

## FRANCHISE DISCLOSURE DOCUMENT

**TAP STAR FRANCHISING, LLC**  
a Delaware limited liability company  
2402 Manning Street,  
Philadelphia PA 19103  
720-358-1212  
[www.tapsterfranchise.com](http://www.tapsterfranchise.com)  
[franchise@tapsterfranchise.com](mailto:franchise@tapsterfranchise.com)

The franchise offered is for the right to operate a “Tapster®” franchised business featuring a self-pour beer bar offering craft beers on tap, a variety of imported, domestic and local craft beers, a selection of wines and other designated or approved beverage and food items, which may include, without limitation, cocktails, kombucha, coffee, soda, light snacks, sandwiches, finger foods, and such other goods and services designated by Tap Star Franchising LLC (a “Bar” or “Franchised Business”).

The total investment necessary to begin operation of a Tapster® franchise is \$229,200 - \$1,331,000. This includes \$55,000 that must be paid to the franchisor or 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 Justin Livingston, 1601 Sansom Street, Philadelphia PA, 720-358-1212.

The terms of your contract will govern your franchise relationship. Do not rely on this Disclosure Document alone to understand your contract. Read all of your contracts 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](http://www.ftc.gov) for additional information. Call your state agency or

visit your public library for other sources of information on franchising.

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

Date of Issuance: September 5, 2024

## **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
<b>How much can I earn?</b>	Item 19 may give you information about outletsales, 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 Exhibits C and D.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my Tapster Business be the only business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Tapster franchisee?</b>	Item 20 or Exhibits C and D lists current and former franchisees. You can contact them to ask about their experiences.

<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.
---------------------------------	---

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## **Special Risks to Consider About *This* Franchise**

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. 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 Illinois than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

**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 five (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 six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing

to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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 ENFORCEMENT BY THE ATTORNEY GENERAL OF THE FRANCHISE OFFERING.

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-711

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	10
ITEM 2. BUSINESS EXPERIENCE .....	13
ITEM 3. LITIGATION .....	14
ITEM 4. BANKRUPTCY .....	14
ITEM 5. INITIAL FEES.....	14
ITEM 6. OTHER FEES.....	15
ITEM 7. ESTIMATED INITIAL INVESTMENT .....	24
ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS .....	27
ITEM 9. FRANCHISEE'S OBLIGATIONS.....	32
ITEM 10. FINANCING.....	34
ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....	35
ITEM 12. TERRITORY .....	46
ITEM 13. TRADEMARKS .....	49
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	51
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED RESTAURANT .....	52
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	53
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	54
ITEM 18. PUBLIC FIGURES .....	58
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....	58
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION .....	59
ITEM 21. FINANCIAL STATEMENTS .....	62
ITEM 22. CONTRACTS.....	62
ITEM 23. RECEIPTS .....	63

## EXHIBITS

- A. LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
- B. FRANCHISE AGREEMENT
- C. CURRENT FRANCHISEES
- D. FORMER FRANCHISEES
- E. FINANCIAL STATEMENTS
- F. SAMPLE RELEASE AGREEMENT
- G. STATE SPECIFIC ADDENDA
- H. OPERATIONS MANUAL TABLE OF CONTENTS
- I. PRE-CLOSING QUESTIONNAIRE
- J. STATE EFFECTIVE DATE PAGE
- K. RECEIPTS

## ITEM 1.

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

The Franchisor is Tap Star Franchising LLC, which will be referred to as “Tapster”, “Franchisor”, “we,” “our,” or “us.” The terms “you,” and “your,” refer to the person, corporation, limited liability company, partnership or other legal entity that is granted a franchise. Your owners must sign our Personal Guaranty, which means that all of the provisions in the Franchise Agreement that apply to you will also apply to your owners. Our current form of Personal Guarantee is attached to the Franchise Agreement as Exhibit C.

#### The Franchisor

We are a Delaware limited liability company formed on April 4, 2024. Our principal place of business is located at 2402 Manning Street, Philadelphia PA 19103. We conduct business as Tap Star Franchising LLC and “Tapster”, and no other name.

With respect to the **TAPSTER®** franchises that we offer, we first began offering franchises in June of 2024 following the Transaction described below; however, our Predecessor, Tapster Franchise, LLC, first began offering franchises in 2018. As the successor to Tapster Franchise, LLC, Tap Star Franchising, LLC is now the franchisor for franchisees who signed franchise agreements with Tapster Franchise, LLC. All franchisees who signed franchise agreements with Tapster Franchise, LLC are disclosed in Item 20 as franchisees of Tap Star Franchising LLC.

We do not operate businesses of the type you will operate directly. “Company-owned” outlets are operated by our affiliates.

Except as set forth above, we have not previously conducted business in this or any other line of business, and we have not offered franchises in any other line of business.

#### Our Parents, Predecessors and Affiliates

In April of 2024, Franchisor (Tap Star Franchising LLC) consummated a transaction (the “Transaction”) whereby it acquired substantially all of the assets of Tapster Franchise, LLC (the “Predecessor”). Our Predecessor had a principal business address of 2027 W. North Avenue, Chicago, IL 60647.

Our affiliate, Tapster Trademark, LLC, formed on May 3, 2018, owns the proprietary marks, including the Tapster® mark, the System manuals and proprietary recipes and licensed to us the right to use, and to sublicense use of, the Marks (as subsequently defined) to our franchisees.

Tapster Trademark, LLC maintains a principal place of business at 2027 W. North Avenue, Chicago, IL 60647. Tapster Trademark, LLC does not, and has never, offered franchises in this or any other line of business.

Except as disclosed above, we do not currently have any: (a) parent companies; (b) predecessors; or (c) affiliates that offer franchises in any line of business, or that offer, sell or provide products or services to our franchisees.

### The Franchised Business

We have spent considerable time, effort and financial resources to develop the *Tapster®* franchise system (the "System"). We offer the right to develop and operate a franchised business featuring a self-pour beer bar offering craft beers on tap, a variety of imported, domestic and local craft beers, a selection of wines and other designated or approved beverage and food items, which may include, without limitation, cocktails, kombucha, coffee, soda, light snacks, sandwiches, finger foods, and such other goods and services that we approve or designate, under the mark "Tapster®" or such othermarks as we designate (each a "Bar" or "Franchised Business").

As a Franchisee you will operate a Bar in accordance with the Franchise Agreement and all applicable laws, rules and regulations. You must sign a Franchise Agreement for each Bar you develop and open. The Franchise Agreement grants you the right to operate a Bar at a specific location and licenses you the right to use the trade name Tapster®, and/or any other service marks, trademarks and/or logos we designate (the "Marks"). The franchise operates using our standards, methods, procedures and specifications, called our "System."

The typical Bars will be "in-line" stores or pad sites, meaning they are developed in strip centers or a retail lot adjacent to businesses and/or office buildings. We prefer the Bar to be located in a space with ample parking,good visibility and visible signage.

System Bars are to feature our standards, specifications and procedures for operations; proprietary self-pour beer technology and systems; distinctive exterior and interior design, signage, decor, color scheme, fixtures and furnishings; proprietary recipes and methods of preparation and cooking; training and assistance; and marketing programs; all of which we may change, improve upon, further develop or discontinue at our discretion at any time.

### General Description of the Market and Competition

You compete with independent, franchised, national and local bars. The market for the types of goods and services offered by bars is well established and highly competitive.

### Regulations Specific to the Industry

You must comply with all local, state and federal laws and licensing requirements that apply to your Bar operations, including laws and regulations that apply to the sale and service of alcohol, to the food service and beverage service industry, and to all businesses in general. These law include, without limitation, EEOC, OSHA, discrimination, employment and sexual harassment laws; the fitness and adequacy of buildings and equipment; the appropriateness of materials and supplies; qualifications of staff members; staff training and licensing; record-keeping; health, fire and safety standards; disabilities of your employees and customers. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. For example, you must obtain real estate permits (such as zoning permits), real estate licenses and operational licenses. There are also regulations that pertain to sanitation, labeling, food preparation, food handling and food service. You are required to investigate and comply with all applicable laws, rules and regulations, including local zoning requirements, which vary from jurisdiction to jurisdiction.

### Agents for Service of Process

Our agents for service of process are listed on Exhibit A to this Disclosure Document.

## **ITEM 2.**

### **BUSINESS EXPERIENCE**

#### **Founder and CEO: Roman Maliszewski**

Our founder, Roman Maliszewski, serves as our CEO, he has held since our inception in January 2018.

#### **Director: Michael Weinberger**

Mr. Weinberger has been our Director CEO since April 2024. He is the Founder and Managing Member of Community Franchise Group since January 2024. He is the Founder and Managing Member of Replay Sports Cards based in Charlotte, NC since 2024. He previously served as CEO and Chief Franchise Officer of Item 9 Labs/Unity Rd from November 2018 until May 2023 in Phoenix, Arizona.

#### **Vice President of Franchise Development- Justin Livingston**

Justin Livingston, through his company, Franchise Transformations, LLC, has been our Vice

President of Franchise Development since February of 2024. He owns and is the President of Franchise Transformations, LLC since September 2013, located in Superior, Colorado. Through his company, he also served as Vice President of Franchise Development of OCG Inc, from February 2019 through October 2022, and Unity Rd. from February 2019 through November 2023. In addition to serving as our Vice President of Franchise Development, he also currently serves as the Vice President of Franchise Development of Ugly Inc. located Poughkeepsie, New York since October 2014 and Ziggi's Coffee Franchise located in Mead, CO since May 2016. Mr. Livingston is also a franchisee owner of a Coyote Ugly and Ziggi's Coffee.

### **Development Coordinator-Angie Kelly**

In conjunction with time as a Title 32 Special District Manager throughout the state of Colorado, Angie Kelly has served as a Development Coordinator since February 2020. While the District Management ended in February of 2021, Angie continued to serve as a Development Coordinator for Franchise Transformations, located in Superior, CO. During this time, Angie has also served as the Director of Franchise Training for Ziggi's Coffee Franchise, located in Mead, CO, from February 2021 until June 2023. Ms. Kelly is now focused on her role as Development Coordinator for Ziggi's Coffee Franchise, located in Mead, CO. In addition, Angie acts as the Development Coordinator for the Tapster Franchise out of Wilmington, DE; The Lime Truck out of Irvine, CA; The Local Drive out of Denver, CO; and Coyote Ugly Saloon out of Poughkeepsie, NY.

### **VP of Brand & Communications: Jayne Levy**

Jayne Levy has been our VP of Brand & Communications since April 2024. She has been the VP of Brand & Communications for Community Franchise Group since February 2024. She previously served as VP of Communication for Item 9/ Unity Rd from June 2019 to July 2023. Ms. Levy has been the owner of Touch of the North Events since its inception in May 2017.

### **Director of Franchisee Onboarding- Peter Harris**

Peter Harris has served as our Director of Franchisee Onboarding since August 2023. He previously served as general manager of El Bar from August 2012 to July 2023.

### **Director of Operations-Elise St. John:**

Elise St John has served as our Director of Operations since April 2024. She has been the General Manager of Tapster Lincoln Park since August 2018.

## **ITEM 3.**

## **LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4.**

### **BANKRUPTCY**

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

## **ITEM 5.**

### **INITIAL FEES**

#### **Initial Franchise Fee**

You must pay us an Initial Franchise Fee of \$40,000 (the “Initial Franchise Fee”). The Initial Franchise Fee is due in full upon signing the Franchise Agreement.

We will discount the Initial Franchise Fee to \$30,000 if you simultaneously sign franchise agreements for the development of three or more Tapster® Bars.

The Initial Franchise Fee is compensation to us for our efforts in offering and selling a franchise to you, for our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance with franchise laws and regulations, site selection assistance and guidelines, and/or the development and hosting of initial training programs.

Except as set forth above, the Initial Franchise Fee is uniform and is non-refundable upon payment.

#### **Launch Fee**

You must pay us a Launch Fee of \$15,000 for each franchised unit. The Launch Fee is uniform and is non-refundable upon payment.

The Launch Fee is compensation to us for our efforts in the launch and opening of each franchise unit, including but not limited to: site selection, lease review, construction support, franchisee training and new Tapster openings.

Except as disclosed in this Item, you are not required to pay any other fees to us and/or our affiliates before you open your Bar.

## **ITEM 6.**

### **OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales; or \$7,000 per month (see Note 2)	Payable monthly, on the 10th day of each month, or as we otherwise designate.	You must pay the monthly royalty feedirectly to us. See definition of Gross Sales <sup>1</sup> .
Advertising Fee	Currently \$0, however we may charge up to 2% of Gross Sales, or \$2,800 per month (see Note 2)	Payable monthly on the 10th day of each month, or as we otherwise designate.	You pay the monthly Advertising Fee to us.
Technology Fee	Then-current fee (currently, \$1,000 per month)	If implemented, the Technology Fee will be paid monthly on the 10th day of each month, or as weotherwise designate	You must pay us a Technology Fee to cover the ongoing development, maintenance, support, and licensing of any technology systems and software that we provide to you, in our sole discretion, in connection with the operation of your franchised business that we elect to provide you with in our sole discretion. This may include point-of-sale systems, customer relationship management software, online ordering platforms, mobile applications, and any other digital tools and resources provided by the Franchisor. We reserve the right to modify, eliminate and add technologies in our sole discretion. The Technology Fee is subject to increase in our sole discretion, however such increase shall be based on increased in our actual costs in providing these technology-related services.

Audit	Cost of audit, plus 18% interest on the underpayment from the date of the underpayment or highest amount allowed by applicable law, whichever is less	Immediately upon receipt of invoice.	We will have the right, at any time, to audit or to have an independent audit made of your books and records. If an inspection shows that any payments have been understated by you in any report to us, then you must pay to us the amount understated plus interest in the amount of 18% per annum, or the maximum rate permitted by law, whichever is less. Audits are conducted at our expense, however, if an audit shows an underpayment by you of 2% or more, then, in addition to repayment of monies owed, with interest, you must reimburse us for all costs and expenses we incur by for the audit, including travel, lodging and wage expenses, and reasonable accounting and legal costs.
Interest on Past Due Amounts	18% per year or the highest amount allowed by applicable law, whichever is less.	Upon invoice.	Charges will be uniformly imposed on a state-by-state basis in conformance with applicable state laws regulating interest rates.
Bank Charges and Fees	Charges and Fees assessed by banks and third parties as a result of default in EFT payments	When assessed	If any EFT payment is not honored by your bank for any reason, you are responsible for the dishonored payment plus any bank or other charges incurred by or assessed upon us.

Costs of enforcement	Actual costs, if any.	Upon invoice.	You are obligated to reimburse us for costs and attorney's fees incurred as a result of any act or omission as well as for fees incurred for enforcing this agreement.
Approval of Products or Suppliers <sup>4</sup>	Actual costs, if any.	Time of evaluation	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.
Product, Equipment and Services Purchases	Actual invoiced costs, if any.	Upon invoice.	You must buy products, equipment and services from our designated and approved suppliers whose items meet our standards and specifications. We reserve the right to be the sole supplier of any product, equipment and/or service. If we exercise this right, you must purchase the designated product, equipment, and/or services from us at the prices we specify, which may include a mark-up.
Insurance Reimbursement	Amount of unpaid premiums plus 10% of the cost of the insurance procured to reimburse us for our time and expense in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.

Transfer Fee	\$20,000	Prior to consummation of the transfer.	Payable to us when you transfer your franchise. If you request our approval of a transfer but do not consummate the transfer, you must pay us a fee of \$5,000. No charge if your franchise is transferred to an entity that you wholly own and control during the first six months of the Term. You must pay a \$1,500 charge if you transfer to an entity that you wholly own or control after the first six months of the Term. Subject to applicable state law.
Successor Franchise Fee	\$15,000, non-refundable	Upon signing Successor Franchise Agreement.	Payable upon signing of your successor franchise agreement.
Local Advertising Deficiency Fee	Up to 1% of Gross Sales per month	Monthly expenditures required to be spent by you on local advertising.	Uniformly Imposed. If you fail to expend the local advertising requirements as directed, we have the right to require you to pay us any unexpended amounts to be used for advertising and marketing in your local area.
System Modifications and Mandatory Refurbishment of the Franchised Business	Actual cost of implementation..	As required	If we make changes to our System, you must adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or incorporation of new Marks. In connection with the mandatory reimaging/refurbishment which we require every five (5) years, you shall not be required to spend in excess of \$30,000.

Relocation Fee	\$5,000	Upon receipt of our approval to relocate.	If you request the right to relocate your Bar, and we approved the relocation, you must pay us an offset fee of \$5,000.
Additional Hourly Training Fee	\$50 per hour, plus all Trainer expenses.	Additional Training – as incurred before beginning of program.	Members of your Franchisee Training Team in excess of those we require to attend must pay our then-current training fees. You are responsible for all travel and living expenses for you and your Franchisee Training Team. We may require you to attend or undergo additional training during the term of your franchise and we may charge you additional training fees for this additional training.
Temporary Management Assistance	Currently, \$50 per hour, plus our expenses and costs	Each day that it applies	If you breach the Franchise Agreement or following the death or incapacity of an owner of the franchise, we may temporarily manage your franchised bar.
Indemnification	All costs including actual attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the franchised bar. We also provide indemnification to you for any lawsuits or claims arising from your authorized use of the Marks.

Liquidated Damages	Aggregate Royalty Fees and Continuing Advertising Fees due to us during the 36 month (or 24 if in Washington) period immediately preceding termination	Upon termination	If the Franchise Agreement is terminated as a result of your default prior to the expiration of the Term, you must pay us liquidated damages equal to the aggregate Royalty Fees and Continuing Advertising Fees accrued under your Franchise Agreement during the 36 (or 24 if in Washington) full calendar months during which the Bar was open and operating immediately before the termination date. If the Bar has not been open and operating for 36 (or 24 if in Washington) months before the termination date, liquidated damages shall be equal to the average monthly Royalty Fees and Continuing Advertising Fees accrued under the Franchise Agreement for all months during which the Bar was open and operating multiplied by 36 (or 24 if in Washington). If there are less than 36 (or 24 if in Washington) months remaining on the Term, the liquidated damages shall be calculated by multiplying the amount calculated above by a fraction, the numerator of which is the number of calendar months (including partial months) remaining on the Term, and the denominator of which is 36 (or 24 if in Washington).
--------------------	--	------------------	--

Taxes	Amount of tax or fee	When assessed	If any tax or fee (other than federal or state income tax) is imposed on us by any government or governmental agency due to our receipt of fees you pay to us under the Franchise Agreement, you must pay us the amount of such tax or fee as an additional franchise fee.
Cooperative Advertising	Currently none (the then-current fee determined by the Co-Op)	Established by franchisees	Franchisees may form an advertising cooperative and establish local advertising fees. Company-owned stores have no vote in these cooperatives.
Lease Review Fee	\$1,500	When assessed	See Note 3

## NOTES

**GENERAL NOTE:** Unless otherwise stated, all fees imposed by, paid to and collected by us are non-refundable. Except as otherwise disclosed in this Item, for all franchises offered pursuant to this disclosure document, all fees described in this Item 6 are uniformly imposed, however, in some circumstances under which we deem appropriate, we reserve the right to waive or reduce some or all of these fees for a particular franchisee. We require that all fees payable to us be paid through an electronic fund transfer, including automatic debits from your bank account(s), unless we specify otherwise.

