. You may not assign your interest in the lease, nor sublet all or any portion of the leased premises, without our written consent.

1.5.4 *Purchase of the Site.* If you propose to purchase the proposed Site, the form of any purchase agreement with the seller and any related documents, and the form of any loan agreement or mortgage related to the Site must be approved by us before you sign them. If you already own the real property constituting the Site, the form of any loan agreement or mortgage related to the Site that you propose to sign on or after the date of this Agreement must be approved by us before you sign them. Our consent to such documents may be conditioned upon the inclusion of various terms and conditions, including a requirement that the lender or mortgagee will provide us with copies of any written notice of deficiency or default under the terms of the loan or mortgage sent to you concurrently with the lender's or mortgagee's delivery of such notice to you. Such notice must grant to us the right (but not the obligation) to cure any default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of the period in which you may cure the default.

Section 1.6 – ***Exclusivity.*** Except as provided in Section 1.8, during the term of this Agreement, neither we nor any of our affiliates will (a) open or operate a Sedona Taphouse restaurant in the Territory, or (b) grant to any other person or entity the right to open or operate a Sedona Taphouse restaurant located in the Territory or the right to grant franchises to open and operate Sedona Taphouse restaurants located in the Territory.

Section 1.7 – ***No Trademark License***. This grant of multi-unit rights is not a trademark license. This Agreement by itself does not permit you to own or operate a Sedona Taphouse restaurant. The right to own and operate a Sedona Taphouse restaurant is only granted pursuant to a signed franchise agreement. This Agreement also does not give you the right to offer, sell or negotiate the sale of Sedona Taphouse restaurant franchises to any third party.

Section 1.8 – ***Business Entity.*** If you are a business entity, or if this Agreement is assigned to a business entity, such entity will conduct no business other than the business contemplated by this Agreement and under any executed franchise agreement. All owners of such business entity will represent and warrant their percentage ownership interest in the entity. The articles of incorporation, articles of organization, partnership agreement and other organizational documents of such business entity will recite that the issuance and transfer of any interest in such entity is subject to the restrictions set forth in this Agreement. All issued and outstanding stock, share or membership certificates, if any, of such entity will bear a legend referring to the restrictions in this Agreement. You will not conduct any public offering of such entity's securities unless we consent in writing to such offering.

Section 1.9 – ***Rights We Reserve.*** We and our affiliates retain all rights not specifically granted to you under this Agreement. These rights include, without limitation, the right:

1.9.1 to establish Sedona Taphouse restaurants whether franchised or company owned, anywhere outside the Territory;

1.9.2 to establish Sedona Taphouse restaurants in non-traditional venues such as airports, hotels and resorts, military installations, school and university campuses, casinos, theme

parks and sports stadiums, within or outside the Territory;

1.9.3 to sell any products under the Marks and any other trademarks through other channels of distribution, such as grocery shops, supermarkets or similar outlets for resale at any time, within or outside the Territory, and directly to customers through our website; and

1.9.4 to acquire any business operating under different trademarks at any location and to continue to operate that business under trademarks other than the Marks.

Section 1.10 – ***Personal Covenants***. Our grant of rights under this Agreement is made in reliance on the personal attributes of your company's owners and managers named in Schedule C. If your company is a legal entity such as a corporation or limited liability company rather than a sole proprietorship or general partnership, then our grant of rights under this Agreement is made on the condition that each person who now or later owns or acquires, either legally or beneficially, 10% or more of the equity or voting interest in your company (the "Owner" or "Owners") must execute and deliver to us a personal undertaking in the form attached as Schedule D (the "Personal Covenants"). If no person owns 10% or more, then persons approved by us whose combined equity interest is equal to or greater than 10% will be the Owners. We may require the spouse of any or all Owners to sign the Personal Covenants in our discretion. Transfers of interest are restricted in accordance with Article IV. Upon our request at any time, you will furnish us with a list of all holders of legal and beneficial interests in your company, together with descriptions of the type of interests owned and the percentage ownership, and the names, addresses and telephone numbers of the owners, certified as correct in the manner we specify. If any of your company's general partners, managers, officers or directors ceases to serve as such or if any new person becomes a general partner, manager, officer or director after the date of this Agreement, you will notify us of such change within 10 days. Any breach of a Personal Covenants will be deemed to be a breach of this Agreement.

ARTICLE II – **FEES**

Section 2.1 – ***Development Fee.*** You will pay us the initial fee specified in Schedule A (the "Development Fee"). The Development Fee is payable in full by certified check or wire transfer upon your execution of this Agreement. The Development Fee is fully earned when received by us and is not refundable under any circumstances. It compensates us for our expenses and administrative costs, and for our lost or deferred opportunity to grant rights to others for the Territory.

Section 2.2 – ***Initial Fees for Franchise Agreements.*** The initial fee for each franchise agreement that you enter into for a Sedona Taphouse restaurant franchise in the Territory under this Agreement is specified in Schedule A.

ARTICLE III – **CONFIDENTIALITY; NONCOMPETITION**

Section 3.1 – ***Confidentiality of Our Information***

3.1.1 *Confidential Information.* We possess and will continue to develop and acquire certain confidential information relating to the development and operation of Sedona Taphouse restaurants ("Confidential Information"). Confidential Information means information that is not generally available to the public and that has commercial value to us. Confidential Information includes, without limitation:

3.1.1.1 the contents of our operating manuals and all supplemental materials;

3.1.1.2 the content of our training and assistance;

3.1.1.3 site selection criteria;

3.1.1.4 sales and marketing techniques;

3.1.1.5 recipes, mixes, formulas, preparation methods and serving techniques;

3.1.1.6 customer lists;

3.1.1.7 planned advertising and marketing programs;

3.1.1.8 current, past and planned research, development and test programs for products, services and operations;

3.1.1.9 specifications for and suppliers of certain equipment, fixtures, furnishings, signs, materials and supplies;

3.1.1.10 the operating results and financial performance of Sedona Taphouse restaurants other than those owned by you or your affiliates;

3.1.1.11 user names and passwords allowing access to protected areas on our website or computer network; and

3.1.1.12 all improvements and modifications to the franchise system developed by you or your personnel.

You acknowledge and agree that you will not acquire any interest in any Confidential Information other than the right to use Confidential Information disclosed to you in developing NKW Restaurants during the term of this Agreement.