**Note 1:** “Gross Sales” shall mean all revenue derived from the sale of any and all products and services, and all other income of every kind and nature, related in any way to the Franchised Business, whether for cash, check debit or credit card (and regardless of collection in the case of credit) and whether or not such sales are made at or by the Franchised Business, including, without limitation, revenues from delivery service sales, retail concessions, hotel room service, catering,

special functions and sales of any products bearing or associated with the Marks; *provided, however*, that you may deduct (a) any federal, state or municipal sales, use, or service taxes which were collected by you from customers and paid to the appropriate taxing authority as required by law, and (b) any customer refunds, adjustments, credits and allowances actually made by the Bar. You are required to retain and make available to us on ten (10) days' notice, copies of all tax reports and vendor invoices evidencing all sales tax payments.

Note 2. If the state or local government jurisdiction in which your Franchised Business is located prohibits or restricts the payment of royalties, advertising fund contributions and/or other percentage payments based on sales of alcoholic beverage products, then you will pay us: (A) a Royalty Fee equal to the greater of: (i) whatever increased percentage of all Gross Sales not derived from the sale of alcohol necessary so that the Royalty Fee you pay equals the Royalty Fee you would pay if you were not subject to any such restriction; or (ii) \$7,000.00 per month, commencing with the first full calendar month after your Bar opens for business; and (B) an Advertising fee equal to the greater of (i) whatever increased percentage of all Gross Sales not derived from the sale of alcohol necessary so that the Advertising Fee you pay equals the Advertising Fee you would pay if you were not subject to any such restriction; or (ii) \$2,800.00 per month, commencing with the first full calendar month after your Bar opens for business.

Note 3. If Tapster is required to engage in more than one lease review for the proposed franchised location (or a different proposed franchised location), you shall pay Tapster or its designated supplier a Lease Review Fee equal to One Thousand Five Hundred Dollars (\$1,500) for each lease review Tapster undertakes.

**[The remainder of this page is intentionally left blank.]**

**ITEM 7.**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (Note 1)	\$40,000	Check	At Signing of Franchise Agreement	Us
Launch Fee	\$15,000	Check	At Signing of Franchise Agreement	Us
Real Estate/Rent (Note 2)	\$5,000 - \$25,000	As Arranged	Before Beginning Operations	Lessor
Utility Deposits (Note 2)	\$100 - \$1,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements (Note 2)	\$25,000 - \$500,000	As Arranged	Before Beginning Operations	Contractor Suppliers
Initial Inventory (Note 3)	\$5,000 - \$20,000	As Arranged	Before Beginning Operations	Approved Suppliers, Suppliers
Insurance (Note 4)	\$5,000 - \$10,000	As Arranged	Before Beginning Operations	Insurance Companies
Office Equipment and Supplies (Note 5)	\$500 - \$1,000	As Arranged	Before Beginning Operations	Suppliers
Training Expenses (Note 6)	\$2,000 - \$3,000	As Arranged	During Training	Airlines, Hotels & Restaurants

Signage (Note 7)	\$300 - \$10,500	As Arranged	Before Beginning Operations	Suppliers
---------------------	------------------	-------------	--------------------------------	-----------

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Furniture, Fixtures & Equipment (Note 8)	\$50,000 - \$300,000	As Arranged	Before Beginning Operations	Suppliers
Pre-Opening Advertising (Note 9)	\$25,000 - \$30,000	As Arranged	Prior to the First Three Months of Operation	Advertising Suppliers
Uniforms (Note 10)	\$150 - \$500	As Arranged	Before Beginning Operations	Approved Suppliers
Menu Boards (Note 10)	\$150 - \$1,000	Check	When Ordered	Approved Suppliers
Licenses & Permits (Note 11)	\$5,000 - \$250,000	As Arranged	Before Beginning Operations	Licensing Authorities
Professional Fees (Note 12)	\$21,000 - \$24,000	As Arranged	Before Beginning Operations	Attorney, Accountant, Licensed Architect
Additional Funds (initial phase of operation - 3 months) (Note 13)	\$30,000 - \$100,000	As Arranged	As Necessary	Employees, Utilities, Lessor, Suppliers
<b>TOTAL</b>	<b>\$229,200 - \$1,331,000</b>			

## NOTES

We do not offer direct or indirect financing for these items.

Note 1. The Initial Franchise Fee for a Bar is \$40,000. The Initial Franchise Fee is due and payable in full when you sign the Franchise Agreement and is non-refundable under any circumstances.

Note 2. This estimate covers the first month of rental payments and an initial security deposit. We estimate that a typical Bar will need between 2,000 and 3,000 square feet of space. A Bar can be located in strip shopping centers, shopping malls, free-standing units, and other venues in commercial areas and in residential areas. If the premises are leased, the lessor's contribution toward the cost of construction, if any, may be a factor that will affect initial costs as well as on-going rent.

Note 3. The range in this chart represents an estimate for your opening inventory of beer, wine, liquor and food and will vary depending on the number of taps and kitchen size.

Note 4. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy any other insurance-related obligations imposed by us. You must obtain insurance policies protecting both yourself and us, and your and its respective officers, directors, partners, and employees, against any demand or claim for personal injury, death, or property damage, or any loss, liability, or expense arising from the operation of your Bar. This estimate covers the first three (3) months of insurance premiums.

Note 5. The range in the chart covers your initial inventory of office equipment and office supplies.

Note 6. The range in the chart is based upon two (2) persons attending the training program. This range increases if additional persons attend the training program. This range includes all travel costs and living expenses for yourself and your employees. This range does not include the salaries or wages of your employees who attend the training program.

Note 7. The estimate is the cost of all interior and exterior signs you will need for your Bar.

Note 8. The range includes an estimate of costs for all furnishings, equipment, seats, barstools, taps, draft system, point of sale and computer hardware systems, tables, chairs, hostess stand, equipment, countertops, counters, lighting, plants, swings and glassware. Your costs may vary and will depend upon, among other things, the location and size of your Bar.

Note 9. You are required to expend between \$25,000 and \$30,000 on your pre-opening /grand opening marketing and advertising.

Note 10. The range in the table discloses the estimated costs for all of your menu boards and uniforms.

Note 11. You must obtain and maintain a liquor license and all other licenses and permits required under applicable law for the operation of the Franchised Business. These costs and expenses vary by state. This estimate includes the costs of all licenses and permits you are required to obtain.

Note 12. You will incur legal fees and other professional fees before you open your business, including the fees associated with your licensed architect. Depending on market rates in your area, your costs and expenses for legal and professional fees may be higher. This estimate includes the costs of all legal and professional fees you will incur.

Note 13. The “Additional Funds” category includes estimated start up costs calculated for a period of three months, with additional operating capital to be available as may be needed during the initial phase. You should consider rent, salaries, utilities, taxes, delivery charges and other related operating costs to arrive at your reserve. These expenses do not include owner’s salary or draw. The operating costs on which you may use the cash reserve are typically non-refundable, but you should ask about refund policies before you patronize any vendor. We relied on our affiliate’s experience in establishing a Bar to compile these estimates.

## **ITEM 8.**

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

We have established standards and specifications for most of the goods andservices used in the operation of the Bar. The System is subject to modification, change and improvement going forward. You must conform to our System standards, including high standards of quality, safety, cleanliness, appearance and service. We anticipate that our standards will change over time. You must adhere to these changes.

You must, at your expense, construct, improve and operate the Bar under the System and in accordance with our standards and specifications, as set forth in our Manual and other publications we issue from time to time. You must, at your expense, purchase or lease, install and use all fixtures, signage, equipment, furnishings, improvements, supplies, other products and items (including point of sale, computer hardware and software, security systems), decor items, related items and services we require, all of which must conform to the Manual and our standards, specifications and other publications we issue from time to time.

You must sell and offer for sale only those items, products and services that we expressly approve for sale in writing. You must offer for sale all programs, products and services we require in the manner and style we require. You must immediately discontinue offering for sale any items, products and/or services we may disapprove in writing at any time.

We modify the Manual and our standards, specifications and other publications we issue in our sole discretion, at any time. We will provide written notice to you of any changes.

We require you to purchase certain products, services, signs, furnishings, supplies, fixtures, inventory, computer hardware and software, and equipment from distributors we have approved (collectively, "suppliers"). You must purchase all goods, items and services required for the development and operation of the Bar from our approved or designated suppliers for any given item of service. We will provide you with a list of suppliers, which list may change over time.

#### Currently Required Purchase from Us or our Affiliates

As of the issuance date of this Disclosure Document, you currently are not required to purchase any items from us.

#### Authorized Suppliers

We provide you with a list of all then-current approved suppliers and distributors during the training program, or before you open your Bar. We may designate additional suppliers, or remove any supplier from our approved list at any time.

Currently, you must purchase the self-pour beer technology and system from our exclusive designated supplier. One of our officers owns an interest in our designated supplier. You are prohibited from purchasing and/or using any other self-pour equipment or technology. You are also required to purchase our designated draft beer and point of sale systems, which is designed to integrate with the "PourMyBeer" technology.

Additionally, prior to opening your Bar, you must obtain commercial general liability insurance

(\$1,000,000 coverage limit, with an additional \$4,000,000 umbrella policy).

#### Products/Items Bearing the Marks

If you wish to purchase any items bearing the Proprietary Marks, you must submit a sample of the items bearing the Proprietary Marks to us for approval before purchasing them from a third party supplier.

#### Derived Revenue

We may derive revenue on account of your purchases of any and all products and services. We and/or affiliates may charge you markups on products and services sold to you by us and or our affiliates and there is no limitation on the amount of any such markups.

We are not obligated to negotiate system-wide discounts or maintain these relationships and we are not required to pass discounts on to our franchisees.

We have not established any purchasing arrangements with designated suppliers and do not receive any payments on the basis of required franchisee purchases.

#### Furniture, Fixtures and Equipment

You must purchase furniture, fixtures, equipment, including point of sale and computer hardware, software, security systems, inventory, signage, decor and services we require under specifications set forth in the Confidential Operations Manual (the “Manual”).

#### New Products and Services, Review Criteria

If you would like to purchase any goods or services in establishing and operating the Bar that we have not approved, (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approval criteria. You must pay our expenses to evaluate goods, services or suppliers. We will usually decide within 48 hours after receiving the required information whether you may purchase or lease the goods or services from the supplier. While we reserve the right to approve or deny any such requests in our sole discretion for any reason. The criteria we will use when approving or revoking approval of suppliers includes: the supplier’s ability to provide a sufficient quantity of goods; quality of goods or services at competitive prices; production, brand and delivery capability; and dependability and general reputation. We may, but are not obligated to, disclose additional criteria in the Operations Manual

Periodically, we may review our approval of any goods, services or suppliers. We will notify you if we revoke our approval of goods, services or suppliers, and you must immediately stop

purchasing disapproved goods or services, or must immediately stop purchasing from a disapproved supplier. Additionally, we may, but are not required to, negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers. There are no purchase or supply agreements in effect and no purchasing or distribution cooperatives that you must join.

We estimate that approximately 80% to 90% of your expenditures for leases and purchases in establishing your franchised Bar will be for goods and services that must be purchased from us, our affiliates or an approved supplier. We estimate that approximately 50% to 70% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us, our affiliates or approved supplier.

We do not guarantee the availability of independent sources of supply for any particular item, product or service required to establish or operate your Bar. We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve. We have no purchasing or distribution cooperatives serving our franchise System.

### Insurance

You must obtain and maintain insurance, at your expense, as we require.

### **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.**

<b>OBLIGATION</b>		<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a.	Site Selection And Acquisition/Lease	Article 2 of the Franchise Agreement	Item 7 and 11

b.	Pre-Opening Purchases/Leases	Sections 4.03 and 8.04, 9.01 of the Franchise Agreement	Item 6, 7 and 8
c.	Site Development And Other Pre-Opening Requirements	Article 2, and 4 of the Franchise Agreement	Items 6, 7 and 11
d.	Initial And Ongoing Training	Article 7 of the Franchise Agreement	Item 11
e.	Opening	Sections 4.01.10 of the Franchise Agreement	Item 7, 8 and 11
f.	Fees	Article 5 of the Franchise Agreement	Items 5, 6 and 11
g.	Compliance With Standards And Policies/Operating Manual	Article 8 of the Franchise Agreement	Item 8, 11, 14 and 16
h.	Trademarks And Proprietary Information	Article 10 of the Franchise Agreement	Items 13 and 14
<b>OBLIGATION</b>		<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
i.	Restrictions On Products/Services Offered	Article 9 of the Franchise Agreement	Item 16
j.	Warranty And Customer Service Requirements	None	Item 11
k.	Territorial Development And Sales Quotas	None	Item 12
l.	Ongoing Product/ Service Purchases	Article 9 of the Franchise Agreement	Item 8 and 16

m.	Maintenance, Appearance And Remodeling Requirements	Articles 4 and 8 of the Franchise Agreement	Item 8 and 11
n.	Insurance	Article 15 of the Franchise Agreement	Items 7 and 8
o.	Advertising	Article 14 of the Franchise Agreement	Items 6 and 11
p.	Indemnification	Section 22.03 of the Franchise Agreement	Item 6
q.	Owner's participation/ Management/ Staffing	Article 8 of the Franchise Agreement	Items 11 and 15
r.	Records and Reports	Article 13 of the Franchise Agreement	Item 6
s.	Inspections and Audits	Sections 13.05 of the Franchise Agreement	Items 6 and 11

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
t.	Transfer	Article 16 of the Franchise Agreement	Item 17
u.	Renewal	Section 3.02 of the Franchise Agreement	Item 6 and 17
v.	Post-Termination Obligations	Article 18 of the Franchise Agreement	Item 6 and 17
w.	Non-Competition Covenants	Article 19 of the Franchise Agreement	Item 12, 15 and 17
x.	Dispute Resolution	Article 25 of the Franchise Agreement	Item 17
y.	Security Interest	Exhibit H to the Franchise Agreement	Item 8

## ITEM 10.

### FINANCING

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

**[The remainder of this page is intentionally left blank.]**

## **ITEM 11.**

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

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

#### **Pre-Opening Obligations**

A. Before you open your Bar, we will do the following:

1. We will make available to you, at no charge, standard specifications for the construction of a prototypical Bar, including exterior and interior design and layout, display requirements, fixtures, equipment and signage. You shall, at your expense, adapt the standard specifications to the Bar. (Franchise Agreement Section 6.01.1).

2. We will provide an initial training program prior to the opening of the Franchised Business for your Initial Training Team at the place we designate. (Franchise Agreement, Section 6.01.2).

3. We will provide to you, on loan, one copy of the Manual. (Franchise Agreement, Section 6.01.4).

4. We will give you information and the identification of source from which you may purchase certain products, signage and location collateral material. (Franchise Agreement, Section 6.01.5).

B. Although not obligated to do so, we may also:

1. Provide such other training programs, after the opening of the Bar as we, in our sole discretion, deem appropriate. (Franchise Agreement, Section 6.02.1).

2. Provide such continuing advisory assistance to you in the operation of the Franchised Business, after the opening of the Bar, as we, in our sole discretion, deem advisable. (Franchise Agreement, Section 6.02.2).

3. Provide to you, periodically, as we, in our sole discretion, deem appropriate, advice and written materials concerning techniques of managing and operating the Franchised Business, including required and suggested inventory and sales instructions, new developments and improvements in Bar layout and design, and new developments in services, merchandising and packaging of products and services, however, we are not obligated to assist you in obtaining your inventory. As of the issuance date, we do not sell any equipment, signs, fixtures, opening inventory, or supplier, but we do provide a list of approved suppliers which you must use in the opening and operation

of the Bar, as we so designate. (Franchise Agreement, section 6.02.3).

### Site Selection

You must find an approved location for the Bar and secure a lease for the Bar within 90 days after you sign your Franchise Agreement. We do not typically own the site or premises on which a Bar is located. We do not select your location, however your location must be approved by us. We will communicate our approval or disapproval of your proposed location within 72 hours after the date we receive all information we request regarding the proposed location. In approving your site, we consider the general location, size of your proposed space, neighborhood, traffic patterns, area demographics, parking, physical characteristics and lease terms. Once you find an approved location and secure a lease for the location, you will have 180 days to open your Bar. If you do not find a location and open your Bar within the time periods required under your Franchise Agreement, we have the right to terminate your Franchise Agreement. If you and we are not able to reach agreement on an approved site for your Bar within 90 days after you sign the Franchise Agreement, then we have the option to terminate the Franchise Agreement without providing you a refund. The Franchise Agreement requires you to open for business no later than (a) twelve (12) months after you sign the Franchise Agreement, or (b) nine (9) months after you enter into a lease agreement for the Bar. (Franchise Agreement, Section 17.02.1). At your request, we may assist you in finding an approved location.

A. You must submit to us a copy of your lease before signing and pay to us a Lease Review Fee. We will require you to include certain provisions in your lease agreement.

### Estimated Opening Time Period

We expect that franchisees will typically open their Bars within nine to twelve months after they sign their franchise agreements and typically five to nine months after they find an approved location and secure a lease for the location. The factors that affect this time are the ability to locate a suitable site and obtain a lease, ability to secure a liquor license, financing or building permits, zoning and local ordinances, construction schedules, obtaining other licenses and permits, and delayed installation of equipment, fixtures and signs.

### Computer System

You must use all computer hardware and software applications that meet our specifications. You must purchase our designated computer system components. The current computer system includes the following components: Tap Screens, RFID cards to interact with Tap Screens, Terminal (collectively, the “Tap Technology”), and the TOAST POS system. The current licensing fee for the Tap Technology ranges from \$127 to \$500 per year depending on the number of terminals. The current fees for the TOAST POS system include the following: 2.75% per swipe, dip or tap, 3.5% plus \$.15 per manually entered transaction, and 3.5% plus \$.15 per card on file transaction. These fees are subject to increases and changes imposed by the third-party suppliers.

The POS software was not manufactured or produced specifically for our franchise system. There are no contractual limitations on the frequency and cost of upgrading or updating your computer system. The initial cost to purchase the computer system is approximately \$3,000.00.

You use the computer to, among other things, keep sales, inventory and customer information. You and each of your managers will be provided with a “@tapster” email address. We may independently access the information in your computer system to audit your sales or analyze your operations. There are no contractual limitations on our rights to access your computer information.

Neither we nor any third party has a contractual obligation to provide ongoing repairs, upgrades or updates to your hardware or software. We estimate that your annual maintenance costs for the Computer System will be approximately \$750.

#### Confidential Operations Manual

We provide to you, on loan, one copy of the Confidential Operations Manual. The Table of Contents to our Confidential Operations Manual is attached to this Disclosure Document as Exhibit H. As of the issuance date of this Disclosure Confidential Operations Document, the Manual consisted of approximately 27 total pages.

We give you advice as to products and supplies, however, we are not required to assist you in obtaining any products or supplies. (Franchise Agreement, Article 6)

We have no obligation to develop new products or services to be offered by you to your customers, hire or train employees, improve or develop the franchised business, establish prices, establish or use administrative, bookkeeping, accounting or inventory control procedures, or to resolve operating problems encountered by you in the operation of your Bar. We need not provide you with any other service or assistance before you open your Bar.

#### Ongoing Support

During your operation of the Bar, we provide you with advice regarding the management and operation of your Franchise, to the extent that we deem necessary. We may provide this advice on an informal basis or through required additional training sessions. Some of the topics that we will provide advice on includes marketing (via grassroots, social media, and traditional print), beverage selection and menu items, general IT setup and support, operations processes (such as cleaning, security, training, etc.).

As we deem appropriate, we also issue updated information and revisions to the Manual as new and improved methods, systems and procedures for the operation of your Franchise are developed or adopted by us. (Franchise Agreement, Article 11).

#### Advertising

You are required to pay us an ongoing Advertising Fee of up to 2% of your Gross Sales for advertising and marketing (the “Advertising Fee”). You must pay your Advertising Fee to the Fund(s) on a monthly basis on the 10<sup>th</sup> day of each month. Payments shall be made via ACH, electronic funds transfer, or, if we designate, by separate checks made payable to the Fund(s). As of the issuance date of this Disclosure Document, we do not have any franchisees in operation and have not, therefore, collected any Advertising Fees to date.

We retain complete control with respect to the marketing fund, including the creative concepts and the materials and media to be used, and the placement and allocation of advertisements. We are not obligated to spend any amounts on advertising in your territory or areas near your Bar.

We will determine from time to time what portion of the Advertising Fee you must (i) contribute to the Brand Ad Fund (as defined below); (ii) contribute to a Regional Ad Fund (as defined below); (iii) pay to us for Local Marketing Purposes (as defined below); or be spent directly by you for Local Marketing Purposes. We reserve the right to amend and adjust the allocation of the Advertising Fee upon 30 days written notice to you. You acknowledge and agree that the Advertising Fee may be used as follows:

#### Brand Ad Fund

At our sole discretion, the Advertising Fee shall be paid to one or more funds to be used for the purpose of maximize general public recognition and awareness of Bars and the System (“Brand Ad Fund”), including, without limitation, expenditures reasonably related to the production, creation, development, administration and supervision of marketing and advertising programs and menu development for System Bars. We do not represent or warrant that the Franchised Bar or any particular Bar will benefit directly or pro rata from any marketing or advertising activity of the Brand Ad Fund. We will not use Advertising Fees principally to develop materials and programs to solicit franchisees.

#### Regional Ad Funds

In addition to the establishment of the Brand Ad Fund, we have the right in our sole discretion to establish one or more funds for the implementation of regional advertising programs intended to increase general public recognition and acceptance of System Bars in specific regions. Subject only to the limitation on the total amount of Advertising Fee (2% of Gross Sales), we may require you to contribute all or part of the Advertising Fee to a regional fund implemented in your regional area (“Regional Ad Fund”). Fees allocated to a Regional Ad Fund will be used for the implementation, production, creation, development, administration and supervision of regional marketing and advertising programs and menu development for System Bars in the designated region. We do not represent or warrant that the Franchised Bar or any particular Bar will benefit directly or pro rata from any marketing or advertising activity of the Regional Ad Fund. We will not use Advertising Fees principally to develop materials and programs to solicit franchisees.

### Local Marketing Purposes

We may require that some or all of the Advertising Fee be paid to us or our designee, or used directly by you, for marketing, advertising, sponsorships, public relations or promotions specifically directed to or featuring the Franchised Bar in your local area (“Local Marketing Purposes”). If we elect to have you directly spend a portion of the Advertising Fee for Local Marketing Purposes, you must submit to us for our review and approval, a marketing plan specifically describing how you propose to spend the designated portion of the Advertising Fee for Local Marketing Purposes during each calendar quarter. If you do not spend the designated amount for Local Marketing Purposes as we direct, we will have the right, in addition to any and all other rights and remedies available under the Franchise Agreement or applicable law, to require you to immediately pay all sums you were required to, but failed to expend, to one or more Funds established or designated by us.

### Administration

We may administer the Brand Ad Fund or one or more Regional Ad Funds (the “Funds”) ourselves, or designate or license a third party to do so. All Franchised Businesses contribute to the Funds, while affiliate-owned bars do not. We may change, dissolve or merge any of the Funds at any time, in our sole discretion. We have sole discretion over the creative concepts, materials, media, type, nature, scope, frequency, place, form, copy, layout and content of all national, regional, and local advertising paid out of the Funds; and the Funds will be maintained and administered by us, or our designee, as follows:

The Funds are intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and neither we, nor the Funds, are obligated to make expenditures for you that are equivalent or proportionate to your contributions. We are not required to ensure that you benefit directly or pro rata from the placement of advertising.

The Funds, all Advertising Fees and contributions to the Funds, and any earnings by the Funds, may pay for creating, producing, maintaining, administering, directing, conducting, printing and preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and conducting television, radio, Internet, mobile applications, magazine, newspaper and other media advertising campaigns; developing and/or hosting an Internet web page or similar activities; conducting market research; providing other marketing materials to franchisees; direct mail advertising; on-line Internet advertising and marketing including click-through charges paid to search engines, sources of banner advertising and host sites; marketing surveys and other public relations activities; employing advertising and/or public relations agencies; printing and production costs; purchasing promotional items, conducting and administering visual merchandising, promotions and merchandising programs; and providing promotional and other marketing materials and services. Advertising may be local, regional or national, in any type of

media, including Internet, print, radio and/or television.

We have no obligation to segregate Advertising Fee payments or maintain accounts separate from our other funds. Advertising Fees may be commingled with funds in our general accounts. We expect to use an amount equal to all contributions made in any fiscal year, but any monies remaining in any Funds at the end of any year will carry over to the next year.

We are not required to prepare or provide you with any statements relating to the Advertising Fee, the Funds or expenditures of the Funds, although we may do so at our option. The Funds will not be audited, unless we decide, in our sole discretion, to require an audit.

We have the right to terminate any one or more of the Funds at any time. We have no obligation to conduct advertising for the System. If a Fund is terminated, we are not required to return any Advertising Fee contributed to any such terminated Fund by you and will expend any retained contributions for the terminated Fund for System advertising purposes. None of the Advertising Fees paid to us are refundable at any time, including upon termination or expiration of the Franchise Agreement. We will not use Advertising Fees principally to develop materials and programs to solicit franchisees.

We may use the Advertising Fees and Fund contributions to pay: the salaries and benefits of personnel who manage, administer and/or work the Fund(s) and its activities; administrative costs, travel expenses, meeting costs, overhead costs and expenses; a management fee payable to us, an affiliate and/or our designee; taxes on Advertising Fees and contributions; market research; public relations; and the creation, preparation and production of advertising, promotions and marketing materials. We are a new franchisor, accordingly, during our 2023 fiscal year, we did not collect any advertising fund fees; therefore, we cannot report its expenditures.

### Local Marketing

You must expend 1% of Gross Sales each month on local advertising, marketing, sponsorships, public relations and promotions specifically identifying or featuring your Bar in your local area (your “Local Marketing Expenditure Requirement”). Expenses for employee salaries, wages, travel expenses, and menu printing and/or distribution do not count towards your Local Marketing Expenditure Requirement. We reserve the right to require you to submit to us, on a quarterly or monthly basis as we designate, a local marketing plan specifically describing how you propose to spend Local Marketing Expenditure Requirement.

If you do not meet your Local Marketing Expenditure Requirement, or if you fail to otherwise comply with your local marketing obligations, we have the right, in addition to any and all other rights and remedies available to us under the Franchise Agreement and applicable law, to (a) require you to immediately pay all sums you were required to, but failed to expend (“Local Advertising Deficiency”), to the Fund, (b) require you to spend the Local Advertising Deficiency in the manner designated or approved by us for local marketing purposes, or (c) require you to immediately pay the Local Advertising Deficiency to us to be expended by us or our designee

directly in your Bar's area for local marketing purposes.

### Cooperative Advertising

We encourage the formation and operation of franchisee cooperative advertising associations (each a "Co-op"). If formed, each Co-op will coordinate advertising, marketing efforts and programs, and attempt to maximize the efficient use of local advertising media. The Regional Ad Fund is separate and distinct from the Co-Op and the Co-Op is not formed by us. If a Co-op is formed for your region, you must participate in the Co-op or lose your right to vote as to decisions regarding advertising and marketing efforts and programs. In no event will you be required to be a member of more than one Co-op. We have the right to require any Co-op to be organized and governed (a) in a form and manner approved in advance by us in writing, and (b) for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized promotional materials for use by the members in local advertising.

No advertising or promotional plans or materials may be used by any Co-op, or furnished to its members, without our prior approval. We, in our sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Co-op, and/or from the obligation to contribute to the Co-op (including a reduction, deferral or waiver of such contribution), on written request of the franchisee stating reasons supporting the exemption. Our decision concerning such request for exemption shall be final. Company-owned stores have no vote in these cooperatives. As of the issuance date of this Disclosure Document, you are not required to participate in any local or regional advertising cooperatives; however, we reserve the right to require your participation in the future.

### Advisory Councils

We reserve the right to form one (1) or more advisory councils to assist us in improving products and services, the System, and improving marketing and promotion of Tapster Bars. If formed, the council will include our representatives and franchisee representatives. Franchisee representatives may be selected by us or may be elected by other franchisees in the System. If you participate in any advisory council, you may be required to pay all expenses you incur related to your participation, such as travel, lodging, and meal expenses related to attending council meetings.

We do not currently have an advisory council. If formed, the advisory council will serve in an advisory capacity only. We reserve the right to form, change or dissolve any advisory council at any time.

### Promotional Programs

We have the right to create national, regional and/or local promotional programs that involve giveaways and/or sales at specified prices for the time periods we designate. We may develop digital promotions, social media promotions, customer loyalty programs, gift card programs,

coupons and similar programs for time period we designate.

### Grand Opening Advertising Campaign

You must conduct a Grand Opening Advertising Campaign for your Bar and expend between \$25,000 and \$30,000 in the manner we specify or approve (the "Grand Opening Advertising Expenditure"). We may designate an approved supplier of local advertising and marketing services and may require you to engage that supplier's services in connection with the Grand Opening of your Bar. We may require you to expend the Grand Opening Advertising Expenditure in accordance with any approved or designated supplier's Grand Opening advertising program. You are required to prepare and submit to us a written plan detailing the grand opening advertising campaign no later than 30 days before the Bar's scheduled grand opening. Within four months following the date the Bar opens for business, you must furnish us evidence as we may reasonably require to verify your compliance with the Grand Opening Expenditure requirements.

### Use of Your Own Advertising Material including Electronic Media

You may develop advertising and promotional materials for your own use, however, we must approve all advertising promotional materials before you use them. If we do not approve or disapprove your proposed materials within 15 days of your submission, they will be deemed approved. We may require that a "tag line", stating that franchise and/or career opportunities are available, be included in any advertising.

### Training

The training program we currently offer consists of the following:

We provide you an initial training program that covers material aspects of the operation of the Bar. The topics covered are listed in the chart below. The following persons are required to attend and complete the initial training program: you (or one of your owners if you are a legal entity), and your designated manager (you may serve as the designated manager) (collectively, your "Training Team" or "Franchisee Trainees"). You are permitted, but not required, to bring up to three additional persons to initial training at no charge.

We provide the initial training program to your Training Team. Your Training Team must complete the initial training program to our satisfaction. Your Training Team must satisfactorily complete the initial training thirty (30) days before the opening of the franchised Bar. We expect that the Training Team will advance through the training program at different rates depending on a variety of factors, including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training. Except as otherwise disclosed in this Item, we do not charge for initial training. You must pay for all travel costs, salaries (if applicable) and living expenses for yourself and your employees. These costs (not inclusive of salaries) are estimated to be \$2,000 - \$3,000. If you replace your designated manager, your new designated

manager must attend our training program. You may be charged fees for additional training. Our current fees for additional training are \$50 per hour, plus all Trainer expenses. You are responsible for training your own employees and other management personnel.

For the opening of the Bar, we will provide you with one of our trained representatives for up to two days. The trained representatives will provide on-site pre-opening and opening training, supervision, and assistance to you for up to seven days around your Bar opening. You must reimburse the expenses our representative incurs while providing opening assistance, such as travel, lodging and meals.

Your franchised Bar must at all times be under the day-to-day supervision of a designated manager who has satisfactorily completed our training program. After a replacement of the designated manager, he or she has 60 days to complete initial training to our satisfaction. We may permit the replacement manager to complete the initial training at your Bar, in which case, you must pay our trainer(s) on an hourly basis at our then-current rates, (as of the issuance date of this Disclosure Document, the hourly rate is \$50 per hour).

### **TRAINING PROGRAM**

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE- JOB TRAINING	LOCATION
<b>MANAGER TRAINING</b>  Concept overview, history, mission	1 hour	1 hour	Tapster Lincoln Park, Chicago, IL ("LP") and Franchisee location
Business setup	5 hours	2 hours	Tapster LP and Franchisee location
Finances	4 hours	N/A	Tapster LP and Franchisee location
Technology, POS Training	5 hours	5 hours	Tapster LP and Franchisee location
Inventory, ordering, receiving	5 hours	10 hours	Tapster LP and Franchisee location
Bar Menu, beverages, food, recipes, cooking, prep	5 hours	10 hours	Tapster LP and Franchisee location

Human resources (hiring, managing, payroll, training)	5 hours	5 hours	Tapster LP and Franchisee location
Customer service	5 hours	5 hours	Tapster LP and Franchisee location
Bar maintenance, cleanliness	1 hour	3 hours	Tapster LP and Franchisee location
Marketing / promotion	2 hours	1 hour	Tapster LP and Franchisee location
<b>TOTAL</b>	<b>38 hours</b>	<b>42 hours</b>	

Training will be conducted by Peter Harris and Roman Maliszewski. Peter Harris has served as our Director of Franchisee Onboarding since August 2023 and has 12 years of experience in the field, while Roman Maliszewski has served as our CEO, since January 2018, and has 7 years of experience in the field. If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. There are no limits on ourright to assign a substitute trainer to provide training.

The training will occur in and, at our discretion, at your Bar location. We currently do not have a set training schedule but will conduct training sessions on an as-needed basis. We will inform you of the dates and location of the training.

Periodically, you, your managers or employees must attend refresher-training programs to be conducted at our headquarters or another location we designate. Attendance at these programs will be at your expense. You do not have to attend more than 1 of these programs in any calendaryear and these programs will not exceed 2 days during any calendar year. We may require you toattend an annual conference and to charge you a fee to attend.

Notes:

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Confidential Operations Manual as the primary instruction materials during the Initial Training Program, and recommend you read it thoroughly before attending the training.
2. The training will be supervised by Roman Maliszewski, one of our founders. Mr. Maliszewski has experience and expertise in all aspects of a Tapster Bar. He has been our CEO since our inception in January 2018 and prior to that served as the Vice President of Sales for Innovative Tap Solutions from December 2015 through December 2016.
3. Other instructors will include experienced Tapster store managers and/or assistant managers.

## **ITEM 12.**

### **TERRITORY**

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 will describe your territory in your Franchise Agreement when we approve your site for the Bar. We will determine the size and boundaries of your territory in our discretion, based upon factors including geographic area, population density, character of neighborhood, location and number of competing business in the surrounding area, and other factors. While there is no

minimum territory size and the exact size of each territory varies based on the applicable factors, a typical territory will cover an area that consists of (a) approximately a three (3) mile radius surrounding your Bar if your Bar is located in a rural area; (b) a 4-block radius surrounding your Bar if your Bar is located in an urban area; (c) the boundaries of the shopping center or mall premises, if your Bar is located within a shopping center or mall.

#### Relocation of Your Bar

Under the terms of the Franchise Agreement, you do not have the right to relocate your Bar without our prior written consent. If you are not in default under your Franchise Agreement, your territory will continue to apply even if you sell or transfer your Franchise. Your Franchise territory is non-exclusive. You are not granted any options, rights of first refusal or similar rights to acquire additional Bars.

If the lease agreement for your Approved Location expires or is terminated before the expiration of your Franchise Agreement, other than because of your default under the lease agreement or your Franchise Agreement, you have up to 180 days within which to: (i) find a new location for your Franchise which is acceptable to us and does not conflict with any rights granted by us to others; and (ii) secure a lease for the premises. You must open your re-located Franchised Business within 180 days after you find your new location and obtain a lease for the premises.

If the lease agreement for your Approved Location expires or is terminated before the expiration of your Franchise Agreement, you must use best efforts to secure a renewal of the existing lease. If you are unable to secure a renewal of the existing lease, you must find a new location which meets our then current site-selection criteria and which does not conflict with any rights granted to third parties, and secure a lease for this location within 180 days after the termination or expiration of the lease agreement. You must open your Bar for business at the new Approved Location within 180 days after you secure the lease for the Approved Location. If you are unable to secure a renewal of your existing lease, and/or you do not find an Approved Location and open your Franchised Business, then any territorial rights conferred in the Franchise Agreement are canceled and we may elect to terminate your Franchise Agreement.

If you are unable to secure a renewal of your existing lease (despite using best efforts), you must secure a new location approved by us. Your Franchise Agreement will remain in effect following the expiration or termination of the lease; provided, however, that you do not have to make royalty payments to us until the earlier of: (i) the date you find an Approved Location and secure a lease for the premises; or (ii) the expiration of 180 days from the date your lease expires or is terminated.

#### Restrictions on Solicitations

You are not permitted to solicit customers or advertise outside of your territory without our prior written approval. We may condition its approval on your agreement to offer other *Tapster®*

franchisees who are operating Bars in territories encompassed by the circulation base of the proposed advertising, the opportunity to participate in, and share the expense of your solicitation and/or advertising. You are not permitted to use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside of your territory without our prior written approval. We have the right to condition our approval on the terms that we determine necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your agreement.

#### Reservation of Rights

While we will not establish or license another to establish a Bar within your territory, nothing in the Franchise Agreement prohibits us from soliciting or accepting business within your territory through alternative channels of distribution (e.g. the Internet, catalog sales, telemarketing or other direct marketing) under any proprietary mark, including but not limited to *Tapster®*. We are not under any obligation to pay you compensation for any business we solicit or accept inside your territory. Neither we nor any affiliate of ours currently operate or franchise, or have present plans to operate or franchise, a business under a different trademark that sells goods and services similar to those being offered at a “*Tapster®*” franchised business; however we reserve the right to do so. We reserve the right, but have not current plans, to acquire, be acquired by, merge or affiliate with, or engage in any transaction with other businesses (whether or not those businesses are competitive), including competing franchise systems with units operating in your territory. If we acquire a competitive business or a competitive franchise system with units operating in your territory, we have the right to operate the business under any mark, including the Proprietary Marks in your territory without affording any rights to you or providing any compensation to you.

### **ITEM 13.**

#### **TRADEMARKS**

The Franchise Agreement licenses you the right to operate a Bar under the trade name *Tapster®*. We may require you to use other current or future developed trademarks to operate your Bar. The term trademarks means trade names, trademarks, service marks and logos used to identify the Bar. We are not restricted in the way we use these trademarks, and we have all the rights to license or franchise others to use these trademarks. Throughout this Disclosure Document, our trademarks, including those developed in the future and licensed to you for use in connection with the operation of your Bar, may be referred to as the “Marks” or the “Proprietary Marks.”