3.1.2 *Nondisclosure and Non-Use.* At all times both during the term and after the expiration or termination of this Agreement, (i) you will keep all Confidential Information in the strictest confidence and you will not disclose any Confidential Information to any person other than your or your Affiliates' owners and managers who have signed and delivered to us the Personal Covenants, or their employees, agents or representatives who have a legitimate need to know such information, are informed of this obligation of confidentiality and have signed a comparable agreement to the Personal Covenants, and (ii) you will not use any Confidential Information except for the purpose of fulfilling your obligations under this Agreement.

3.1.3 *Isolated Disclosures.* Notwithstanding the foregoing, we will not deem you to be in default of this Agreement as a result of isolated incidents of disclosure of Confidential Information by an employee other than an owner, provided that you have taken reasonable steps to prevent such disclosure, including but not limited to the steps a reasonable and prudent owner of confidential and proprietary information would take to prevent disclosure of such information by his employees, and further provided that you pursue all reasonable legal and equitable remedies against such employee for such disclosure of such Confidential information.

3.1.4 *Exceptions.* The obligations of confidentiality and non-use described above will not apply to information that: (i) you can clearly show was known to you on a non-confidential basis prior to its disclosure to you by us; (ii) is or becomes generally known among Competitive Businesses (as defined in Section 3.2.1 in the Territory other than through disclosure by you or any of your employees, contractors, agents or representatives; or (iii) you can clearly show was received by you on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation.

3.1.5 *Disclosures Required by Law.* In the event that you become legally compelled to disclose any Confidential Information, you will (i) promptly notify us that such information is required to be disclosed, (ii) use your best efforts to obtain legally binding assurance that all those who receive disclosure of such information are bound by an obligation of confidentiality, and (iii) disclose only that portion of the Confidential Information that your legal counsel advises is legally required to be disclosed.

3.1.6 *Return of Information.* Upon our request, you will promptly return to us all Confidential Information and all copies thereof in your possession or under your control, and you will destroy all copies thereof on your computers, disks and other digital storage devices.

Section 3.2 – ***Noncompetition***

3.2.1 *Definition of Competitive Business.* As used in this Agreement, the term "Competitive Business" means any business that operates, or grants franchises or licenses to others to operate, a bar, pub, tavern, restaurant, or food or alcoholic beverage service facility, that (i) features beer, wine and related products as a primary menu item; (ii) serves craft beer; or (iii) has more than 6 beers on tap (other than a Sedona Taphouse restaurant operated under a franchise agreement with us or our affiliate). The restrictions of this section will not apply to the ownership, solely as an investment, of publicly traded securities that constitute less than 1% of a class of ownership interests of the issuing company.

3.2.2 *Agreement Not to Compete.* You agree that during the term of this Agreement, you will not, directly or indirectly (through one of your company's affiliates or owners or a member of the immediate family of any owner), either (i) have a direct or indirect interest in a Competitive Business located or operating anywhere in the U.S. or in any other country in which a Sedona Taphouse restaurant operates; (ii) perform services as a director, officer, manager, supervisor, consultant, contractor, representative, or agent for a Competitive Business, wherever located or operating; or (iii) divert or attempt to divert any business or customer of any Sedona Taphouse restaurant to any Competitive Business.

3.2.3 *Noncompetition After Termination.* Upon the expiration of this Agreement, your termination of this Agreement without cause, our termination of this Agreement in accordance with its terms and conditions, or your transfer in accordance with Article IV, you and your company's owners agree for a period of two years following such expiration, termination or transfer, that you will not, directly or indirectly (through one of your company's affiliates or owners or a member of the immediate family of any owner), either (i) have a direct or indirect ownership interest in a Competitive Business located or operating in the Territory or within 5 miles of any Sedona Taphouse restaurant anywhere in the world at the time of such expiration, termination or transfer; (ii) perform services as a director, officer, manager, supervisor, consultant, contractor, representative or agent for any such Competitive Business; or (iii) divert or attempt to divert any business or customer of any Sedona Taphouse restaurant to any Competitive Business.

ARTICLE IV – **TRANSFER**

Section 4.1 – ***Transfer by Us.*** We may sell, assign or transfer our rights and obligations under this Agreement to any party, without the approval of or prior notice to you, provided that the buyer, assignee or transferee agrees in writing to assume all of our obligations under this Agreement. We will not be liable for obligations of the transferee arising after the date of transfer.

Section 4.2 – ***Transfer by You***

4.2.1 *No Transfer Without Our Approval.* This Agreement is personal to you. We have entered into this Agreement in reliance upon our perception of your (or your company's owner's) individual or collective character, skill, aptitude, business ability and financial capacity. Accordingly, you may only transfer your rights and obligations under this Agreement if (i) at least 50% of the total number of Sedona Taphouse restaurants to be opened under this Agreement (including any franchise agreements signed contemporaneously with this Agreement) are open and operating at the time of the proposed transfer, (ii) you obtain our prior written consent, and (iii) in the case of an asset transfer, (A) you transfer all of your rights and interests under all franchise agreements for Sedona Taphouse restaurants in the Territory in accordance with the terms of those agreements, and (B) the transferee, at our election, must sign the then-current franchise agreement for all transferred Sedona Taphouse restaurants. Our consent to a Transfer does not constitute a representation as to the fairness of the terms of any contract between you or your company's

owners and the transferee, a guaranty of the success by the transferee or a waiver of any claims we may have against you or your company's owners or of our right to demand the transferee's compliance with any of the terms or conditions of this Agreement.

4.2.2 *Definition of Transfer.* As used in this Agreement, the term "Transfer" means your (or your company's owner's) voluntary, involuntary, direct or indirect assignment, sale, gift, pledge or other disposition of any legal or beneficial interest in: (i) this Agreement, (ii) your company, whether in the form of equity or a voting interest, (iii) franchise agreements for Sedona Taphouse restaurants in the Territory. "Transfer" also includes (i) the merger or consolidation of your company; (ii) the issuance of additional securities or other ownership interests of your company, and (iii) the admission or departure of a partner or owner. It includes transfers resulting from proceedings under the U.S. Bankruptcy Code or any similar law, and transfers resulting from divorce.

4.2.3 *Notice of Transfer.* You agree to notify us of any planned Transfer, and to provide us with any information we may reasonably request in order to permit us to evaluate the planned Transfer. If we do not exercise our right of first refusal under Section 4.3, we agree not to unreasonably withhold our approval of a Transfer. If we approve the Transfer, then you will be free, for 90 days following such approval, to affect the Transfer to the person or persons approved by us.

4.2.4 *Conditions to Transfer.* The following conditions will apply with respect to any Transfer other than a Transfer described in Section 4.2.5:

4.2.4.1 The proposed transferee, its management and owners, must be individuals of good character with sufficient business experience, aptitude, and financial resources to meet our then applicable standards for a new Sedona Taphouse restaurant developer.

4.2.4.2 Neither the proposed transferee nor any of its management or owners may be a Competitive Business or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

4.2.4.3 You will cure any default under this Agreement and each franchise agreement entered into pursuant to this Agreement that we will have notified to you.

4.2.4.4 You will pay all fees and any other amounts then owed to us and our affiliates under this Agreement and each franchise agreement entered into pursuant to this Agreement.

4.2.4.5 You or the transferee will pay us a nonrefundable transfer fee of $10,000.

4.2.4.6 The transferee or its designated personnel will have completed such training as we may require, to our satisfaction.

4.2.4.7 Each transferor will sign an agreement (in a form acceptable to us) acknowledging a continuing obligation after such transfer to comply with the requirements of Section 3.2.3.

4.2.4.8 We will have approved the material terms and conditions of such transfer, and we may require you to sign a general release of any claims against us and our affiliates.

4.2.4.9 After our authorization of the Transfer and your compliance with all of the requirements listed above, you will give us not less than five business days' written notice of the date, time and place of the closing of such Transfer, and you will give us an opportunity to have a representative present.

4.2.4.10 If the transaction is brokered by a third-party or by one of our authorized sales representatives, you or the proposed transferee will be responsible for paying broker fees at the

same commission rate that we pay such broker or sales representatives.

4.2.4.11 If the transaction is a securities offering as described in Section 4.2.7, you must pay us the greater of: (i) 50% of our then-current initial franchise fee; or (ii) our reasonable costs and expenses associated with reviewing the proposed offering.

4.2.5 *Transfer to a Company you Control.* Upon prior notice to us and the signing by the relevant parties of assignment documents acceptable to us, you may transfer this Agreement to an entity (i) that conducts no business other than the business described in this Agreement and (ii) in which you maintain management control and (iii) of which you own and control 100% of the equity and voting power. The requirements of Sections 4.2.4.5 through 4.2.4.8 will not apply to any such transfer. You will remain personally liable under this Agreement after such Transfer by signing a Personal Covenants as described in Section 1.10.

4.2.6 *Transfer Upon Death or Disability.* You or your executor or other personal representative must promptly notify us in the event of your death or disability or, if your company is an entity, the death or disability of the owner of a 10% or greater interest in your company. Any transfer upon death or disability will be subject to the same terms and conditions as those that apply to other transfers, as described in Sections 4.2.1 through 4.2.4; but you or your executor or other personal representative will have a period of 12 months in which to affect a transfer acceptable to us in the event of death, and six months in the event of disability. As used in this Agreement, the term "disability" means a mental, emotional or physical injury, illness, incapacity, disability or impairment that is reasonably expected to prevent or actually does prevent a person from performing the obligations set forth in this Agreement for at least six consecutive months. A person's disability for purposes of this section will be determined by a licensed practicing physician selected by us upon examination of such person or, if such person refuses to be examined, then such person will automatically be deemed disabled for purposes of this section as of the date of refusal. We will pay the cost of the examination.

4.2.7 *Securities Offerings.* You agree to submit to us, for our review, all materials for an offering or exempt private placement of stock or partnership or other interests in your company or any of your affiliates that are required by federal or state law before such materials are filed with any government agency and before they are used. We may require such materials to contain a written statement, prescribed by us, indicating that we are not participating in such offering in any way. You and all other participants in the offering must fully indemnify us and our subsidiaries, affiliates, successors and assigns, and our and their respective directors, officers, shareholders, partners, agents and representatives in connection with the offering. For each proposed offering, you will reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. You will give us written notice at least 30 days before the date that any offering or other transaction described in this Section 4.2.7 commences. Any such offering will be subject to all of the other provisions of this Section 4.2.

Section 4.3 – ***Our Right of First Refusal.***

4.3.1 *Notice of Third Party Offer.* If you or any of your company's owners at any time desire to sell, assign or transfer for consideration an interest in this Agreement or an ownership interest in your company to anyone other than as described in Section 4.3.4, you will obtain and immediately submit to us a true and complete copy of a bona fide written offer from the third party that desires to acquire such interest (the "Third Party Offer"). The Third Party Offer must include lists of the record and beneficial owners of any entity offeror and all partners of any partnership offeror and, in the case of a publicly-held entity, copies of the most current annual and quarterly reports and Form 10K. The Third Party Offer must contain details of the payment terms of the proposed sale and the source and terms of any financing of the proposed purchase price, and may not include or be contingent upon the purchase of assets of yours or your company's owner other than those related to the business described in this Agreement.

4.3.2 *Exercise of Our Right of First Refusal.* We will have the right, exercisable by notice delivered to you or your company's selling owner or owners within 30 days after the date of our receipt of a copy of the Third Party Offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in the Third Party Offer, provided that (i) we may substitute cash for any form of payment proposed in such offer; and (ii) we will have at least 60 days after giving notice of our election to prepare for closing. If we exercise our right of first refusal, you and we will execute a written agreement, in a form satisfactory to us, acknowledging the seller's continuing obligations. We may require the seller to sign a general release of any claims against us and our affiliates. We may assign our rights hereunder to a new multi-unit developer, provided that such new developer pays cash to you at closing.

4.3.3 *Consequence of Non-exercise of Our Right of First Refusal.* If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 4.2; but if the sale to such purchaser is not completed within 120 days after delivery of the Third Party Offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), we will have an additional right of first refusal during the thirty day period following either the expiration of such 120-day period or the notice to us of the material changes in the terms of the sale, either on the terms originally offered or the modified terms, at our option.

4.3.4 *Exceptions.* Our right of first refusal will not apply if the proposed transfer is among the current owners of your company or their immediate family members, or if it would constitute a transfer (whether in a single transaction or a series of transactions) of less than a 10% interest in your company.