Tapster Trademark, LLC, is the current owner of the Marks. Our right to use and license others to use the Marks is exercised pursuant to an intellectual property license agreement with Tapster Trademark, LLC (the “**IP Agreement**”) which, if not renewed, ends on June 23, 2054 and which can be terminated upon forty-five days’ notice for a material breach. Under the IP Agreement, we are granted the right to use and to permit others to use the Marks. We have the right to license the use of the trademark TAPSTER ® to you for the term of the Franchise Agreement, including any extensions or renewals. If the IP Agreement is terminated or expires prior to the expiration of your

Franchise Agreement, Tapster Trademark, LLC will permit you to continue use of the Mark through the expiration of your Franchise Agreement, subject to the restrictions set forth in your Franchise Agreement.

The principal mark is registered on the Principal Register of the USPTO:

Mark	Serial Number/ Registration on Number	Registration Date
TAPSTER	5247623	07/18/2017
 T A P S T E R	7120596	7/25/2023
IT'S OK TO BE SELF SERVING	7352387	4/9/2024

Currently, we know of no effective material determinations of the USPTO, trademark trial and appeal board, the trademark administrator of any state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Mark.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Mark in the State of or any other state in which the franchised Bar is to be located.

All required affidavits and renewals have been filed.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Mark. We will take the action we think appropriate in these situations (which may include no action at all); we have exclusive control over

any settlement or proceeding concerning any Mark.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised Bar for the new or modified Marks. There is no limitation on the costs you may be required to incur in complying with any designated changes or modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

#### **ITEM 14.**

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

No patents are material to the franchise. We own copyrights in the Confidential Operations Manual, textbooks, our website, our social media pages, our marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the franchised Bar and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have and/or may develop certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a *Tapster®*. We may provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your franchised Bar. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the franchised Bar. You are responsible for enforcing the confidentiality provisions as to

your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company or other business entity, and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Non-disclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques or materials concerning the franchised Bar and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in ITEM 17.

## **ITEM 15.**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED RESTAURANT**

While we do not require you to operate the franchised Bar, we strongly encourage the owner-operator model. The franchised Bar must always be under the direct, full-time, day-to-day supervision of a designated manager. We do not require the designated manager to have an ownership interest in your legal entity. However, if you are an individual, we may require you to be the designated manager of the franchise. If we require you to be the designated manager, you must request our consent to select another individual to replace you as the designated manager. If you are a corporation or other business entity, you will select a designated manager for the franchise and we may require that the individual you select is an owner of the franchise. The designated manager must attend and satisfactorily complete our initial training program before opening the franchised Bar. You must keep us informed at all times of the identity of your designated manager. If you must replace the designated manager, your replacement must attend and satisfactorily complete our initial training program.

As described in ITEM 14, certain individuals associated with your franchised Bar, including your owners (and members of their immediate families and households), officers, directors, partners, and

your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Non-disclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation, limited liability company or other business entity, anyone who owns an interest in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Personal Guarantee attached to the Franchise Agreement.

### **ITEM 16.**

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

You must offer the products, services and items we specify. You may not sell any products that we have not authorized and you must discontinue offering any services or products that we disapprove. We may require you to carry designated percentages of certain types of beers, including a designated percentage of craft beers, and locally sourced beers. We may take action, including terminating your franchise if you purchase or sell unapproved products or services, or if you make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your franchised business; provided that you are required to comply with all restrictions imposed by all applicable laws in connection with the operation of the Bar, including restrictions on serving alcoholic beverages to customers under the age of 21.

*[The remainder of this page is intentionally left blank.]*

## ITEM 17.

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document.**

	<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
a.	Length of the Franchise Term	Section 3.01	The term is 10 years.
b.	Renewal Or Extension Of The Term	Section 3.02	We will grant you a successor Franchise Agreement for a successor term of 10 years, subject to your eligibility and compliance with certain obligations.
c.	Requirements For You To Renew Or Extend	Sections 3.02.1 through 3.02.9	If you wish to obtain a successor franchise, you must pay a successor franchise fee equal to \$15,000, sign new agreement with materially different terms or conditions than your original contract, replace, upgrade or update equipment, sign a release, notify us in advance, not less than 180 days prior to the expiration of your then-current term of your desire to obtain a successor franchise, be in compliance with all terms and conditions of your existing Franchise Agreement, and complete any refresher training programs we may require.
d.	Termination By You.	Not applicable.	Except as otherwise provided for by state law.

	<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
e.	Termination By Us Without Cause	Not applicable.	
f.	Termination By Us With Cause	Article 17	We can terminate if you default.
g.	"Cause" Defined - Curable Defaults	Section 17.02, 17.03	You have a designated time period within which to cure certain defaults, i.e., non-payment of fees (10 days), non-submission of reports (5 days), default under other agreements between you and us, and other defaults under the Franchise Agreement (30 days).
h.	"Cause" Defined - Non-Curable Defaults	Sections 17.02.1- 17.02.26	Non-curable defaults include: failure to timely obtain an approved location and all licenses, permits and approvals; failure to open the Bar timely; failure to complete training; if you file for bankruptcy, seek reorganization, liquidation or dissolution; abandonment of your Bar; conviction of felony, repeated defaults even if cured, loss or suspension of your business license, abandonment, trademark misuse, unapproved transfers; termination of other franchise agreements between you and us; and other defaults listed in Section 16.2.
i.	Your Obligations On Termination/Non-Renewal	Article 18	Obligations include complete de-identification and payment of all amounts due (see also r. below).

	<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
j.	Assignment Of Contract by Us	Article 16	There is no restriction on our right to assign.
k.	"Transfer" By You – Defined	Sections 16.02 and 16.03	Includes transfer of contract or assets or ownership change.
l.	Our Approval Of Transfer By You	Section 16.02	We have the right to approve all transfers but will not unreasonably withhold our approval.
m.	Conditions For Our Approval Of Transfer By You	Section 16.04	New franchisee qualifies, transfer fee (currently \$20,000) paid, training arranged, release signed by you and current agreement signed by new franchisee (also see r. below).
n.	Our Right Of First Refusal To Acquire Your Franchise	Section 16.05	We can match any offer for your franchise.
o.	Our Option To Purchase Your Franchise	Section 18.02.	We have the option to purchase your franchise upon expiration or termination of the Franchise Agreement.
p.	Your Death Or Disability	Section 16.07	Franchise must be assigned by your estate to an approved buyer within 6 months.
q.	Non-Competition Covenants During The Term Of The Franchise	Section 19.02	No involvement in a competing business.

PROVISION	SECTION FRANCHISE AGREEMENT	IN	SUMMARY
r.	Non-Competition Covenants After The Franchise Is Terminated Or Expires	Section 19.03	No involvement in a competing business for 2 years at the Approved Bar Location, within a 40 mile radius of the Approved Bar Location, within a 40 mile radius of any other Bar (including after assignment)
s.	Modification Of The Agreement	Section 26.05	No modifications to the Franchise Agreement unless the modifications are in writing and signed by both parties. We may change the Operations Manual and System Standards at any time.
t.	Integration/ Merger Clause	Section 26.05	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.
u.	Dispute Resolution By Arbitration Mediation	Section 25.02 and 25.03	With the exception of actions by Tapster under Section 24.4 of the Franchise Agreement, all claims must first be mediated prior to arbitration or litigation. Except for certain claims, all disputes must be arbitrated in the State of Illinois (Subject to state law). The arbitration will occur with each respective party paying their own costs.

PROVISION	SECTION FRANCHISE AGREEMENT	IN	SUMMARY
v.	Choice Of Forum	Section 25.01	Litigation must be in the state or Federal courts in the State of Illinois. (Subject to state law). See the state specific addenda attached to this Disclosure Document)
w.	Choice Of Law	Section 25.01	Illinois law. (Subject to state law). See the state specific addenda attached to this Disclosure Document)

### **ITEM 18.**

#### **PUBLIC FIGURES**

We do not presently use any public figures 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 financial performance or the past financial performance of company-owned or franchised stores. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing Bar, however, we may provide you with the actual records of that business. 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: Roman Maliszewski, 2027 W. North Avenue, Chicago, IL 60647, 773-661-2182, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20.

### OUTLETS AND FRANCHISEE INFORMATION

*Please note that all outlets described in this Item 20 for years 2021, 2022 and 2023 relate to activities that took place prior to our (TAP STAR FRANCHISING LLC's) acquisition of the TAPSTER® franchise system and its existing franchise agreements as further explained in Item 1 of this Disclosure Document.*

**Table No. 1**

<b>SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2021 TO 2023</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	1	+1
Company-Owned*	2021	3	3	0
	2022	3	3	0
	2023	3	3	0
Total Outlets	2021	3	3	0
	2022	3	3	0
	2023	3	4	+1

\*The company-owned outlets are owned and operated by our affiliates.

**Table No. 2**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

**Table No. 3**

STATUS OF FRANCHISE OUTLETS FOR YEARS 2021 TO 2023								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Ohio	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1

**Table No. 4**

STATUS OF COMPANY-OWNED* OUTLETS FOR YEARS 2021 TO 2023								
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year	
IL	2021	2	0	0	0	0	2	
	2022	2	0	0	0	0	2	
	2023	2		0	1	0	1	
PA	2021	0	0	0	0	0	0	
	2022	0	0	0	0	0	0	
	2023	0	1	0	0	0	1	
WA	2021	1	0	0	0	0	1	
	2022	1	0	0	0	0	1	
	2023	1	0	0	0	0	1	
Total	2021	3	0	0	0	0	3	
	2022	3	0	0	0	0	3	
	2023	3	1	0	1	0	3	

\* The company-owned outlets are owned and operated by our affiliates.

**Table No. 5**

<b>PROJECTED OPENINGS AS OF DECEMBER 31, 2023</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Yet Opened</b>	<b>Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlet in the Next Fiscal Year</b>
IL	0	1	0
KY	1	1	0
WA	0	0	1
Total	1	2	1

As of the issuance date of this disclosure document, there were 4 affiliate-owned outlets in operation located in the states of Illinois, Pennsylvania, and Washington; however, only 3 of these affiliate-owned outlets were open as of December 31, 2023 so only 3 outlets have been included in the Item 20 outlet summary. An additional affiliate owned outlet opened in Washington in 2024.

Current franchisee information, including store addresses and telephone numbers, will be disclosed in Exhibit C to this Disclosure Document. Former franchisee information will be provided in Exhibit D. As of the issuance date of this Disclosure Document, we do not have any current or former franchisees.

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

During the last three fiscal years, we have not signed confidentiality clauses with certain current or former franchisees.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

*[The remainder of this page is intentionally left blank.]*

**ITEM 21.**  
**FINANCIAL STATEMENTS**

The following financial statements are attached to this disclosure document as Exhibit E:

Our audited financial statements for the period from our inception on April 4, 2024 to May 31, 2024.

We are a start-up franchisor and have not been in business for three years or more. Therefore, we cannot include audited financial statements for the previous three fiscal years.

Our fiscal year end is December 31.

**ITEM 22.**  
**CONTRACTS**

The following agreements proposed for use in this state are attached as Exhibits to this disclosure document:

Exhibit B - Franchise Agreement including the following exhibits thereto:

- Contract Data Sheet (Exhibit A)
- Collateral Assignment of Lease (Exhibit B)
- Personal Guarantee (Exhibit C)
- Electronic Funds Transfer Form (Exhibit D)
- Conditional Assignment of Telephone Numbers (Exhibit E)
- Confidentiality and Restrictive Covenant Agreement (Exhibit F)
- Assignment & Assumption Agreement (Exhibit G)
- Security Agreement (Exhibit H)

Exhibit F – Sample Release

Exhibit G – State Specific Addenda

Exhibit I – Pre-Closing Questionnaire (*not applicable in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin*)

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.

**ITEM 23.**  
**RECEIPTS**

Exhibit K of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure Document by you. Please note that the issuance date is not the effective date for any registration state. Please refer to the state effective dates provided in Exhibit J of this Disclosure Document under the page titled "State Effective Dates." You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to:

Attention: Justin Livingston, 1601 Sansom Street, Philadelphia PA 19103 720-358-1212

**EXHIBIT A**

**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE AGENCIES

### **California**

Department of Business Oversight  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

### **Hawaii**

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

### **Illinois**

Office of Attorney General  
500 S. Second Street  
Springfield, Illinois 62706  
(217) 782-4465

### **Indiana**

Franchise Section  
Securities Division  
302 W. Washington St., Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

### **Maryland**

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

### **Michigan**

Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa St.  
G. Mennen Williams Building, First Floor  
Lansing, Michigan 48909  
(517) 373-7117

### **Minnesota**

Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-3165  
(651) 539-1600

### **New York**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8222

### **North Dakota**

Franchise Examiner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5<sup>th</sup> Floor Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **Rhode Island**

Securities Division  
Department of Business Regulation  
1511 Pontiac Avenue, Building 69-1  
Cranston, Rhode Island 02920

### **South Dakota**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

### **Virginia**

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

### **Washington**

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

### **Wisconsin**

Franchise Administrator  
Division of Securities  
Department of Financial Institutions  
345 West Washington Avenue  
Madison, Wisconsin 53703

## LIST OF AGENTS FOR SERVICE OF PROCESS

### **California**

Commissioner of Department of  
Financial Protection & Innovation  
Department of Financial Protection  
& Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### **Indiana**

Indiana Secretary of State  
302 W. Washington St., Room E-111  
Indianapolis, Indiana 46204

### **Maryland**

Maryland Securities Commissioner  
Office of the Attorney General  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### **Michigan**

Michigan Department of Commerce  
Corporations and Securities Bureau  
670 Law Building  
Lansing, Michigan 48913

### **Minnesota**

Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-3165

### **New York**

Secretary of State of the State of New York  
One Commerce Plaza  
99 Washington Avenue  
Albany, NY 12231

### **North Dakota**

Securities Commissioner  
State of North Dakota  
600 East Boulevard Avenue, Fifth Floor  
Bismarck, North Dakota 58505

### **Oregon**

Division of Finance and  
Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310

### **Rhode Island**

Director of Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue, Building 69-1  
Cranston, Rhode Island 02920

### **South Dakota**

Director  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

### **Virginia**

Clerk of the State Corporation Commission  
1300 East Main Street, First Floor  
Richmond, Virginia 23219

### **Washington**

Director of the Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501

### **Wisconsin**

Commissioner of Securities  
Fourth Floor  
345 West Washington Avenue  
Madison, Wisconsin 53703

**EXHIBIT B**

**FRANCHISE AGREEMENT**

**TAP STAR FRANCHISING LLC  
FRANCHISE AGREEMENT**

THIS AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_, by and between Tap Star Franchising LLC, a Delaware limited liability company with its principal place of business at 2402 Manning Street, Philadelphia PA 19103 ("Franchisor," "Tapster," "we," "us," or "our"), and \_\_\_\_\_, a \_\_\_\_\_, with its principal address at \_\_\_\_\_ ("Franchisee," "you," or "your").

**BACKGROUND**

A. Tapster, as the result of the expenditure of significant time, skill, effort, and money, owns, and continues to develop the *Tapster®* franchise system (the "System"), which System involves the establishment and operation of a self-service beer bar offering craft beers on tap, a variety of imported, domestic and local craft beers, a selection wines, and other designated or approved beverage and food items, which may include, without limitation, cocktails, kombucha, coffee, soda, light snacks, sandwiches, and finger foods, all of which we may further develop or otherwise modify from time to time (each, a "Bar").

B. The characteristics of the System include, among others: sales and operating methods; interior and exterior design; décor; layout; fixtures and furnishings; beverage preparation and presentation techniques; customer service and development techniques; procedures for inventory and management control; standards and procedures for efficient business operations; training and assistance; marketing programs; and menu items, all of which may be changed, improved and further developed from time to time by Tapster.

C. Tapster identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, without limitation, the *Tapster®* mark and the *Tapster®* logo, and/or such other different and/or additional trade names, trademarks, and service marks as are now designated and may hereafter be designated by Tapster in writing for use in connection with the System (collectively, the "Marks").

D. Tapster has the right to establish System standards and specifications for various aspects of the System (as may be prescribed and/or modified by Tapster from time to time, the "Standards and Specifications"), including, among others, standards and specifications related to: location selection; the Bar's physical characteristics; operating procedures; products and services offered; supplier qualifications; training; marketing; and other aspects that affect and/or relate to the experience of System customers. As a franchisee, you are required to comply with the Standards and Specifications, which Tapster has the right to (and expects to) change and modify over time. Tapster's Standards and Specifications shall be communicated to you in writing through Tapster's Operations Manual (as defined in Section 11.01 below) and in any other form that Tapster may deem necessary or desirable from time to time. You acknowledge that complete uniformity may not be possible or practical throughout the System.

E. You desire to enter into the business of operating a Bar under the System and to obtain a franchise from Tapster for such purpose.

F. You understand and acknowledge the importance of Tapster's high standards of quality, cleanliness, appearance, and service, and the necessity of operating the business franchised under this Agreement in conformity with Tapster's Standards and Specifications.

## **AGREEMENT**

**NOW, THEREFORE**, the parties, in consideration of the undertakings and commitments of each party set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

### **ARTICLE 1. GRANT OF LICENSE; RESERVATION OF RIGHTS**

1.01 **Grant of License.** Subject to the terms and conditions contained in this Agreement, Tapster hereby grants to you, and you hereby accept, the right and nonexclusive license to operate a single Bar (the "Franchised Bar") at the Approved Bar Location (as such term is defined in the Contract Data Sheet attached hereto as Exhibit A (the "Contract Data Sheet")), and to use the Marks and the System solely in connection with the operation of the Franchised Bar. You acknowledge and agree that you are obligated to operate the Franchised Bar for the duration of the Term (as defined in Section 3.01 below) and that you shall not engage in any other business at the Approved Bar Location during the Term. The background paragraphs A through G set forth at the beginning of this Agreement are hereby incorporated by reference as if set forth fully herein.

1.02 **Protected Territory Rights.** During the Term of this Agreement, so long as you are in substantial compliance with your obligations under this Agreement, and subject to Tapster's Reservations of Rights set forth in Sections 1.3 and 1.4 below, Tapster shall not establish, nor license to any other person the right to establish, a Bar under the System at any location within the geographic area described in the Contract Data Sheet (the "Protected Territory"). Tapster maintains the right to revoke your Protected Territory upon a material breach of this Agreement, including, without limitation, your failure to comply with your continuing obligation to pay the Royalty Fee.