ARTICLE V – **TERM AND TERMINATION**

Section 5.1 – ***Term.*** This Agreement will be effective as of the date first above written and, unless sooner terminated as provided in this Agreement, will continue in effect until the first to occur of: (a) the date that the last franchised restaurant required by the Development Schedule opens for business or (b) the date that the last franchised restaurant was required to be opened pursuant to the Development Schedule. This Agreement has no renewal term.

Section 5.2 – ***Termination.***

5.2.1 *Termination by Us Upon Notice.* We may terminate this Agreement and your right to develop Sedona Taphouse restaurants in the Territory, effective upon notice to you with immediate effect, if:

5.2.1.1 you or any of your company's owners have made any material misrepresentation or omission in connection with your application to enter into this Agreement;

5.2.1.2 you fail to meet your obligations under the Development Schedule;

5.2.1.3 you or any of your company's owners or Affiliates or their owners materially breaches any obligation under Articles III or IV;

5.2.1.4 you or your Affiliate remains in default beyond the applicable cure period under any franchise agreement for a Sedona Taphouse restaurant or any such agreement is terminated for any reason;

5.2.1.5 you or your Affiliate or the owners of your company or your Affiliate are or have been convicted by a trial court of, or plead guilty or have pleaded no contest to, a felony or any other crime or offense, or engage in any dishonest or unethical conduct, that may adversely affect the reputation of the business, the Sedona Taphouse restaurants or the goodwill associated with our trademarks; or

5.2.1.6 you or any of your Affiliates make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or a substantial part of your property; or any order appointing a receiver, trustee or liquidator of your company is not vacated within 30 days following the entry of such order.

5.2.2 *Termination After Cure Period.* Except as set forth in Section 5.2.1, you will have 30 days after receipt of written notice of default from us in which to remedy the default and provide evidence of that remedy to us. If any such default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time unless we notify you otherwise in writing.

5.2.3 *Relationship Laws.* Notwithstanding the provisions described in this Section 5.2, if any valid, applicable law or regulation limits our right to terminate this Agreement or requires different or longer notice periods than those set forth herein, this Section 5.2 is deemed amended to conform to the minimum notice periods or restrictions upon termination required by such rules and regulations. We will not however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination of this Agreement.

Section 5.3 – ***Consequences of and Alternatives to Termination.***

5.3.1 *Consequences of Termination*. Upon the expiration of this Agreement or its termination for any reason, all rights granted to you under this Agreement will immediately terminate; and you will have no further right to develop or open Sedona Taphouse restaurants in the Territory. A default under this Agreement is not a default under any individual Sedona Taphouse restaurant franchise agreement. If we terminate this Agreement for any reason permitted by Section 5.2, you will not be entitled to any refund or return of the Development Fee, however, unless you breach obligations to us that continue after termination (such as the covenant not to compete or confidentiality obligations), we will not be entitled to any compensation for lost royalties or profits attributable to your failure to develop Sedona Taphouse restaurants as contemplated by this Agreement, aside from any such remedies we may have under any individual Sedona Taphouse restaurant franchise agreement that we signed with you or your Affiliates.

5.3.2. *Other Remedies.* If we are entitled to terminate this Agreement in accordance with Section 5.2, we will have the unrestricted right, in our discretion, to undertake any one or more of the following actions upon notice to you with immediate effect instead of terminating this Agreement:

5.3.2.1 we may terminate your exclusivity in the Territory so that we and any of our affiliates will have the right to open and operate one or more Sedona Taphouse restaurants in the Territory, and we will have the right to grant to any other person or entity the right to open or operate a Sedona Taphouse restaurant in the Territory;

5.3.2.2 we may reduce the size of the Territory in a manner determined solely by us; and

5.3.2.3 we may modify the Development Schedule by reducing the number of Sedona Taphouse restaurants to be opened or changing the time periods for opening, or both, as determined solely by us.

Any such action will be without prejudice to our right to terminate this Agreement in accordance with Section 5.2.

ARTICLE VI - **REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION**

Section 6.1 – ***Representations and Warranties***. You represent and warrant as follows:

6.1.1 *Accuracy.* All statements you have made and all materials you have submitted to us

in connection with your application to become a franchisee are accurate and you have made no misrepresentations or material omissions.

6.1.2 *No Conflicts.* You are under no obligation or restriction, nor will you assume any obligation or restriction, that would in any way interfere or be inconsistent with, or present a conflict of interest concerning, the services that are the subject of this Agreement or the rights and obligations of the parties.

6.1.3 *Good Standing.* Your company is duly incorporated, organized or formed and in good standing under the laws of the jurisdiction of its formation.

6.1.4 *Authority.* Your company has the power and authority to enter into this Agreement and to perform its obligations under this Agreement.

6.1.5 *Owners and Managers.* Schedule C completely and accurately describes all of your company's owners, directors, officers, partners and managers and their ownership interests and management positions in your company.

Section 6.2 - ***Indemnification***

6.2.1 *Indemnification.* You will indemnify and hold us and our affiliates, and the members, managers, stockholders, directors, officers, employees and agents of us and our affiliates, harmless from and against all costs, expenses, liabilities and losses, including reasonable attorneys' fees and disbursements, directly or indirectly relating to: (i) the failure of any of your representations, warranties or covenants set forth in this Agreement and in the schedules; (ii) any act or conduct of yours that is not in compliance with any of your requirements under this Agreement; or (iii) any act or omission of yours or anyone associated with or employed by or affiliated with you. We will have the right to participate in the defense, with counsel of our own choice and at our own expense, of any action that may give rise to your obligation to indemnify, and to reject any settlement that might adversely affect us.

6.2.2 *Notice of Claim; Survival.* We will give you notice of any claim that may require indemnification promptly after we learn of such claim. The rights and obligations of the parties under this Section 6.2 will survive the expiration or termination of this Agreement and remain in effect for a period of three years thereafter.

ARTICLE VII - **MISCELLANEOUS**

Section 7.1 – ***Injunctive Relief.*** You understand that your covenants set forth in Article III constitute essential elements of this Agreement. If you fail to comply strictly with any such covenants, we will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against you in any court of competent jurisdiction.