1.03 **Reservation of Rights.** You expressly acknowledge that the license granted to you under this Agreement is nonexclusive and that any territorial protection afforded to you in connection therewith relates solely to your use of the Marks and the System in connection with the operation of the Franchised Bar at the Approved Bar Location during the Term. Tapster retains all other rights. Specifically, but not exclusively, and without limiting the generality of the foregoing, Tapster, and/or its affiliates, has the right, without granting you any rights therein, to:

1.03.1 establish, and/or license to others the right to establish, bars and/or businesses under other systems, using other proprietary marks, which offer or sell other products and services within the Protected Territory;

1.03.2 market, sell and distribute, directly or indirectly, or license to others the right to market, sell and distribute, directly or indirectly, any products, from any location or to any purchaser (whether within or outside the Protected Territory), using the Marks or other trademarks or service marks through alternative channels of distribution, including through the Internet, supermarkets and wholesale distribution centers;

1.03.3 advertise and promote the System within the Protected Territory;

1.03.4 establish and/or operate, and/or license others to establish and/or operate, a Bar or business at any location outside the Protected Territory, notwithstanding such business's proximity to the Protected Territory; and

1.03.5 acquire, be acquired by, merge or affiliate with, or engage in any transaction with any other business (whether or not these businesses are competitive), including competing franchise systems with bars operating in the Protected Territory. You acknowledge that, in the event that Tapster acquires a competitive business or a competitivefranchise in the Protected Territory, Tapster has the right to operate, or license to a third party the right to operate, such competitive business in the Protected Territory under the Marks without affording you any rights thereto or providing you with any compensation therefor.

1.04 Special Venue Accounts. Tapster shall have the right to develop, openand operate, and to license to others the right to develop, open and operate, Bar(s) in any Special Venues, including any Special Venue located within the Protected Territory, without providing you any rights thereto or compensation therefor. The term “Special Venues” shall mean non-traditional venues, including, without limitation, travel centers, airports, colleges,universities, railroad/railway stations, bus stations, government institutions and facilities, hospitals, shopping malls, military installations, stadiums, arenas, convention centers,casinos, boardwalks, amusement parks, theaters, and other locations within institutional orpublic facilities.

1.05 Modifications to the System.

1.05.1 You understand and agree that the System shall not remain static, evenin the face of, among other things, unforeseen changes in technology, competitive circumstances, economic circumstances, demographics, populations, consumer trends, societal trends, regulations, and other marketplace variables. Accordingly, you expressly understand and agree that Tapster may, in its sole and absolute discretion, supplement, improve, and otherwise modify the System at any time in the future. In the interest of preserving the integrity of the System, Tapster shall have full control and discretion over such developments, and you shall comply with all Tapster’s requirements in that regard, including, without limitation, offering and selling new or different products or services, participating in specific promotions, including price-point promotions, or discontinuing the sale of certain products or the offering of certain services. Upon reasonable notice by Tapster of any System modifications, you shall be required to comply with any such modifications within the time period specified in the notice. Tapster shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby.

1.05.2 If you or any of your owners if you are a Legal Entity (as defined in Section 20.01 below), or any of your employees, develop any new modification, concept, process, improvement or slogan related to the operation or promotion of the Franchised Bar or the System, the same shall be deemed a work made for hire. You shall promptly notify Tapster of, and provide Tapster with all necessary information regarding, such modification, concept, process, improvement or slogan. You acknowledge that any such modification, concept, process, improvement or slogan shall become Tapster’s sole and exclusive property and that Tapster may use, and allow other franchisees to use, the same in connection with the System and the operation of Bars, without compensation to you.

1.06 No Additional Rights. You acknowledge and agree that this Agreement relates solely to, and is limited to, the operation of the Franchised Bar at the Approved Bar

Location, and affords you no right, title or interest in any additional franchises to be operated at any other location (subject to relocation of the Franchised Bar, if authorized, in accordance with the terms and conditions of this Agreement). You shall not, without the express written permission of Tapster, which permission may be withheld in Tapster's sole and absolute discretion, offer or sell products or services through any other means or locations, including, without limitation, retail or wholesale stores, supermarkets, grocery stores, convenience stores, temporary locations, portable carts, kiosks or trailers, catalogs, mail order or electronic means (including the Internet).

## **ARTICLE 2. APPROVED BAR LOCATION**

### **2.01 Site Selection Process.**

2.01.1 If you have not secured an Approved Bar Location as of the Effective Date (as such term is defined in the Contract Data Sheet), you shall at your sole cost and expense: (a) find a location within the Designated Area (as such term is defined in the Contract Data Sheet), which location shall be subject to Tapster's prior approval in accordance with Section 2.01.2 below; (b) within ninety (90) days after signing this Agreement, enter into a binding lease agreement for the location in accordance with the terms and conditions set forth in Section 2.02 below; and (c) as soon as possible after execution of the lease agreement, begin constructing and equipping the Franchised Bar in strict accordance with Article 9 hereof and each of Tapster's then-current standards, procedures, plans and specifications.

2.01.2 You shall submit a proposed location for the Franchised Bar in writing in advance to Tapster for approval of the location, which approval may be granted or withheld in Tapster's sole and absolute discretion. Tapster shall approve or disapprove the proposed location within seventy-two (72) hours after the date that Tapster receives all information that Tapster requests regarding the proposed location. If Tapster does not approve or disapprove the proposed location within this 30-day period, the proposed location shall be deemed disapproved.

2.01.3 You acknowledge that the selection, procurement and development of the site for the Franchised Bar is your responsibility. You further acknowledge that Tapster's approval of a site and/or rendering of assistance in the selection of any site does not constitute a representation, promise, warranty or guarantee, express or implied, by Tapster, its officers, employees, directors or agents, as to the potential sales volume, profits, or success of the Franchised Bar to be developed, opened and operated by you at such location. Tapster shall not be liable to you in any way with respect to any assistance that Tapster provided to you during the site selection process, and/or in Tapster's recommendation or approval of any site location.

2.01.4 If you do not secure an Approved Bar Location within ninety (90) days after signing this Agreement, Tapster has the right to immediately terminate this Agreement.

2.01.5 Once the location for the Franchised Bar is secured in accordance with the terms of this Agreement, the parties shall amend the Contract Data Sheet to identify the approved location as the "Approved Bar Location."

### **2.02 Lease Requirements.**

2.02.1 You shall acquire or lease the Approved Bar Location at your expense. If you lease the Approved Bar Location, you shall obtain Tapster's prior written approval, which may be granted or withheld in Tapster's sole and absolute discretion, before entering into a lease agreement. Before you sign any lease agreement, you shall provide a copy of the proposed lease agreement to Tapster. You are not a third party beneficiary of the lease review. You agree that Tapster does not guarantee that the terms, including rent, shall represent the most favorable terms available in the market. If Tapster is required to engage in more than one lease review for the proposed franchised location (or a different proposed franchised location), you shall pay Tapster or its designated supplier a Lease Review Fee equal to One Thousand Five Hundred Dollars (\$1,500) for each lease review Tapster undertakes. Tapster is not required and has no obligation to negotiate the terms of your lease. You shall provide Tapster with a copy of your fully executed lease agreement immediately after signing.

2.02.2 At a minimum, Tapster requires the inclusion of the following provisions in the lease:

(1) The requirement that you and the landlord execute and deliver to Tapster a collateral assignment of your rights under the lease (in substantially the form attached hereto as Exhibit B, the "Collateral Assignment of Lease"), pursuant to which you shall, at Tapster's option, assign all of your rights under the lease to Tapster or its designee upon termination or expiration of this Agreement;

(2) A provision that if you fail to timely pay all amounts due to Tapster or the lessor, Tapster has the right to charge and collect from you all resulting costs and expenses incurred by, and penalties imposed on, Tapster;

(3) A provision which restricts the use of the premises solely to the operation of the Franchised Bar;

(4) A provision which prohibits you from subleasing or assigning all or any part of your occupancy rights, or extending the term of or renewing the lease, without Tapster's prior written consent, which Tapster may withhold in its sole and absolute discretion;

(5) A provision giving Tapster the right to enter the premises to make modifications necessary to protect the Marks or the System, or to cure any default under this Agreement, including the right to de-identify the Approved Bar Location as a Bar and to remove and/or destroy any objects or other materials bearing any of the Marks; and

(6) Any other provision which Tapster deems necessary in its sole and absolute discretion.

2.03 Lease Renewal Efforts. If the term of the lease for the Franchised Bar is shorter than the Term, you agree to use your best efforts to obtain a renewal of the existing lease of the Franchised Bar premises, or a new lease for the Franchised Bar premises, to enable you to

continue to operate the Franchised Bar at the Approved Bar Location for the duration of the Term. You shall provide Tapster with written notice of your lease expirationno later than eight (8) months prior to the expiration of your lease term.

2.04        Relocation. You may not relocate the Franchised Bar unless you: (1) obtain Tapster's prior written consent, which may be granted or withheld in Tapster's sole and absolute discretion; and (2) meet and satisfy each of the following conditions at the timeof such relocation: (a) you are not in default under this Agreement or any other Agreement with Tapster or any of its affiliates; (b) you and all persons and entities that have executed the personal guarantee (in substantially the form attached hereto as Exhibit C, the "PersonalGuarantee") agreeing to be bound by your obligations under this Agreement (each a "Guarantor", collectively "Guarantors") have agreed to cancel this Agreement and to executethe then-current form of franchise agreement, which shall include a term equal to the then- remaining term of this Agreement; (c) you have secured a site which meets with Tapster's then-current size and demographic requirements, and if you are leasing the space, you havesubmitted the proposed lease agreement for Tapster's review and have paid Tapster's then- current lease review fee; (d) you have agreed to equip and furnish your new Franchised Bar so that it meets the then-current standards, procedures, plans and specifications applicable to new Bars; (e) you and your Guarantors and owners have executed a general release, in a form satisfactory to Tapster, of any and all claims against Tapster, its affiliates, parents, subsidiaries and their respective members, managers, directors, officers, shareholders, partners, agents, representatives, servants, and employees, in both their corporate and individualized capacities, including, without limitation, claims arising under this Agreement,any other agreement between you and Tapster or its affiliates, and all federal, state and locallaws and rules, to the fullest extent permitted by law; and (f) you have agreed that you shallrequire no more than one (1) day to move all equipment from the old Approved Bar Locationto the new Approved Bar Location and shall not cease operations of the Franchised Bar for any period longer than such one (1)-day period. If Tapster consents to the relocation, Franchisee shall pay to Tapster a "Relocation Fee" of \$5,000 immediately upon receipt of Tapster's written consent, and shall timely comply with any and all conditions imposed by Tapster in connection with any such approved relocation, including, without limitation, compliance with site selection criteria, construction and build-out requirements, lease requirements, and opening requirements.

### **ARTICLE 3.        TERM & SUCCESSOR FRANCHISE**

3.01        Initial Term. The initial term of this Agreement shall commence on the Effective Date and shall expire ten (10) years from the Effective Date, unless soonerterminated by Tapster in accordance with the terms of this Agreement (the "Initial Term" or"Term").

3.02        Successor Franchise Agreement. Upon the expiration of the Initial Term, Franchisee shall have the option to obtain a Successor Franchise Agreement for an additional ten (10)-year term (the "Successor Term"), providing that this Agreement has notyet been terminated and you comply with each of the conditions set forth below. :

3.02.1 You deliver written notice to Tapster of your desire to obtain a Successor Franchise Agreement no later than one hundred eighty (180) days prior to the expiration of the Initial Term;

3.02.2 You are not in default of any provision of this Agreement, any amendments to this Agreement, or any other agreement between you (or any of your owners, Guarantors or affiliates) and Tapster and/or its subsidiaries and affiliates at the time you deliver the notice required under Section 3.02.1 above, or on the date that the Initial Term expires;

3.02.3 You have not received more than three (3) written notices of default of this Agreement during the Initial Term, nor more than two (2) such notices during the five (5) years immediately preceding the expiration of the Initial Term;

3.02.4 You have satisfied all monetary obligations owed by you to Tapster and Tapster's subsidiaries and affiliates;

3.02.5 You agree to make any renovations and improvements to the Franchised Bar as Tapster may deem necessary or advisable to modernize, renovate, equip and decorate the Franchised Bar to reflect Tapster's then-current System standards;

3.02.6 At least thirty (30) days before the Initial Term expires, you execute Tapster's then-current form of franchise agreement (the "Successor Franchise Agreement"), which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement and may include increased fees (including an increased Royalty Fee and Advertising Fee); *provided, however,* that you shall not be required to pay another initial franchise fee;

3.02.7 You execute a general release, in a form prescribed by Tapster, of any and all claims against Tapster, its officers, directors, managers, employees and agents, as well as Tapster's affiliates, parents and subsidiaries and their respective officers, directors, managers, employees and agents;

3.02.8 You comply with Tapster's then-current qualification and training requirements; and

3.02.9 You pay to Tapster a successor franchise fee equal to Fifteen Thousand Dollars (\$15,000).

For the avoidance of doubt, you understand and agree that the option to obtain a Successor Franchise Agreement shall be forfeited if you fail to comply with the conditions set forth in this Section 3.02.

## **ARTICLE 4. CONSTRUCTION AND OPENING**

### **4.01 Construction Requirements.**

Plans and Specifications. Tapster shall provide you with Tapster's then-current

generic, prototypical plans for a typical Bar, including a sample layout for the interior of a typical franchised location. You acknowledge that such plans and specifications shall not contain the requirements of any federal, state, or local law, code, or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build the Franchised Bar. It shall be your sole and absolute responsibility to construct the Franchised Bar in accordance with all applicable laws, including the ADA and the local laws, rules and regulations governing public accommodations.

4.01.1 Adaptation of Plans and Specifications. You shall, at your sole cost and expense, employ architects, designers, engineers or others as may be necessary to complete, adapt, modify or substitute the sample plans and specifications of Tapster prior to commencing construction of the Franchise Bar. Tapster shall review such plans and specifications and shall either approve the plans and specifications, in the manner specified in Section 4.01.3 below, or disapprove them and provide comments thereon.

4.01.2 Tapster Approval. You shall not commence construction of the Franchised Bar until Tapster approves, in writing, the final plans and specifications to be used in constructing the Franchised Bar. Once the final plans are approved, you shall cause the Bar to be completed in full accordance therewith.

4.01.3 Alterations and Modifications. If Tapster determines that the Franchised Bar is not being built, or was not built, in full accordance with the final plans, Tapster shall have the right to require you to cause to be made all alterations or modifications of the Franchised Bar that Tapster deems necessary. Tapster may consult with you, to the extent Tapster deems necessary, on the construction and equipping of the Franchised Bar, but it shall be and remain your sole responsibility to diligently design, construct, equip and otherwise ready and open the Franchised Bar.

4.01.4 Zoning, Permits and Licenses. You shall be responsible, at your expense, for obtaining all zoning classifications, licenses, permits, clearances, certificates of occupancy, and Franchised Bar clearances, which may be required by governmental authorities for development, opening and operation of the Franchised Bar. You understand and acknowledge that this Agreement is expressly conditioned on your ability to secure and maintain, at your sole cost, any and all required state, county and/or local alcohol beverage license(s) required for the on-premises sale and consumption and retail sale of beer, wine and other designated and approved products at the Bar and any other business licenses required for the operation of the Bar. If you fail to secure any required license by the date you are required to open the Bar or by the date the Bar is otherwise ready to open for business, then Tapster may, in its sole discretion, terminate this Agreement on notice to you, in which event Tapster will not be required to refund any portion of the Initial Franchise Fee.

4.01.5 Insurance Coverage. You shall obtain and maintain in force, during the entire period of such construction, such insurance policies and for such amounts as set forth in this Agreement and as Tapster may designate in its sole and absolute discretion.

4.01.6 Licensed Contractors. You shall use licensed general contractors, designers and architects to perform any and all construction work at the Franchised Bar, including in connection with any remodeling or renovations. Tapster expressly disclaims any warranty of the quality or merchantability of any goods or services provided by architects, contractors, or any other persons or entities to which Tapster may refer to you. Tapster is not responsible for delays in the construction, equipping or decoration of any Franchised Bar or for any loss resulting from the Franchised Bar design or construction. You acknowledge that Tapster has no control over the landlord or developer and numerous construction and/or any related problems that could occur and delay the opening of the Franchised Bar.

4.01.7 Tapster Access to Bar and Progress Reports. Tapster shall have access to the Franchised Bar at all times during the Term, including while work is in progress, and shall require alterations or modifications of the construction of the Franchised Bar as Tapster may deem necessary or appropriate in its sole and absolute discretion.

4.01.8 Final Inspection; Approval. You shall promptly notify Tapster of the date of completion of the construction of the Franchised Bar and, within ten (10) days thereafter, Tapster shall have the right to conduct a final inspection of the Franchised Bar. You shall not open the Franchised Bar for business without the express written authorization of Tapster, and Tapster's authorization to open may be conditioned upon your strict compliance with the specifications of the approved final plans and with the standards of the System.

4.01.9 Completion and Opening Requirements. You shall complete construction of the Franchised Bar (including all exterior and interior carpentry, electrical, plumbing, painting, and finishing work, and installation of all furniture, fixtures, equipment, and signs) in accordance with the plans approved in writing by Tapster, at your expense, and open the Franchised Bar no later than the earlier to occur of: (a) twelve (12) months after the Effective Date; or (b) nine (9) months after the date on which you enter into a valid and binding lease agreement or purchase agreement, as applicable, for the Approved Bar Location (the "Required Opening Date").

#### 4.02 Installation of Equipment, Furnishings, Fixtures and Signs / Decor

4.02.1 You shall install and use in and about the Franchised Bar only such equipment, fixtures, furnishings, interior and exterior signage, electronic and computerized devices and services, and other personal property which strictly conforms to the appearance, uniform standards, specifications and procedures of Tapster and the System, as may be revised from time to time in Tapster's sole and absolute discretion. Such items are sometimes referred to herein collectively as the "Equipment and Furnishings". You shall purchase and install all Equipment and Furnishings only from those suppliers which Tapster designates or approves in its sole and absolute discretion. Tapster shall have the right to retain any rebates or incentives offered by such vendors or suppliers. Tapster and its affiliates reserve the right to be one of the suppliers, or the sole supplier, of any Equipment and Furnishings and may derive revenue, benefits, or other material consideration from such purchases. Tapster shall have the right to inspect and approve all

Equipment and Furnishings and their installation to ensure your compliance with Tapster's Standards and Specifications.

4.02.2 You agree that all décor of the Franchised Bar shall be previously approved by Tapster and shall comply with Tapster's Standards and Specifications, as described in the Operations Manual, this Agreement, or in such other written communications provided to you by Tapster, which communications may be periodically revised. Tapster owns all intellectual property rights, including, without limitation, all copyrights, in and to all forms of art or other visual media displayed in your Franchised Bar including pictures, drawings, photographs and all other items that Tapster directs you to display (the "Art"). You shall not, without Tapster's prior written consent, allow any of the Art to become a fixture of your Franchised Bar and you shall not display or use the Art in any other business, including any Competitive Business (as defined in Section 19.02.2 below). Your failure to maintain your Franchised Bar's décor in compliance with Tapster's Standards and Specifications, the Operations Manual, or any other policy of Tapster constitutes a material breach of this Agreement.

4.03 Initial Inventory Package, Equipment, Furniture and Supplies.

4.03.1 After you sign this Agreement, Tapster shall give you a list of the start-up inventory, furniture, fixtures, software, equipment and supplies that Tapster requires you to obtain before you open your Franchise Bar (the "Initial Inventory Package"), together with a list of any designated or approved suppliers.

4.03.2 You shall purchase the Initial Inventory Package from Tapster, or the suppliers designated by Tapster, which suppliers may be one or more affiliates of Tapster, before you open the Franchised Bar. Tapster does not provide any warranty or service guaranty of any item, including, without limitation, any inventory item.