Section 7.2 – ***Severability.*** If any restrictive covenant in this Agreement is held to be invalid or unenforceable because its duration is too long or its scope is too broad, you and we agree that the court making such determination (if it regards itself as having the jurisdiction to do so) will have the power to reduce the duration or scope in such a manner that the remaining revised covenant will be valid and enforceable. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under applicable law, such prohibition or invalidity will not invalidate the remainder of such provision or the other provisions of this Agreement.

Section 7.3 – ***No Waiver of Rights*.** No delay or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the

party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default.

Section 7.4 – ***Notices.*** All notices, requests, consents and other communications required or permitted by this Agreement will be in writing and will be delivered by hand or overnight delivery service to the following address, or such other address as either party, by like notice, designates with respect to its own address:

If to us: DJB Franchising, LLC
812 Moorefield Drive, Suite 301
Richmond, VA 23236

If to you: The address indicated in Schedule C

Any such notice, request, consent or other communication will be deemed given and be effective upon receipt at such address.

Section 7.5 – ***Limitation of Actions.*** Any and all claims and actions arising out of or relating to this Agreement brought by either party against the other must be brought or asserted before the expiration of the earlier of (a) the time period for bringing an action under any applicable statute of limitations; (b) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to the claim; or (c) two years after the first act or omission giving rise to the alleged claim. Claims and actions not brought within such time period will be irrevocably barred.

Section 7.6 – ***Waiver of Jury Trial and Punitive Damages.*** We and you irrevocably waive trial by jury in any action, proceeding or counterclaim brought by either of us. We and you each waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other party, and we and you agree that any recovery in a dispute between us will be limited to equitable relief and to the recovery of actual damages sustained. For clarity, actual damages include indemnification against any punitive damages awarded to a third party for which either we or you are entitled to indemnify under Section 6.2.

Section 7.7 – ***Governing Law.*** This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Virginia applicable to agreements made and to be performed entirely within the Commonwealth of Virgin-ia, without regard to Virginia's conflict of laws principles. However, the Virginia Retail Franchising Act does not apply to our relationship with you, unless you operate the NKW Restaurant within the Common-wealth of Virginia. Moreover, to the extent that Virginia law does not permit enforcement of a provision of this Agreement (including the covenant not to compete) but the law of the state where the Site is located (the "Site State") permits enforcement of such provision, either as written or as equitably reformed, any such provision shall be governed by and construed in accordance with the law of the Site State.

Section 7.8 – ***Jurisdiction.*** You irrevocably consent to the non-exclusive jurisdiction of the federal and state courts for the city or county in which our principal office is located at the time suit is filed. If we assign or otherwise transfer this Agreement, then the exclusive venue for all legal actions between the parties will be in a state or federal court in the judicial district where our assignee's or transferee's principal office is located at the time the suit is filed, subject all to the assignee reserving the right to obtain injunctive in the courts located within the Site State if you violate any covenant or post-termination obligation. You hereby waive, to the full extent permitted by law, defenses based on jurisdiction, venue and forum *non conveniens*. You further consent to service of process in any action by registered mail, return receipt requested, or by any other means permitted by law.

Section 7.9 – ***Costs and Expenses.*** In any legal action arising out of or pursuant to this Agreement

or otherwise in connection with the relationship between us, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees) incurred in connection with the claims on which it prevailed.

Section 7.10 – ***Entire Agreement.*** This Agreement and all ancillary agreements executed simultaneously with this Agreement, constitute the entire understanding of the parties and supersede any and all prior oral or written agreements between you and us on the matters contained in this Agreement; but nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you. Except for changes permitted under this Agreement to be made unilaterally by us, no amendment to this Agreement will be binding unless such amendment is in writing and executed by the parties.

[Signatures on next page]

The parties have signed this Agreement on the dates set forth below, with effect as of the effective date as stated in the opening paragraph of this Agreement.

By signing below, the person doing so on behalf of the corporation listed affirmatively represents and warrants that they have been duly authorized and have the legal authority to bind the listed corporation to this Agreement, and acknowledges their personal obligations for all of the duties of that party if they are subsequently found to have lack the legal authority to bind that business entity party to this Agreement.

DJB FRANCHISING, LLC	[Developer]
By _____	By _____
Title _____	Title _____
Date _____	Date _____

SCHEDULE A

TERRITORY AND FEES

Territory:

Development Fee: $_____

Initial Fee for each restaurant: $_____

Note – The development fee for the right to open three units is $75,000. This fee is equal to the total of the initial fees for the three units ($35,000 + $20,000 + $20,000). We will not charge a separate initial fee for each of these three franchises. If your multi-unit agreement covers more than three units, you will pay us a development fee equal to $75,000 plus $10,000 (*i.e.,* a 50% deposit against the initial fee) for each unit after the first three. The development fee is not refundable under any circumstances, regardless of whether you open all of the restaurants envisioned in the Development Schedule.

SCHEDULE B

DEVELOPMENT SCHEDULE

You agree to open and operate Sedona Taphouse restaurants in the Territory in accordance with the following development schedule:

Time periods following the date of this Agreement	Minimum number of Sedona Taphouse restaurants to be opened in the Territory during each period	Minimum cumulative number of Sedona Taphouse restaurants to be open and operating in the Territory in good standing at the end of each period

Any Sedona Taphouse restaurants opened in excess of minimum in any period will be counted toward the minimum commitment for the next period.

SCHEDULE C

ENTITY INFORMATION OF DEVELOPER

1. Your company's ownership and management:

Your company is a _____ [limited liability company/corporation]

The following persons are the owners and managers/shareholders and directors of your company:

Name and Address	*Positions*	*Percentage Ownership*

2. Address for notices (Section 7.4):

SCHEDULE D

SEE SECTION 1.10 OF THE MULTI-UNIT AGREEMENT

SEDONA TAPHOUSE RESTAURANT

Personal Covenants

In order to induce DJB FRANCHISING, LLC, a Delaware limited liability company (the "Franchisor") to enter into a Sedona Taphouse Multi-Unit Agreement dated as of _____ (the "Multi-Unit Agreement") with _____ _____, a _____ (the "Developer") for the development of Sedona Taphouse restaurant franchises in a territory encompassing _____, each of the undersigned persons (the "Owners"), jointly, individually and severally, agrees as follows

1. ***Confidentiality.*** Each Owner acknowledges the Developer's obligations of confidentiality under Section 3.1 of the Multi-Unit Agreement. Each Owner personally agrees to comply with all of the Developer's obligations under Section 3.1 and not to disclose or use any Confidential Information (as defined in Section 3.1.1 of the Multi-Unit Agreement except on behalf of the Developer in furtherance of the Developer's business in compliance the Developer's obligations under the Multi-Unit Agreement, and only to the extent that the Developer is permitted under the Multi-Unit Agreement to disclose and use Confidential Information. Upon the request of the Franchisor, the Owner will promptly return to the Franchisor all Confidential Information and all copies in the Owner's possession or under the Owner's control, and the Owner will destroy all copies on the Owner's computers, disks and other digital storage devices.

2 ***Noncompetition.*** Each Owner acknowledges the Developer's obligations under Section 3.2 of the Multi-Unit Agreement not to compete with the Franchisor. Each Owner personally agrees to comply with and be bound by all of the Developer's obligations under Section 3.2 to the same extent that the Developer is bound by the obligations of Section 3.2 both during and after the term of the Multi-Unit Agreement.

3. ***Remedies.*** Each Owner acknowledges that if such Owner fails to comply strictly with any of the undertakings in Sections 1 or 2, the Franchisor will suffer irreparable harm and will have a cause of action for damages or injunctive relief or both against such Owner in a court of competent jurisdiction. In the event that the Franchisor prevails in any such litigation, the Owner will reimburse the Franchisor for all costs, attorneys' fees and other expenses incurred by the Franchisor in connection with such litigation.

4. TRANSFER BY THE FRANCHISOR. IF THE FRANCHISOR TRANSFERS ITS RIGHTS AND OBLIGATIONS UNDER THE MULTI-UNIT AGREEMENT PURSUANT TO SECTION 4.1 OF THE MULTI-UNIT AGREEMENT, THIS AGREEMENT WILL BE DEEMED TO BE TRANSFERRED AUTOMATICALLY TO THE TRANSFEREE WHO, UPON SUCH TRANSFER, WILL HAVE ALL OF THE RIGHTS GRANTED TO THE FRANCHISOR UNDER THIS AGREEMENT VIS-A-VIS THE OWNERS, AND THE OBLIGATIONS OF THE OWNERS WILL THEN ACCRUE TO THE BENEFIT OF THE TRANSFEREE.

5. ***Notices.*** All notices and other communications required or permitted by this Agreement will be in writing and will be delivered by hand, fax, overnight delivery service, or registered or certified first class mail, to the then-current address of the Owner known by the sender. Any such notice or other communication will be deemed given and be effective upon receipt at such address.

6. ***Waiver.*** No delay, omission or failure to exercise any right or remedy provided for in this Agreement will be deemed to be a waiver of such right or remedy or acquiescence in the event giving rise to such right or remedy.

7. GOVERNING LAW. THIS AGREEMENT WILL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE TERRITORY UNDER THE MULTI-UNIT AGREEMENT IS LOCATED, WITHOUT REGARD

TO THAT STATE'S CONFLICT OF LAWS PRINCIPLES.

8. AMENDMENTS. THIS AGREEMENT MAY NOT BE MODIFIED OR AMENDED EXCEPT IN WRITING SIGNED BY THE FRANCHISOR AND THE OWNER TO BE BOUND BY SUCH MODIFICATION OR AMENDMENT. NO WAIVER OR DISCHARGE WILL BE VALID UNLESS IN WRITING AND APPROVED BY THE FRANCHISOR.

IN WITNESS WHEREOF, each Owner has signed this Agreement as of the date of the Multi-Unit Agreement.

_____	_____
Signature	Print Name
_____	_____
Signature	Print Name
_____	_____
Signature	Print Name

Acknowledged and agreed:

DJB FRANCHISING, LLC

By _____

Title _____

Date _____

DJB FRANCHISING, LLC

CONSENT TO TRANSFER AGREEMENT

[Sale of Assets – Before or at Closing]

AGREEMENT dated as of _____, by and among _____, a _____ [limited liability company] [corporation] ("Buyer"); _____ ("Seller"); _____, residing at _____ and _____, residing at _____, the members of Seller (collectively "Seller's Owners"); and DJB FRANCHISING, LLC, a Delaware limited liability company ("we", "us" or "Franchisor").

1. ***Purpose of this Agreement.*** Buyer entered into an agreement with Seller dated _____ (the "Purchase Agreement") to purchase from Seller the franchise rights and other assets of Seller's Sedona Taphouse franchised business located at _____ (the "Restaurant". Buyer and Seller understand that any transfer of the franchise rights requires our prior consent pursuant to the franchise agreement dated as of _____, between Franchisor and Seller (the "Original Franchise Agreement"), which agreement states additional conditions to a transfer in Section 4.2.4. This Agreement is being signed before the closing described in the Purchase Agreement (the "Closing").

2. ***Conditional Consent to Transfer.*** We consent to the transfer of the franchise rights and other assets pursuant to the Purchase Agreement provided that (i) all of the conditions described in Section 4.2.4 of the Original Franchise Agreement are satisfied, (ii) Buyer signs a new franchise agreement with us (the "New Franchise Agreement") to replace the Franchise Agreement, (iii) [the] [each] owner[s] of Buyer signs a personal guarantee of Buyer's obligations under the new franchise agreement, (iv) we receive payment of the transfer fee referred to in Section 2.1.6.6 of the Franchise Agreement, and (v) the Closing occurs within 90 days from the date of this Agreement. If the Closing does not take place within this 90-day period, then any subsequent transfer will require a new consent from us. Upon the signing of the New Franchise Agreement and guarantees, the Original Franchise Agreement will terminate and all of Seller's rights under the Original Franchise Agreement will end.

3. ***Successor Franchise Agreement.*** At the Closing, Buyer will sign a new franchise agreement with us and [the] [each] owner[s] of Buyer will sign a personal guarantee. Upon the signing of the new franchise agreement, the Franchise Agreement will terminate and all of Seller's rights under the Franchise Agreement will end.

4. ***Release.*** Seller and Seller's Owners hereby release, discharge and hold harmless Franchisor and its past and present affiliated companies, successors, assignees and each of their past and present members, managers, directors, officers employees, agents, attorneys, owners, shareholders, partners, designees and representatives, from any and all debts, losses, damages, expenses, claims, demands, actions, causes of action, liabilities, costs or obligations arising from or in any way connected with the ownership or operation of Seller's franchise before the date of this Agreement, which Seller may have had, now has or may hereafter discover, whether known or unknown, foreseen or unforeseen.