4.03.3 Unless Tapster designates otherwise in writing, you shall establish independent commercial relationships with Tapster's approved or designated suppliers for specific items. You shall establish independent commercial relationships with other suppliers for the goods and services for which Tapster only provides specifications. Tapster's list of approved suppliers and specifications for goods and services shall be set forth in the Operations Manual, the Initial Inventory Package, or in such other materials provided to you by Tapster from time to time.

4.03.4 You are responsible for payment of any applicable licensing fees relating to the playing of music, television, satellite or cable programming, pay-per-view events, or music (if any) in any format at the Bar.

## **ARTICLE 5. FEES**

5.01 Initial Fees.

5.01.1 Initial Franchise Fee. In consideration of the franchise granted under this

Agreement, you shall pay to Tapster, upon or prior to the execution of this Agreement, an initial franchise fee of Forty Thousand Dollars (\$40,000) (the “Initial Franchise Fee”). In the event that you sign franchise agreements for three or more units concurrently, we will discount the Initial Franchise Fee to Thirty Thousand Dollars (\$30,000) per unit. The Initial Franchise Fee is deemed fully earned and non-refundable upon payment. 2

5.01.2 Initial Development Package Fee. Unless we designate otherwise in writing, you shall purchase the Initial Development Package from us or our designees before you open the Bar. The “Initial Development Package” includes tap equipment and the tap wall, your opening inventory of menus, digital menu board content, gift cards, uniforms, apparel and other miscellaneous items such as pens, magnets and mugs. The Initial Development Package fee shall be listed on the Contract Data Sheet once your Approved Bar Location is determined.

5.01.3 Launch Fee. The Launch Fee is Fifteen Thousand Dollars (\$15,000). The Launch Fee is deemed fully earned and non-refundable upon payment.

5.02 Ongoing Fees.

5.02.1 Royalty Fee. During the Term, you shall pay to Tapster, without offset, credit or deduction of any nature, a continuing nonrefundable royalty fee equal to five percent (5%) of Gross Sales (as defined in Section 5.06 below) (the “Royalty Fee”). The Royalty Fee shall be due and payable in accordance with Section 5.03 below. If the state or local government jurisdiction in which your Bar is located prohibits or restricts the payment of royalties or other percentage payments based on sales of alcoholic beverage products, then you will pay us a Royalty Fee equal to the greater of: (a) whatever increased percentage of all Gross Sales not derived from the sale of alcohol necessary so that the Royalty Fee you pay equals the Royalty Fee you would pay if you were not subject to any such restriction; or (b) \$7,000.00 per month, commencing with the first full calendar month after your Bar opens for business.

5.02.2 Advertising Fee. During the Term you shall pay to Tapster or its designee a continuing advertising fee of up to two percent (2%) of Gross Sales, as designated by Tapster (the “Advertising Fee”). If the state or local government jurisdiction in which your Bar is located prohibits or restricts the payment of royalties, advertising fees, or other percentage payments based on sales of alcoholic beverage products, then you will pay us an Advertising Fee equal to the greater of (a) whatever increased percentage of all Gross Sales not derived from the sale of alcohol necessary so that the Advertising Fee you pay equals the Advertising Fee you would pay if you were not subject to any such restriction; or (b) \$2,800.00 per month, commencing with the first full calendar month after your Bar opens for business. The Advertising Fee shall be due and payable in accordance with Section 5.03 below and the following provisions:

(1) You shall make the Advertising Fee payments as Tapster directs, in sole and absolute discretion, to one or more Funds (as hereinafter defined) established or designated by Tapster for advertising, marketing, promotion or other purposes, and/or for Local Marketing Purposes (as hereinafter defined). Initially, the allocation of the Advertising Fee shall be such amounts as set forth in the Contract Data Sheet; however, Tapster shall have the right to adjust and reallocate the Advertising Fee, at any time in Tapster’s sole and absolute discretion, by providing

written notice to you, subject to the two percent (2%) limit.

(2) You acknowledge and agree that Tapster shall have the right, at any time, to enforce your obligation to pay the entire Advertising Fee to the Funds in Tapster's sole and absolute discretion.

**5.02.3 Technology Fee**. We require you to pay to us or our designee, an ongoing, monthly "Technology Fee" (currently, \$1,000/month) The Technology Fee may be increased in our sole discretion beyond \$1,000 per month if new technologies or services are introduced and/or when our costs increase. We may use the Technology Fee for any technology-related purpose, as we determine in our sole discretion including, but not limited to, for the ongoing development, maintenance, support, and licensing of any technology systems and software that we provide to you, in our sole discretion, for use in the operation of your franchised business. We reserve the right to modify, eliminate and add technologies in our sole discretion.

**5.03 Method of Payment**. You shall pay the Royalty Fee and Advertising Fee in the manner and on the date designated by Tapster. Tapster has the right to change the date and manner through which it requires you to pay any or all amounts due to Tapster under this Agreement upon written notice to you at any time. You shall immediately comply with all such changes and sign any and all documents and agreements necessary to implement any such payment program or process. Unless otherwise designated by Tapster in writing, you shall pay the Royalty Fee and Advertising Fee on a monthly basis by electronic funds transfer ("EFT"). The Royalty Fee shall be payable as follows:

**5.03.1 Royalty / Advertising Fee Pay Period**: Tapster shall automatically draft the Royalty Fee and Advertising Fee due based on the Gross Sales for the previously concluded month via EFT on the tenth (10<sup>th</sup>) day of each month. Tapster may, in its sole and absolute discretion, permit or require you to pay the Royalty Fee and/or the Advertising Fee to Tapster via check, which check shall be due on the tenth (10<sup>th</sup>) day of each month for the Royalty Fee and Advertising Fee due in connection with the immediately preceding month.

**5.04 EFT**.

**5.04.1** You shall, upon execution of this Agreement, and at any time thereafter at Tapster's request, sign and deliver to Tapster the EFT form (in substantially the form attached hereto as Exhibit D, the "Electronic Funds Transfer Form") and such other documents or forms as Tapster may require to process EFT payments initiated by Tapster pursuant to this Agreement, including, without limitation, the Royalty Fee and Advertising Fee. In addition, from time to time at Tapster's reasonable request, you shall sign and deliver such additional documents as Tapster may require to enable Tapster to draw drafts against your bank accounts for such purposes.

**5.04.2** You shall report all Gross Sales to Tapster in the form and manner designated by Tapster. If any Gross Sales information obtained by or submitted to Tapster is subsequently determined by Tapster to be inaccurate, then: (a) if the actual amount of the Royalty Fee due was more than the amount of the EFT processed by Tapster, then Tapster shall be entitled to withdraw additional funds through EFT from your designated bank account for the difference; or (b) if the actual amount of the Royalty Fee due was less than the amount of the EFT by Tapster, then Tapster shall either return the excess amount to you, or credit the excess amount to the payment of your future Royalty Fee obligations.

5.04.3 Should any EFT payment not be honored by your bank for any reason, you agree that you shall be responsible for such payment plus any bank or other charges incurred by or assessed upon Tapster, if any. You further agree that you shall at all times throughout the Term maintain a balance in your bank account against which such EFT payments are to be drawn sufficient to cover the Royalty Fee and Advertising Fee. If the Royalty Fee and Advertising Fee are not received when due, interest may be charged by Tapster in accordance with Section 5.10.

5.04.4 Upon written notice to you, and at Tapster's sole discretion, Tapster may require you to pay the Royalty Fee, Advertising Fee, and any other fees due under this Agreement directly to Tapster in the form and manner designated by Tapster, in lieu of an EFT.

5.05 **Gross Sales Reporting.** On or before the tenth (10<sup>th</sup>) day of each month, you shall prepare and submit to Tapster via electronic mail to the email address designated by Tapster, or such other delivery method specified by Tapster, a monthly Gross Sales report reflecting all Gross Sales for the previously concluded month. You hereby acknowledge that Tapster has the unrestricted right to access your POS System (as defined in Section 8.04 below), which may include access to daily Gross Sales information. Tapster reserves the right to require you to prepare and submit Gross Sales reports and/or statements in the form and manner designated by Tapster at any time, in lieu of collecting written Gross Sales reports via electronic mail. You shall immediately comply with any and all such requirements upon your receipt of written notice from Tapster. If, for any reason, Tapster is unable to access your Gross Sales electronically, or if you fail to submit Gross Sales information in the form and manner designated by Tapster for any given month, Tapster shall have the right to deduct from your bank account an amount equal to the Royalty Fee and the Advertising Fee due to Tapster for the immediately preceding month.

5.06 **“Gross Sales” Defined.** As used in this Agreement, “Gross Sales” shall mean all revenue derived from the sale of any and all products and services, and all other income of every kind and nature, related in any way to the Franchised Bar, whether for cash, check, debit or credit card (and regardless of collection in the case of credit) and whether or not such sales are made at or by the Franchised Bar, including, without limitation, revenues from delivery service sales, retail concessions, hotel room service, catering, special functions and sales of any products bearing or associated with the Marks; *provided, however,* that you may deduct (a) any federal, state or municipal sales, use, or service taxes which were collected by you from customers and paid to the appropriate taxing authority as required by law, and any customer refunds, adjustments, credits and allowances actually made by the Bar. You shall retain and make available to Tapster on ten (10) days’ notice, copies of all tax reports and vendor invoices evidencing all sales tax payments.

5.07 **Taxes.** If any tax or fee (other than federal or state income tax) is imposed on Tapster by any government or governmental agency due to Tapster’s receipt of fees owed to Tapster under this Agreement, then you agree to pay Tapster the amount of such tax as an additional franchise fee. Tapster shall have no liability for any sales, use, excise, gross receipts, income, property or other taxes, whether levied upon you, the Franchised Bar or its assets, in connection with the sales made, services performed or business conducted by you.

5.08            No Offset or Withholding. You shall not offset or withhold payments owed to Tapster for amounts purportedly due to you from Tapster or its affiliates as a result of any dispute of any nature or otherwise; rather, you shall pay all amounts owed to Tapster and seek reimbursement thereafter.

5.09            Allocation. Tapster shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee to Tapster or its affiliates, despite any other allocation by Franchisee.

5.10            Interest on Late Payments. All Royalty Fees, Advertising Fees, amounts due for purchases from Tapster or its affiliates, and all other amounts owed to Tapster or its affiliates shall bear interest after the due date at the lesser of the highest legal rate permissible or eighteen percent (18%) per annum. Notwithstanding the foregoing, you acknowledge that this Section 5.10 does not constitute an agreement by Tapster to accept such payments after the due date or a commitment by Tapster to extend credit to, or otherwise finance, your operation of the Franchised Bar.

## **ARTICLE 6.      TAPSTER'S DUTIES**

6.01            Pre-Opening Obligations.

6.01.1 Tapster shall make available to you, at no charge, generic, standard specifications for the construction of a prototypical *Tapster®* Bar, including the exterior and interior design and layout, display requirements, fixtures, equipment and signage. You shall, at your expense, adapt the standard specifications for use at the Franchised Bar at your Approved Bar Location, as provided in this Agreement.

6.01.2 Tapster shall provide your Franchisee Training Team (as defined in Section 7.01 below) with an initial training program prior to the opening of the Franchised Bar. All initial training provided by Tapster shall be subject to the terms and conditions set forth in this Agreement.

6.01.3 Tapster shall provide to you such on-site pre-opening and opening supervision and assistance as Tapster, in its sole and absolute discretion, deems advisable, subject to the availability of Tapster's personnel.

6.01.4 Tapster shall provide to you access to one copy of the Operations Manual, which Tapster may provide to you in either written or electronic format. From time to time in Tapster's sole and absolute discretion, Tapster shall make such modifications and additions to the Operations Manual as are necessary in order to, among other things, incorporate new developments or other changes in System standards, specifications, procedures, and techniques (including, to the fullest extent permitted by law, changes relating to the maximum, minimum, or other prices for products and services offered and sold by the Bars). You agree to pay the then-current replacement fee established by Tapster for the replacement of the Operations Manual or other Tapster materials.

6.01.5 Tapster shall provide you with information and the identification of sources to purchase certain designated products, equipment, furnishings, fixtures, supplies, inventory, signage and Bar collateral materials.

6.02            Additional Discretionary Assistance. Tapster may, in its sole and absolute

discretion, provide the following to you:

6.02.1 Additional Training (as defined in Section 7.02 below), after the opening of the Franchised Bar, as Tapster deems appropriate;

6.02.2 Continuing advisory assistance in the operation of the Franchised Bar, after the opening of the Franchised Bar, as Tapster deems advisable; and

6.02.3 Advice and written materials concerning techniques of managing and operating the Franchised Bar, including required and suggested inventory and sales instructions, new developments and improvements in Bar layout and design, and new developments in services, merchandising and packaging of services and products.

6.03 Outsourcing. Tapster may, in its sole and absolute discretion, elect to outsource, and/or subcontract certain of Tapster's obligations under this Agreement to subsidiaries, affiliates, contract employees, third-party vendors, and/or other third-party suppliers; provided that: (a) any such outsourcing and/or subcontracting shall not discharge Tapster from its obligations under this Agreement; and (b) any such outsourced or subcontracted obligations shall be performed in accordance with the terms of this Agreement.

## **ARTICLE 7. TRAINING**

### **7.01 Initial Training Program.**

7.01.1 Franchisee Training Team. The "Franchisee Training Team" shall be comprised of each of the following "Franchisee Trainees": (a) Franchisee (or, if Franchisee is a Legal Entity, then at least one of Franchisee's owners) (the "Managing Owner"); and (b) Franchisee's general manager (the "General Manager). The General Manager of Franchisee shall be either: (i) the Franchisee (or, if Franchisee is a Legal Entity, one of its owners), or (ii) an individual that has successfully completed Tapster's initial training program and has entered into a confidentiality and non-competition agreement in a form approved by Tapster. Each of the Franchisee Trainees shall attend and successfully complete, to Tapster's satisfaction, an initial training program prescribed by Tapster before the opening of the Franchised Bar (the "Initial Training"). Each member of the Franchisee Training Team who successfully completes the Initial Training in accordance with the foregoing shall be deemed a "Trained Manager". The Franchised Bar shall at all times be operated under the management and supervision of a Trained Manager. Any persons subsequently employed by Franchisee as a Managing Owner shall be required to attend and complete the Initial Training to Tapster's satisfaction before commencing any management duties.

7.01.2 Training Completion Deadline. The Franchisee Training Team shall complete the Initial Training at the times designated by Tapster, and unless otherwise approved by Tapster, no later than fifteen (15) days before the Franchised Bar opens for business. Franchisee shall not be permitted to open the Franchised Bar until the Initial Training is completed in accordance with this Agreement.

7.01.3 Responsibility for Costs & Expenses. In addition to the Initial Training Fee, you shall be responsible for all of the costs set forth in Section 7.03 below.

### **7.02 Additional Training.**

**7.02.1 Additional Training Required.** Should you require additional training or retraining for any of the Franchisee Trainees any time after the Initial Training has been completed (“Franchisee- Requested Training”), Tapster may, in its sole and absolute discretion, provide such training. Furthermore, Tapster may require, in Tapster’s sole and absolute discretion, that one or more of the Franchisee Trainees, including any replacement trainees, attend and successfully complete a periodic refresher/retraining course (“Tapster- Requested Training”, together with Franchisee- Requested Training, the “Additional Training”), in order to correct any problems or deficiencies that Tapster becomes aware of in the operation of the Franchised Bar as it relates to protection of the *Tapster®* brand and/or the Marks.

**7.02.2 Responsibility for Costs & Expenses.** Any person who is required to attend the Additional Training shall do so at your expense. You shall be responsible for all of the costs set forth in Section 7.03 below. In addition, you shall pay to Tapster in advance a standard hourly fee that Tapster shall establish from time to time (the “Hourly Training Fee”).

**7.02.3 Form of Training.** Tapster reserves the right in its sole and absolute discretion to provide elements of any training required or contemplated under this Agreement via the Internet or any online source, remotely, via audio or video conferencing, or in any other manner that may be reasonable or appropriate under the circumstances.

**7.03 Location of Training; Associated Costs/Expenses of Training.** All training programs shall be held at onsite at Franchised Bar immediately prior to opening. If Tapster elects to conduct such training at the Franchised Bar, Franchisee shall reimburse Tapster for the reasonable out-of-pocket expenses incurred by Tapster’s training instructor(s), including, without limitation, all travel expenses, food and lodging. In addition to the foregoing, Franchisee is responsible for any and all additional costs and expenses incurred in connection with such training, including expenses related to any required courses, seminars, and/or programs.

## **ARTICLE 8. GENERAL OPERATING STANDARDS AND DUTIES OF FRANCHISEE**

**8.01 Franchisee Performance Obligations.** You understand and acknowledge that every detail of the Franchised Bar is important to you, Tapster, and the 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 Tapster and the System. You shall maintain Tapster’s high standards with respect to facilities, services, products, and quality. Without limiting the generality of the foregoing, you shall construct, open, maintain and operate the Franchised Bar for the Term pursuant to and in accordance with the System, the Standards and Specifications set forth in this Agreement, the requirements of the Operations Manual, and any other written publication or policy issued by Tapster. You agree to operate the Franchised Bar in accordance with the System and only for the purpose(s) designated in this Agreement, the Operations Manual, and such other publications or policies issued by Tapster from time to time.

**8.02 General Operational Obligations.**

**8.02.1 Quality Standards.** All goods (including food and beverage products, equipment, supplies, materials and other items) used or offered for sale at the Franchised Bar shall meet Tapster’s then-current standards of quality, good taste, suitability, and conformity with the System’s image and consumer expectations. You shall maintain all products, refrigeration equipment and other equipment in the Franchised Bar in excellent working condition. You shall replace such items with either the same or substantially the same types and kinds of equipment approved by Tapster at the time replacement becomes

necessary.

**8.02.2 Hours of Operation.** You shall keep the Franchised Bar open and in normal operation for such minimum hours and days as Tapster may specify in its sole and absolute discretion. You shall use the Approved Bar Location solely for the operation of the Franchised Bar and no portion of the premises may be assigned, subleased, or otherwise transferred except as part of a sale of the Franchised Bar that is approved by Tapster in writing. You shall refrain from using or permitting the use of the Franchised Bar premises for any purpose or activity other than the operation of a Bar at any time, and shall operate in strict conformity with such methods, Standards and Specifications as Tapster may prescribe from time to time.

**8.02.3 Direct Supervision.** The Franchised Bar shall always be under the direct, on-premises supervision of a Trained Manager, unless you have received Tapster's prior written consent to operate otherwise. Franchisee's Managing Owner shall devote his /her entire work time to the management of the Franchised Bar. You shall have exclusive control over, and assume full responsibility for, all labor relations, including, without limitation, the hiring, firing, and disciplining of employees, setting employee compensation, and determining employee work schedules.

**8.02.4 Staff.** You shall employ and maintain a competent, conscientious, and trained staff. You acknowledge that it is your responsibility to ensure that all managers and employees follow Tapster's Standards and Specifications. You shall comply with the dress code as may be prescribed by Tapster from time to time. We do not direct or control labor or employment matters for you or your employees, or for any of our franchisees and/or their employees. We may make suggestions and may provide guidance relating to such matters, however it is entirely your responsibility to determine whether to adopt, follow and/or implement any of our suggestions or guidance. Notwithstanding anything contained in this Agreement to the contrary, mandatory specifications, standards and operating procedures, including as set forth in any manual, do not include the terms or conditions of employment for any of your employees, nor do they include mandated or required personnel policies or procedures.

**8.02.5 Customer Relations.** You shall take such steps as are necessary to ensure that you and your employees preserve good customer relations and render competent, prompt, courteous and knowledgeable service. You shall handle all customer complaints, gift certificates, refunds and other adjustments in the manner prescribed in writing by Tapster and in a manner that shall not detract from the name and goodwill of Tapster.

**8.02.6 Telephone Number.** You shall maintain a telephone number for the operation of the Franchised Bar and shall execute a conditional assignment of all telephone numbers used in connection with the Franchised Bar (in substantially the form attached hereto as Exhibit E, the "Conditional Assignment of Telephone Numbers and Listings").

**8.02.7 Inspections.** In an effort to advance the protection and enhancement of the *Tapster* ® brand and the Marks, you shall permit Tapster and its agents to enter the Franchised Bar premises at any time for the purpose of conducting inspections of your operations and shall cooperate with Tapster's representatives in such inspections by rendering such assistance as may reasonably be requested. Upon notice from Tapster or its agents, and without limiting Tapster's other rights under this Agreement, you shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by Tapster, Tapster shall have the right and authority (but not the obligation), in addition to any other rights or remedies available to Tapster under this Agreement or applicable law, to correct such deficiencies and to charge you a reasonable fee for Tapster's expenses in so acting, payable by Franchisee

upon demand.

8.03 Maintenance, Repairs, Renovations and Refurbishment.

8.03.1 Repairs and Maintenance of the Franchised Bar. You shall repair and maintain the Franchised Bar (including adjacent public areas and parking lots) in a clean, orderly condition and in good repair and in accordance with the System standards, the Operations Manual and this Agreement.

8.03.2 Remodeling of Franchised Bar.

(b) Tapster may require you to renovate or remodel the Franchised Bar (“Remodeling”) in order to, among other things, improve the appearance and efficient operation of the Franchised Bar, comply with the prevailing brand image of the Bars in the System, or comply with System Standards and Specifications. Without limiting the generality of the foregoing, any such Remodeling may include: (a) the incorporation of an updated design, Trade Dress (as defined in Section 10.02), color scheme and/or presentation of the Marks in a manner that is consistent with the then-current image for new Bars in the System; (b) the replacement of worn out or obsolete equipment, fixtures, furniture and signs; the substitution or addition of new or improved equipment, fixtures, furniture and supplies; (d) the redecorating of the interior of the Franchised Bar; and (e) any reasonable structural modifications to the premises. You shall complete all required Remodeling within the time period prescribed by Tapster. Notwithstanding the foregoing, Tapster shall not require you to complete a Remodeling of the Franchised Bar during the two (2)-year period after the Effective Date, during the last year of the Term (except as required in order to qualify for a Successor Franchise Agreement), or more than once every five (5) years.

(1) Tapster may, without any limitation, require you to: (a) purchase or lease additional equipment that is required in a majority of the Bars in the System, such as new beverage dispensing equipment, including taps, and other product preparation or service methods or products (e.g., a new computer and point of sale system); (b) make any and all repairs necessary, including repainting, in order to maintain the interior and exterior of the Franchised Bar in a clean and orderly condition satisfactory to Tapster as required by Section 8.03.1; (c) complete any required renovations upon any transfer of the Franchised Bar; (d) make any changes related to the modification of the Marks; and/or (e) make any changes to the menus and menu boards, as required by Tapster.

8.04 Computer System. You shall purchase and maintain the computer and point of sale system designated by Tapster (the “POS System”), which shall be used in the operation of the Franchised Bar and for reporting purposes and purchased from a supplier designed by Tapster. You shall comply with the following provisions relating to the POS System:

8.04.1 You shall update and upgrade the POS System as designated by Tapster. Tapster may require you to enter into a separate maintenance and/or support agreement for your POS System at any time, at your sole cost and expense.

8.04.2 You shall record all sales at or from the Franchised Bar at the time of sale on the POS System, in accordance with Tapster’s procedures.

8.04.3 You shall comply with such requirements determined by Tapster from time to time regarding maintenance, training, storage and safeguarding of data, records, reports and other matters relative to the POS System.

8.04.4 Tapster has the right to independently access any and all information on your POS System at any time without prior notice to you. Without limiting the generality of the foregoing, you shall, at your sole cost and expense, permit Tapster immediate access to your POS System, electronically or otherwise, at all times. Tapster shall have the right to use the information accessed on the POS System in any manner that Tapster determines, including using any and all such information in Tapster's Franchise Disclosure Document and/or sharing your financial statements, including profit and loss statements, with other System franchisees.

8.05 Security System. You shall purchase and install, at your expense, a video security and surveillance system as designated by Tapster. Tapster may require that the security and surveillance system provide Tapster with continuous real-time visibility via the Internet or such other method as Tapster may require from time to time. The purpose of the system is to verify your compliance with the terms and conditions of this Agreement, to maintain the integrity of the Marks, and to confirm whether you are maintaining the quality of service and products that Tapster requires. You shall remain solely responsible for all activities within the Franchised Bar and Tapster has no obligation to monitor the Franchised Bar for safety or security concerns, other concerns, or compliance with applicable laws, rules and regulations. You shall indemnify and hold Tapster harmless from any and all damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission by Tapster arising from Tapster's surveillance access to the Franchised Bar.

8.06 Pricing and Promotional Programs.

8.06.1 Pricing. Tapster reserves the right, subject to compliance with applicable laws, to require you to offer all menu items at prices not to exceed the prices Tapster publishes from time to time, effective upon written notice to you. Tapster reserves the right to prohibit you from charging prices lower than Tapster's published menu prices for any item, to the maximum extent allowed by applicable law. You shall have sole discretion as to the prices to be charged to customers with respect to the offer and sale of all other goods and services.

8.06.2 Gift Card & Loyalty Programs. You shall participate in and comply with all of the terms and conditions of any gift card and/or loyalty program designated by Tapster. Tapster or its designee shall have the right to retain any and all funds and overages for unclaimed gift cards (whether in part or in whole) and/or loyalty programs. In connection with any such program(s), you may be required to, among other things: (a) enter into a gift card terms and conditions agreement with a designated supplier; (b) purchase card processing machines and a specified quantity of gift cards; (c) pay a transaction processing fee; and/or (d) pay an ongoing maintenance and/or service fee. In addition to the other indemnification obligations set forth in this Agreement, you shall indemnify and hold Tapster harmless from any and all damages, claims, demands, actions, suits, proceedings or judgments of any kind or nature, by reason of any claimed act or omission related to gift cards issued by you in connection with the operation of the Franchised Bar.

8.06.3 Promotional Programs. You shall participate in all of the national, regional or local advertising and promotional activities that Tapster requires. You understand that Tapster may frequently implement promotions such as discount coupons, frequent customer cards, special menu promotions and other activities intended to enhance customer awareness and build traffic at Bars on a national, regional or local level. You understand that your participation in these programs is essential to the success of such advertising and promotional programs and that such participation may entail some cost to you. You agree that Tapster has no obligation to reimburse you for any costs you incur due to your mandatory participation in these special promotional programs.

8.06.4 Data Security. You shall use your best efforts to protect your customers against any data breach or cyber-event, including, without limitation, identity theft or theft of personal information (a “Data Security Breach”). If a Data Security Breach occurs, in the interest of protecting the goodwill associated with the *Tapster*® brand and franchise system, we reserve the right to perform and / or control any and all aspects of the response to such event, including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, customers, law enforcement agencies, regulatory authorities and the general public. You hereby acknowledge and agree that, if we elect to exercise this right, our actions and control of the response may potentially affect or interrupt operations of the Bar. You shall have no right to pursue or recover any damages against us or any of our affiliates in connection with any action taken in response to any Data Security Breach. You shall at all times be compliant with Payment Card Industry Data Security Standards, any and all requirements imposed by all applicable payment processors and networks, including credit card and debit card processors, and any and all state and federal laws, rules and regulations relating to data privacy, data security and security breaches. You hereby acknowledge and agree that if we engage or designate a third party service provider to administer a data security program, you will be required to comply with the requirements of such service provider. It is your responsibility to ensure that you operate your Bar at all times in compliance with all aforementioned laws, rules, regulations and requirements and you are strongly encouraged to engage legal and data security professionals to ensure your full compliance.

## **ARTICLE 9. REQUIRED PURCHASES; RESTRICTIONS ON EQUIPMENT, PRODUCTS, SERVICES AND SOURCES OF SUPPLY**

9.01 Equipment, Fixtures and Furnishings. You shall, at your expense, purchase or lease, install and use in connection with the Franchised Bar only such Equipment and Furnishings which Tapster designates or requires, all of which shall conform to the Operations Manual, Tapster’s Standards and Specifications, and such other publications and policies issued by Tapster from time to time. You shall not install or permit to be installed at the Franchised Bar any item that is not specifically approved or designated by Tapster. Tapster shall have the right to inspect and approve all Equipment and Furnishings and their installation to ensure your compliance with this Agreement and Tapster’s Standards and Specifications. You shall not install or permit to be installed at the Franchised Bar:

9.01.1 any games, vending machines, entertainment devices, computer terminals, or other similar items, unless specifically approved or designated by Tapster; or

9.01.2 any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items that do not comply with Tapster’s standards, unless Tapster has provided its prior written consent.

9.02 Products and Services. You shall offer for sale, or otherwise use in the Franchised Bar, all food and beverage products, ingredients, materials, packaging, supplies, paper goods and non-food merchandise and items (collectively, the “Products”) that Tapster requires and approves, in its sole and absolute discretion, in the manner and style that Tapster requires and in accordance with Section 9.01 of this Agreement. You shall offer, sell and provide such other services (collectively, the “Services”) that Tapster designates in accordance with Tapster’s Standards and Specifications within your Protected Territory. You shall not offer for sale any Products or Services that are not specifically approved by Tapster, or that are disapproved for sale at or from the Franchised Bar in Tapster’s sole and absolute discretion. You shall not offer any alcoholic beverages that have not been expressly approved by Tapster in writing without obtaining Tapster’s prior written consent, which may be granted or withheld in Tapster’s sole and absolute discretion. You may not deviate from Tapster’s Standards and Specifications in any way without obtaining

Tapster's prior written consent, which may be granted or withheld in Tapster's sole and absolute discretion. Without limiting the foregoing, continuously throughout the term of this Agreement, you shall provide alcoholic beverage services consisting of beer and wine and food services we may designate only at the Bar in accordance with Tapster's System standards and subject to all applicable laws, unless Tapster waives this requirement in advance in writing. Tapster has the right to approve the form of any agreement, and all modifications to any such agreements, and the quality and brands of beer, wine and other beverages or foods Tapster has approved to be sold at the Bar. NEITHER Tapster NOR ANY OF ITS AFFILIATES MAKE ANY EXPRESS OR IMPLIED WARRANTIES REGARDING THE GOODS AND SERVICES THAT YOU MUST PURCHASE, AND Tapster AND ITS AFFILIATES EXCLUDE (AND EXPRESSLY DISCLAIM) ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, except a set forth in a particular written warranty, if any, provided in connection with a particular Product or Service.

**9.03                    Supply of Designated or Approved Items.** You shall maintain in sufficient supply the Products, and Equipment and Furnishings, as designated or approved by Tapster, so as to be able to meet your obligations under this Agreement.

**9.04                    Approved Suppliers.**

**9.04.1                Approved and Designated Suppliers.** You shall purchase all services and items, including, without limitation, Products, inventory, services, signs, Equipment and Furnishings, fixtures, and supplies only from distributors and suppliers that Tapster has approved or designated. Tapster shall provide you with a list of any designated suppliers, which Tapster has the right to change at any time in its sole and absolute discretion. Tapster has the right to revoke its approval of any approved or designated supplier at any time, in which event, you shall immediately cease from purchasing or acquiring any items from any such disapproved supplier. Tapster reserves the right to become an approved vendor, or the only approved vendor for any item, product or service in the future.

**9.04.2                Supplier Contracts.** Tapster may require you to enter into, and strictly comply with the terms of agreements and contractual arrangements directly with System suppliers in the form(s) designated by Tapster (each a "Supplier Contract"), and you hereby agree to immediately sign and comply with all such requirements. You acknowledge that the Supplier Contracts may change over time and new Supplier Contracts may be designated in the future.

**9.04.3                Proposal of Additional Suppliers.** If you wish to purchase any items, Products, Equipment and Furnishings, or other supplies from a supplier or distributor who is not on Tapster's approved list, you may request Tapster's approval of the supplier or distributor. The following procedures shall apply in the event that you wish to propose an alternate supplier or distributor:

(1) In order for such supplier or distributor to be approved: (a) the product or service offered by the proposed supplier or distributor shall conform in every respect to Tapster's Standards and Specifications; (b) the proposed supplier or distributor shall have a good business reputation and be able and willing to provide sufficient quantities of the product or service to you; (c) the proposed supplier or distributor shall provide Tapster with any information that Tapster requests in order to analyze the supplier's or distributor's suitability, and the composition and conformity of the product or service to Tapster's Standards and Specifications; and (d) the proposed supplier or distributor shall agree that, if approved, it shall provide Tapster with reports concerning all purchases by you and other franchisees.

(2) Tapster cannot predict with any certainty how long Tapster's evaluation process shall take, however, Tapster shall attempt to complete the evaluation within a reasonable time, generally not to exceed forty-eight (48) hours. Upon the completion of the evaluation, Tapster shall inform you of Tapster's approval or disapproval of your request for an alternate supplier or distributor. If Tapster approves

the supplier or distributor, the supplier or distributor shall be added to Tapster's approved list, however, Tapster's approval of a supplier or distributor shall relate only to the item or product line evaluated and specifically approved by Tapster.

(3) Tapster's Standards and Specifications and other criteria for supplier or distributor approval have been developed by Tapster through the expenditure of extensive work and time and shall therefore be considered Confidential Information (as defined in Section 12.01 below). Therefore, Tapster has no obligation whatsoever to make its Standards and Specifications or other criteria for supplier or distributor approval available to Franchisee or any proposed or approved suppliers.

**9.05                    Tapster's Right to Derive Revenue & Consideration.** You acknowledge and agree that Tapster and/or its affiliates reserve the right to derive income, consideration, payments and other material benefits on account of your purchase and/or lease, and any System franchisee's purchase and/or lease, of any item and/or service, including, without limitation, Equipment and Furnishings, Products, Services and other items from Tapster or any supplier/distributor, including approved suppliers/distributors and/or designated suppliers/distributors. This income may be derived in any form, including as a rebate from any supplier or distributor based on the quantity of System franchisee purchases. Tapster may use these benefits for any purpose that Tapster deems appropriate. Tapster is not obligated to remit any benefits to you and reserves the right to retain all such benefits. Tapster does not guarantee the availability of independent sources of supply for any particular item, Equipment or Furnishings, Product or Service required to establish or operate the Franchised Bar.

**9.06                    Purchasing Programs.** Tapster shall have the right, in its discretion, to designate any geographical area for purposes of establishing a purchasing program ("Purchasing Program"). If a Purchasing Program applicable to the Franchised Bar has been established at the time Franchisee commence operations, or is established during the Term, you shall immediately participate in the Purchasing Program, unless prohibited by applicable state and/or federal laws, rules or regulations.

## **ARTICLE 10.            MARKS**

**10.01                  Ownership.** The Marks are owned by Tapster Trademark LLC and licensed to Tapster.

**10.02                  Use of the Marks.** With respect to your licensed use of the Marks and the tradename of the Franchised Bar (the "Trade Dress") pursuant to this Agreement, you agree that:

**10.02.1**                  You shall use only the Marks designated by Tapster in connection with the operation of the Franchised Bar, and shall use them only in the manner authorized and permitted by Tapster. Any unauthorized use thereof shall constitute an infringement of Tapster's rights.

**10.02.2**                  You shall have the right to use the Marks only: (a) at the Franchised Bar and in connection with the operation of the Franchised Bar in strict accordance with the terms of this Agreement, the Operations Manual and Tapster's Standards and Specifications; and (b) in connection with the advertising and/or promotion of the Franchised Bar, in strict accordance with the terms of this

Agreement, the Operations Manual and Tapster's Standards and Specifications.

10.02.3 You acknowledge that this Agreement does not grant you the right to offer or sell products or services from any other location or by any other means, including, without limitation, catalog or mail order sales, Internet sales (or the like), sales toBars, clubs, hotels and the like, and as corporate gifts, without Tapster's prior written consent, which may be granted or withheld by Tapster in its sole and absolute discretion.

10.02.4 You shall not, without Tapster's prior written consent: (a) develop, create, generate, own, license, lease or use, in any manner, any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup or other Internet-related medium or activity) that in any way uses or displays, in whole or in part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto; or (b) use electronic media, including, without limitation, the Internet or any social media sites (such as facebook®, Twitter®, LinkedIn®, Living Social®, Instagram®, Groupon®, MySpace®, Pinterest, YouTube, Foursquare, Yelp, Google, Yahoo, or any other similar or comparable social media platform), in a manner that uses or displays, in whole or in part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto. If Tapster's consent to any of the foregoing activities is granted, you shall in all instances comply with any conditions and restrictions that Tapster imposes, including the Standards and Specifications and such other policies and procedures as Tapster may establish from time to time. And, if such consent is granted, Tapster reserves the right to revoke such consent effective upon written notice to you.

10.02.5 You shall execute any documents deemed necessary or advisable by Tapster and/or Tapster's counsel to obtain protection for the Marks or to maintain their continued validity and enforceability.

10.02.6 You shall not, directly or indirectly, contest the validity of the Marks, or Tapster's ownership of the Marks.

10.02.7 In the event that litigation involving the Marks is instituted or threatened against you, you shall promptly notify Tapster and shall cooperate fully in defending or settling such litigation.

10.03 Infringement. You shall promptly notify Tapster of any infringement of, or challenge to, the Marks, and Tapster shall, in its sole and absolute discretion, take such action as Tapster deems necessary or appropriate. Tapster shall indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims (including costs and reasonable attorneys' fees) for any alleged infringement under federal or state trademark law arising solely from your use of the Marks in accordance with this Agreement, or as otherwise set forth by Tapster in writing, if you have promptly notified Tapster of such claim. If Tapster undertakes the defense or prosecution of any litigation pertaining to any of the Marks, you shall execute any and all documents and do such acts and things as may, in the opinion of Tapster's counsel, be necessary or advisable to carry out such defense or prosecution. Tapster has the right to require, in its sole and absolute discretion, that you discontinue your use of the Marks and/or modify or substitute any of the Marks in connection with any pending or threatened litigation involving your use of such Marks.

10.04 Acknowledgments. You expressly understand and acknowledge that:

10.04.1 Tapster Trademark LLC is the owner of all right, title and interest in and

to the Marks and the goodwill associated therewith and symbolized thereby.

10.04.2 Your use of the Marks pursuant to this Agreement does not give you any ownership interest or other interest in or to the Marks, except the license granted by this Agreement. Any and all goodwill arising from your use of the Marks shall inure solely and exclusively to Tapster's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the System or the Marks.