5. ***Continuing Obligations.*** After the Closing, Seller and Seller's Owners will be relieved of all of their in-term obligations under their personal guaranties with the exception of any unfilled in-term obligations that we have not yet discovered; provided, however, that Seller and Seller's Owners acknowledge that the transfer of the franchise from Seller to Buyer will not terminate their post-term obligations under the Franchise Agreement. These post-term obligations include obligations not to disclose any of our confidential information and not to compete with us, as set forth in Sections 3. 2 and 3. 3 of the Franchise Agreement. If the Restaurant is located within the Commonwealth of Virginia, then the business purchase and sale agreement must contain a covenant not to compete binding the Seller and the Seller's owners to the same extent as written in Section 3.3 of the Franchise Agreement, which covenant must identify Franchisor as an intended third-party beneficiary of such covenant.

6. ***No Representations by the Franchisor.*** Buyer acknowledges that the transfer of the franchise rights from Seller to Buyer has not been affected by or through any of our efforts. In entering into the Purchase Agreement, Buyer acknowledges that Buyer has not relied on any representation from us or any of our representatives other than the content of the current Sedona Taphouse franchise disclosure document, that Buyer has had the opportunity to consult with Buyer's own financial, accounting and legal advisors, and that Buyer has independently satisfied itself that all of the terms and conditions of the sale and purchase, including, without limitation, the purchase price, are satisfactory and acceptable to Buyer.

7. ***Entire Agreement.*** This Agreement constitutes the entire understanding of the parties and supersedes any prior oral or written agreements between the parties with respect to its subject matter.

8. ***Governing Law.*** This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

The parties have signed this Agreement on the dates set forth below.

[Buyer]

By _____

Title _____

Date _____

[Seller]

By _____

Title _____

Date _____

[Seller's Owner 1]

_____

Date _____

[Seller's Owner 2]

_____

Date _____

DJB FRANCHISING, LLC

By _____

Title _____

Date _____

AMENDMENT TO THE SEDONA TAPHOUSE FRANCHISE AGREEMENT

between

DJB FRANCHISING LLC

and

[Franchisee]

[Transfer of Partial Ownership Interest]

This Agreement of Amendment dated as of _____, by and among DJB FRANCHISING, LLC, a Delaware limited liability company ("we", "us" or "Franchisor"), and _____, a _____ [limited liability company][corporation] ("you" or "your" or "Franchisee").

You and we entered into an agreement dated as of _____ (the "Franchise Agreement"), pursuant to which we granted to you the right to establish and operate a Benny's restaurant franchise located at _____.

[Describe the transaction.]

The Franchise Agreement states certain conditions to a transfer of ownership of Franchisee in Section 4.2.4.

Accordingly, you and we agree as follows:

1. At the closing described above (the "Closing"), Schedule A of the Franchise Agreement will be deleted, and Schedule A attached to this Agreement of Amendment will be inserted in its place.

2. We consent to the transfer described above with the new ownership described in the attached Schedule A, on the condition that: (a) _____ [the buyer] executes a personal guaranty of your obligations under the Franchise Agreement in a form acceptable to us at the Closing; (b) we receive payment of the transfer fee referred to in Section 2.1.5.7 of the Franchise Agreement; and (c) each of the continuing owners of Franchisee, the buyers of an ownership interest in Franchisee and the sellers of their ownership interests in Franchisee, sign this document where indicated below.

3. [Amend the Franchise Agreement to remove any no poaching obligation.]

4. In all other respects, the Franchise Agreement is unchanged.

The parties have signed this Agreement on the dates set forth below.

DJB FRANCHISING, LLC	[FRANCHISEE]
By _____	By _____
Title _____	Title _____
Date _____	Date _____

Each of the undersigned continuing owners of Franchisee acknowledges the above amendment and confirms that his/her guaranty of Franchisee's obligations under the Franchise Agreement will remain

in full force and effect after the Closing.

_____	_____
[Owner 1]	[Owner 2]
_____	_____
Name and address	Name and address
Date _____	Date _____

Each of the undersigned buyers of an ownership interest in Franchisee acknowledges that his or her purchase of such ownership interest was not effected by or through any of Franchisor's efforts, that they have not relied on any representation from Franchisor, that they have had the opportunity to consult with their own financial, accounting and legal advisors, and that they have independently satisfied themselves that all of the terms and conditions of the sale and purchase, including, without limitation, the purchase price, are satisfactory and acceptable to them.

_____	_____
[Buyer 1]	[Buyer 2]
_____	_____
Name and address	Name and address
Date _____	Date _____

Each of the undersigned sellers of his or her ownership interest in Franchisee, hereby releases, discharges and holds harmless Franchisor and its past and present affiliated companies, successors, assignees and each of their past and present members, managers, directors, officers employees, agents, attorneys, owners, shareholders, partners, designees and representatives, from any and all debts, losses, damages, expenses, claims, demands, actions, causes of action, liabilities, costs or obligations arising from or in any way connected with the ownership or operation of the Franchise at any time before or during the period when the undersigned sellers held an ownership interest in Franchisee, which such seller may have had or may have now or in the future, whether known or unknown, foreseen or unforeseen.

Each of the undersigned sellers acknowledges that the transfer of his or her membership interest in Franchisee does not terminate his or her post-term obligations under the Franchise Agreement. These post-term obligations include the obligations not to disclose any of our confidential information and not to compete with us, as set forth in Sections 3. 2 and 3. 3 of the Franchise Agreement.

_____	_____
[Seller 1]	[Seller 2]
_____	_____
Name and address	Name and address
Date _____	Date _____

SCHEDULE A

FRANCHISEE INFORMATION

See Sections 1.1.1, 1.1.3, 1.1.7, 2.1.1, 5.1.1, 6.1.1.8 and 7.6 of the Franchise Agreement

1. Approved location (the Site):

2. Territory:

3. Agreement expiration date:

4. Managing Owner:

5. Type of shop (indicate one): Standard Unit ____
   Non-Traditional Unit: _____

5. Address for notices (if different than 1):

6. Ownership and management of the franchisee:

   The franchisee is a _____ [state] [limited liability company] [corporation].

   The following persons are the owners and managers of the Franchisee:

Name and Address	*Positions*	*Percentage Ownership*

RENEWAL ADDENDUM TO SEDONA TAPHOUSE FRANCHISE AGREEMENT

between

DJB FRANCHISING, LLC

and

[insert name of franchisee]

_____

This Addendum modifies and amends the Sedona Taphouse Franchise Agreement dated as of _____ (the "Renewal Franchise Agreement"), between DJB FRANCHISING, LLC, a Delaware limited liability company ("we" or "us") and _____ [insert name of franchisee], a _____ ("you").

1. ***Purpose of this Agreement.*** You and we entered into a Sedona Taphouse franchise agreement dated as of _____ (the "Original Franchise Agreement"). You desire to renew the Original Franchise Agreement by entering into the Renewal Franchise Agreement, as modified by this Addendum, and by complying with the other renewal requirements under the Original Franchise Agreement. This Addendum is being signed simultaneously with the Renewal Franchise Agreement.

2. ***Renewal Fee.*** In accordance with Sections 2.1.6.8 and 5.1.2.8 of the Original Franchise Agreement, you will not be required to pay the initial franchise fee stated in the Renewal Franchise Agreement. Instead, you will pay us a renewal fee in an amount equal to $_____.

3. ***Release.*** You hereby release, discharge and hold harmless us and our past and present affiliated companies, successors, assignees and each of our and their past and present members, managers, directors, officers employees, agents, attorneys, owners, shareholders, partners, designees and representatives, from any and all debts, losses, damages, expenses, claims, demands, actions, causes of action, liabilities, costs or obligations arising from or in any way connected with the sale or operation of your franchise up to the date of this Agreement, which you may have had, now have or may hereafter discover, whether known or unknown, foreseen or unforeseen, to the extent permitted by law.

DJB FRANCHISING, LLC	[Franchisee]
By _____	By _____
Title _____	Title _____
Date _____	Date _____

DJB FRANCHISING LLC

ACH PAYMENT AUTHORIZATION FORM

Franchisee Information

Franchisee Name (account owner): _____

Franchisee Mailing Address:

_____
(street, city, state, zip)

Federal Tax ID Number _____

Contact Name: _____ Phone No.: _____

Contact email Address: _____

Bank Information

Bank Name:

_____

Bank Mailing Address:

_____
(street, city, state, zip)

Bank Routing No.: _____ Bank Phone No: _____

Bank Account No.: _____ (checking ___ savings ___)

Authorization

The franchisee named above ("Franchisee") hereby authorizes DJB FRANCHISING LLC, a Delaware limited liability company ("Franchisor"), to make Automated Clearing House (ACH) withdrawals from Franchisee's account specified above at the bank specified above. Franchisee also authorizes Franchisor to initiate direct deposits into this account in the event that a debit entry is made in error. Franchisee will pay any bank fees relating to these debits or credits. Franchisee agrees to comply with U.S. law and with the rules of the National Automated Clearing House Association (NACHA) relating to these transactions.

This authorization will remain in effect until 60 days after Franchisor has received written notification from Franchisee of its termination.

Franchisee Name _____

Franchisee Signature By_____ Date: _____

Print Name and Title

_____

ATTACH A VOIDED CHECK HERE

EXHIBIT G

STATE ADDENDA

MICHIGAN ADDENDUM

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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 franchisee to meet the franchisor’s then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE 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 should be directed to:

State of Michigan Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone: (517) 373-7117

STATE OF NEW YORK

ADDENDUM TO DJB FRANCHISING, LLC DISCLOSURE DOCUMENT

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver

provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

> The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

VIRGINIA ADDENDUM

Item 17 – RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following statement is added to Item 17(h):

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act ("Act"), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

The foregoing requirements apply only to Sedona Taphouse franchise agreements which contemplate or require the franchisee to establish or maintain a Sedona Taphouse restaurant within the Commonwealth of Virginia

Item 21 – FINANCIAL STATEMENTS

The franchisor has no fixed assets (*i.e.*, furniture, equipment, property, etc.) with which to support the franchise system.

EXHIBIT H

STATE EFFECTIVE DATES

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

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

State	***Effective Date***
Michigan	March 24, 2026
New York	pending
Virginia	pending

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

EXHIBIT I

RECEIPTS

When you receive this Franchise Disclosure Document, please sign and return one copy of the receipt page to our headquarters office. We cannot process your application until we receive a properly signed receipt.

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 DJB Franchising, LLC offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting to discuss the sale of a franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If DJB Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A, which also includes a list of our agents authorized to receive service of process.

The name, principal business address and telephone number of each seller offering the franchise is indicated below:

Name	*Address*	*Telephone Number*
Dennis Barbaro	DJB Franchising, LLC 812 Moorefield Drive, Suite 301 Richmond, VA 23236	804-545-2498

Other: _____ _____

Date of Issuance: March 24, 2026

I have received the Sedona Taphouse restaurant franchise disclosure document dated March 24, 2026. This disclosure document includes the following Exhibits:

A State Administrators and Agents for Service of Process
B List of Franchisees
C Franchisee Organizations
D Financial Statements
E Table of Contents of Manual
F Agreements
- Franchise Agreement
- Guaranty
- Lease Addendum
- Prospective Franchisee Confidentiality
- Multi-Unit Agreement
- Consent to Transfer
- Renewal Addendum
- ACH Debit Application

G State Addenda
H State Effective Dates

_____
Prospective Franchisee's Name

By _____

Title _____ (If a company)

Date _____

Please sign and return this receipt to:
Dennis Barbaro, djb@djbhospitality.com

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 DJB Franchising, LLC offers you a franchise, it must provide this disclosure document to you at least 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting to discuss the sale of a franchise or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If DJB Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed in Exhibit A, which also includes a list of our agents authorized to receive service of process.

The name, principal business address and telephone number of each seller offering the franchise is indicated below:

Name	*Address*	*Telephone Number*
Dennis Barbaro	DJB Franchising, LLC 812 Moorefield Drive, Suite 301 Richmond, VA 23236	804-545-2498

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- Consent to Transfer
- Renewal Addendum
- ACH Debit Application

G State Addenda
H State Effective Dates

_____
Prospective Franchisee's Name

By _____

Title _____ (if a Company)

Date _____

Please sign and return this receipt to:
Dennis Barbaro, djb@djbhospitality.com

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2026 Version