10.04.3 Tapster has the right, at any time, by giving notice to you, to completely change, add to, delete from, and/or make changes in the Marks in Tapster's unrestricted discretion. You shall, at your expense, adopt and use any additions, deletions and changes to the Marks that Tapster requires. If Tapster decides at any time in its sole and absolute discretion to modify or discontinue the use of any Mark or use of additional or substitute Marks, you shall comply with Tapster's directions within a reasonable time after Tapster gives you notice. Tapster has no obligation to reimburse you for any expenses you incur in connection with Tapster's modification or discontinuance of any Marks, including your direct costs of changing signs, loss of revenue or costs of promoting any new or modified Mark.

## **ARTICLE 11. OPERATIONS MANUAL**

11.01 Compliance with Operations Manual. In order to protect the reputation and goodwill of Tapster and to maintain high standards of operation under Tapster's Marks, you shall conduct your business in accordance with the Standards and Specifications and other standards, methods, policies, and procedures specified in the Operations Manual, one copy of which you acknowledge having received on loan from Tapster for the Term. The "Operations Manual" shall mean Tapster's confidential operations manual(s), including any Operating Amendments thereto (as defined in Section 0 below), which Operations Manual may consist of computerized documents of software, printed operations manuals, and all information provided through the Internet, extranet, audiotapes, videotapes and/or any other medium used from time to time by the System and designated as part of the Operations Manual. The Operations Manual may contain information and specifications concerning the Standards and Specifications and such other information concerning the System that Tapster provides periodically to System franchisees.

11.02 Modifications, Revisions, Additions. Tapster may, from time to time, revise, modify or make additions to the contents of the Operations Manual, and you expressly agree to comply with each new or changed standard and/or specification. Without limiting the generality of the foregoing, Tapster may update and change the Operations Manual periodically ("Operating Amendments") in order to reflect changes in the Standards and Specifications. Tapster may notify you of any Operating Amendment by e-mail, facsimile, Internet transmission, extranet, or by any other means. Tapster may require you to access an extranet or comparable system on a daily basis to check for any such Operating Amendments. If you fail to do so as designated by Tapster, you shall nevertheless be bound by any Operating Amendments that you would have received had you checked for the Operating Amendments as required.

## **ARTICLE 12. CONFIDENTIALITY**

### **12.01 Confidentiality.**

12.01.1 For purposes of this Agreement, the term "Confidential Information" shall mean information, knowledge, know-how and techniques related to the Franchisor, the System, the Products, the Services, the Marks, the Franchised Bar and the other Bars, and the general operation, business

and management of the System, which is communicated to you or learned by you in the course of your operation of the Franchised Bar or your participation in the System. You shall treat the Operations Manual, and any other documents or manuals created for or approved for use in the operation of the Franchised Bar, and the information contained therein as "Confidential Information."

12.01.2 At all times during the Term and thereafter, you shall maintain all Confidential Information as secret and shall not communicate, divulge, or use for the benefit of any other person(s), partnership, association, limited liability company or corporation any Confidential Information. You shall divulge such Confidential Information only to such of your employees as are required to have access to it in order to operate the Franchised Bar. Any additional information that Tapster shall consider to be Confidential Information shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by Tapster, or which, at or after the time of disclosure by Tapster to you, had become or later becomes a part of the public domain, through lawful publication or communication by others.

12.02 Covenants. As a condition of employment, you shall require any and all Franchisee Trainees and employees who attend the Initial Training or any Additional Training, each of your Managers, and any personnel having access to any Confidential Information to execute a confidentiality and restrictive covenant agreement (in substantially the form attached hereto as Exhibit F, the "Confidentiality and Restrictive Covenant Agreement"), pursuant to which such persons shall agree to maintain the confidentiality of the Confidential Information that they receive in connection with their employment by you at the Franchised Bar. Each Restrictive Covenant Agreement shall include a specific identification of Tapster as a third party beneficiary of such agreement with the independent right to enforce it. You shall provide Tapster with a copy of all executed Restrictive Covenant Agreements within five (5) days of hiring any such managers and/or employees.

12.03 Injunctive Relief. You acknowledge that any failure to comply with the requirements of this Article 12 shall cause Tapster and/or its affiliates irreparable injury, and you agree to pay all court costs and reasonable attorney's fees incurred by Tapster and/or its affiliates in obtaining specific performance of, or an injunction against violation of, the requirements of this Article 12.

## **ARTICLE 13. RECORDS, REPORTS & ACCOUNTING**

13.01 Books & Records. You shall maintain and preserve, for at least ten (10) years from the dates of their preparation, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Tapster.

13.02 Required Reports. In addition to the monthly Gross Sales reports required under Section 5.05 above, you shall prepare and submit to Tapster via electronic mail to the email address designated by Tapster, or such other delivery method as specified by Tapster, quarterly profit and loss statements on or before the fifteenth (15<sup>th</sup>) day of the month immediately following the expiration of each calendar quarter.

13.03 Additional Reports. Without limiting the foregoing, you shall, at your expense, submit to Tapster in the form prescribed by Tapster, and maintain readily available for Tapster's inspection, review, and/or auditing, any and all financial reports required by Tapster. You are obligated to provide the following information to Tapster:

13.03.1 a semi-annual internal balance sheet and profit and loss statement and an annual balance sheet and profit and loss statement reviewed by a certified public accountant;

13.03.2 an annual copy of your signed 1120 or 1120S tax form filed with the Internal Revenue Service (or any forms which take the place of those forms), all state and local sales and use tax reports that you are required to file and, upon Tapster's written request, copies of all tax returns or reports filed by you for the periods specified in Tapster's notice;

13.03.3 copies of all operating reports to your landlord and/or shopping mall operator, if required or provided pursuant to your lease agreement for the Approved Bar Location;

13.03.4 your state sales tax returns, and such portions of your federal and state income tax returns as reflect the operations of the Franchised Bar; and

13.03.5 such other forms, reports, records, information, and data as Tapster may reasonably designate from time to time.

13.04 Verification/Inspection/Use. You shall verify and sign each report and financial statement in the form Tapster periodically requires. You hereby give Tapster the right to disclose information from your reports relating to the income, expenses and sales from the operation of the Franchised Bar to confirm that you are complying with your obligations under this Agreement and to formulate earnings and expense information for possible disclosure to prospective franchisees. Tapster may also use information from your reports in Tapster's solicitation of other franchisees or for similar purposes. Tapster may require you to have your financial statements reviewed or audited by a certified public accountant at your cost and expense. We reserve the right to, as frequently as on a daily basis if so desired: (a) access your cash registers, POS System and any other computer systems; (b) retrieve all information relating to the Franchised Bar's operations; and (c) program your computerized cash registers, POS System and any other computer systems so that they send such information automatically to Tapster or its designee. You shall take whatever actions Tapster specifies to ensure that Tapster has continuous, real-time remote electronic access to each of your business systems in order to monitor and retrieve all information stored in such systems.

13.05 Inspection and Audit. Tapster or its designated agents shall have the right, during reasonable hours, to examine and copy, at Tapster's expense, your books, records, and tax returns. Tapster shall also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that any payments have been understated in any report to Tapster, then Tapster shall have the right to immediately debit from your bank account or require you to immediately pay the amount understated, plus interest from the date that such amount was due at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any report of two percent (2%) or more, Tapster may, in addition to repayment of monies owed with interest, debit from your bank account or require you to reimburse Tapster for any and all costs and expenses associated with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Tapster may have pursuant to this Agreement or at law. Tapster's right to audit and inspect your books and records shall survive for two (2) years following any termination or expiration of this Agreement.

## **ARTICLE 14. ADVERTISING**

14.01 Acknowledgment. You understand and hereby acknowledge that advertising, marketing and promotional activities are essential to the furtherance of the goodwill and public image of Tapster and the System, as well as the success of your Franchised Bar. Recognizing the value of advertising, and the importance of the standardization of the System's advertising programs, you agree to each of the terms and conditions set forth in this Article 14.

14.02 Generally. Tapster has the right to develop and create advertising and salespromotion programs designed to promote and enhance the System and the Bars operating under the System. You shall participate in all advertising and sales promotion programs established by Tapster in strict accordance with Tapster's terms and conditions. You shall place or display at the Franchised Bar only such signs, emblems, lettering, logos, displays, advertising and marketing materials approved in advance by Tapster. You shall conduct alladvertising in a dignified manner and all advertising materials and items shall conform to Tapster's Standards and Specifications. You shall not use any advertising or promotional plans or materials unless and until you have received written approval from Tapster in accordance with this Article 14. For all advertising and promotional activities, you shall submit samples of such plans and materials to Tapster for its prior approval. If you do not receive written approval from Tapster within fifteen (15) days of the date of receipt by Tapster of such samples or materials, then Tapster shall be deemed to have approved them.

14.03 Territorial Advertising Restriction. You are not permitted to solicit customers and/or advertise outside of the Protected Territory, except to the extent that you have received Tapster's prior written authorization, which may be granted or withheld in Tapster's sole and absolute discretion. Tapster may condition its authorization upon, among other things, your agreement to offer other System franchisees who are operating Bars in territories encompassed by the circulation base of the proposed advertising the opportunity to participate in, and share the expense of, such solicitation and/or advertising efforts. Notwithstanding the foregoing, you are not required to obtain Tapster's prior writtenauthorization to use or circulate an advertisement outside of the Protected Territory, provided that such advertisement is a general System advertisement and does not identify or promote the Franchised Bar and Tapster has already approved the form and content of such advertising materials.

14.04 Use of Marks in Advertising. All advertising shall prominently display the Marks and shall comply with Tapster's standards for use of the Marks. You shall obtain Tapster's prior written approval before using any of the Marks on any item, including signs,stationary, business cards, forms and other supplies.

14.05 Grand Opening Advertising. You shall conduct a grand opening advertising campaign and expend the amount designated in the Contract Data Sheet in the manner Tapster specifies or approves (the "Grand Opening Advertising Expenditure"). Tapster may designate an approved supplier of local advertising and marketing services and may requireyou to engage such supplier's services in connection with the grand opening of the FranchisedBar. Tapster may require you to expend the Grand Opening Advertising Expenditure in accordance with any such approved or designated supplier's Grand Opening advertising program. You shall prepare and submit to Tapster a written plan detailing the grand openingadvertising campaign no later than thirty (30) days before the Franchised Bar's scheduled grand opening. Within four (4) months following the date that the Franchised Bar opens forbusiness, you shall furnish Tapster such evidence as Tapster may reasonably require to verifyyour compliance with the Grand Opening Advertising Expenditure requirements.

14.06 Required Local Advertising Expenditure. In addition to the Advertising Fee, you shall spend, at a minimum, one percent (1%) of your Gross Sales each month (the "Local Advertising Requirement") for local advertising and marketing. You shall provide Tapster with a

monthly accounting of all sums you expend to meet your Local Advertising Requirement. Menu printing costs and expenses do not count towards your Local Advertising Requirement. Your monthly Local Advertising Requirement may, with Tapster's prior written consent, be accumulated by you for seasonal expenditure upon such terms as Tapster may prescribe or authorize. Tapster reserves the right to require you to submit to Tapster, on a quarterly or monthly basis as Tapster designates, a local marketing plan specifically describing how you propose to spend Local Advertising Requirement. If you fail to meet your Local Advertising Requirement, or if you fail to otherwise comply with your local marketing obligations, Tapster shall have the right, in addition to any and all other rights and remedies available to it under this Agreement and/or at law, to require you to: (a) immediately pay all sums you were required to, but failed to, expend (the "Local Advertising Deficiency"), to a Fund; (b) spend the Local Advertising Deficiency in the manner designated or approved by Tapster for Local Marketing Purposes (as defined in Section 14.07.3 below); or (c) immediately pay the Local Advertising Deficiency to Tapster to be expended by Tapster or its designees directly in your Bar's area for Local Marketing Purposes.

**14.07 Establishment of Advertising Funds and Cooperatives.** Pursuant to Section 5.02.2, you are required to pay to Tapster or its designee the continuing Advertising Fee during the Term. Tapster shall determine from time to time what portion of the Advertising Fee you shall: (a) contribute to the Brand Ad Fund (as defined below); (b) contribute to a Regional Ad Fund (as defined below); (c) pay to Tapster for Local Marketing Purposes; or (d) spend towards Local Marketing Purposes directly. Tapster reserves the right to amend and adjust the allocation of the Advertising Fee upon thirty (30) days written notice to you. You acknowledge and agree that the Advertising Fee may be used as follows:

**14.07.1 Brand Ad Fund.** At Tapster's sole discretion, the Advertising Fee shall be paid to one or more funds (collectively, "Brand Ad Fund") to be expended for the purpose of maximizing general public recognition and awareness of the Bars and the System. Fees allocated to the Brand Ad Fund shall be used towards, among other things, expenditures reasonably related to the creation, development, administration and supervision of marketing and advertising programs and menu development for Bars. Tapster does not represent or warrant that the Franchised Bar or any particular Bar shall benefit directly or *pro rata* from the marketing or advertising activity of the Brand Ad Fund.

**14.07.2 Regional Ad Funds.** In addition to the establishment of the Brand Ad Fund, Tapster has the right in its sole and absolute discretion to establish one or more funds (each, a "Regional Ad Fund") in order to implement regional advertising programs aimed at increasing general public recognition and acceptance of Bars in specific regions. Subject only to the limitation on the total amount of Advertising Fee in Section 5.02.2, Tapster may require you to contribute all or part of the Advertising Fee to a Regional Ad Fund created in your regional area. Fees allocated to a Regional Ad Fund shall be used for, among other things, the implementation, production, creation, development, administration and supervision of regional marketing and advertising programs and menu development for Bars in the designated region. Tapster does not represent or warrant that the Franchised Bar or any particular Bar shall benefit directly or *pro rata* from the marketing or advertising activity of the Regional Ad Fund.

14.07.3 Local Marketing Purposes. Tapster may require that some or all of the Advertising Fee be paid to Tapster or its designee, or used directly by you, for marketing, advertising, sponsorships, public relations or promotions specifically directed to or featuring the Franchised Bar (collectively, "Local Marketing Purposes"). If Tapster elects to have you directly spend a portion of the Advertising Fee towards Local Marketing Purposes, you shall submit to Tapster for approval, on a quarterly basis, a marketing plan that specifically describes how you propose to spend the designated portion of the Advertising Fee for Local Marketing Purposes each quarter of the calendar year. If you fail to spend the designated amount for Local Marketing Purposes, Tapster shall have the right, in addition to any and all other rights and remedies available to it pursuant to this Agreement or at law, to require you to: (a) immediately pay the Local Advertising Deficiency to a Fund; (b) spend the Local Advertising Deficiency in the manner designated or approved by Tapster for Local Marketing Purposes; or (c) immediately pay the Local Advertising Deficiency to Tapster to be expended by Tapster or its designees directly in your Bar's area for Local Marketing Purposes.

14.08 Administration. Tapster may administer the Brand Ad Fund or one or more Regional Ad Funds (collectively, the "Funds") itself, or designate or license to a third party the right to do so. Tapster may change, dissolve or merge any of the Funds at any time, in Tapster's sole and absolute discretion. Tapster has sole discretion over the creative concepts, materials, media, type, nature, scope, frequency, place, form, copy, layout and content of all national, regional, and local advertising paid out of the Funds; and the Funds shall be maintained and administered by Tapster, or Tapster's designee, as follows:

14.08.1 The Funds are intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and neither Tapster, nor the Funds, are obligated to make expenditures for you which are equivalent or proportionate to your contributions, nor is Tapster required to ensure that you benefit directly or *pro rata* from the placement of advertising.

14.08.2 The Advertising Fee and the Funds, and any contributions to or earnings by the Fund, are used to meet the costs of producing, maintaining, administering, directing, conducting, printing, and preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which Tapster believes shall enhance the image of the System, including the costs of preparing and conducting television, radio, Internet, magazine, newspaper and other media advertising campaigns; developing and/or hosting an Internet web page or similar activities; conducting market research; providing other marketing materials to franchisees; menu printing; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies; printing and production costs; purchasing promotional items, conducting and administering visual merchandising, promotions and merchandising programs; and providing promotional and other marketing materials and services. Advertising may be local, regional or national, in any type of media, including Internet, print, radio and/or television.

14.08.3 The Advertising Fee contributed to the Funds may also be used to provide rebates or reimbursements to you for local expenditures on certain products, services or improvements, approved in advance by Tapster, which Tapster believes shall promote general

public awareness and favorable support for the System.

14.08.4 Tapster has no obligation to segregate the Advertising Fee payments or maintain accounts separate from Tapster's other funds. The Advertising Fee may be commingled with funds in Tapster's general accounts. Tapster-owned and Tapster-affiliate-owned Bars are not required to contribute any amounts to the Fund.

14.08.5 Tapster expects to use an amount equal to all contributions made in any fiscal year, but any monies remaining in any Funds at the end of any such year shall carry over to the next year. Tapster expects to use any interest or other earnings of the Funds before using current contributions, but it is not required to do so.

14.08.6 Tapster is not required to prepare or provide you with any statements relating to the Advertising Fee, the Funds or the expenditures of the Funds, although Tapster may do so at its option. The Funds shall not be audited, unless Tapster elects to require an audit, in which event all expenses for the audit shall be paid out of the Advertising Fee contributed to the Funds. Tapster may, but is not required to, create internally prepared, periodic statements of operations for the Funds. These statements, if created, may be made available to you, upon your reasonable written request.

14.08.7 Tapster has the right to terminate any one or more of the Funds at any time. If any Fund is terminated, Tapster is not required to return to you any Advertising Fee that you contributed to such terminated Fund. None of the Advertising Fee paid to Tapster is refundable at any time, including upon termination or expiration of this Agreement.

14.08.8 You expressly acknowledge that the Funds may be used to pay administrative expenses to Tapster or its designee. Administrative expenses may include amounts equivalent to the salaries, travel and other expenses of Tapster's or its designee's employees whose services are provided to further the purposes and efforts of the Funds and/or Local Marketing Purposes.

14.08.9 The Fund is not a Trust. Tapster has no fiduciary obligation to you for administering the Fund(s) or for any other reason. Media, materials and programs prepared using Advertising Fees and/or Fund contributions may describe Tapster's franchise program, reference to the availability of franchises and related information and to process franchise leads.

14.09 Cooperative Advertising. Tapster encourages the formation and operation of franchisee cooperative advertising associations (each, a "Co-op"). Each Co-op shall coordinate advertising, marketing efforts and programs, and attempt to maximize the efficient use of local advertising media. If a Co-op is formed for your region, you shall participate in the Co-op or lose your right to vote as to decisions regarding advertising and marketing efforts and programs. In no event shall you be required to be a member of more than one Co-op. You acknowledge that Tapster has the right to require any Co-op to be organized and governed: (a) in a form and manner approved in advance by Tapster in writing; and (b) for the exclusive purpose of administering regional advertising programs and developing, subject to Tapster's approval, standardized promotional materials for use by the members in local advertising. You further acknowledge and agree that:

14.09.1 No advertising or promotional plans or materials may be used by any Co-op, or be furnished to its members, without the prior approval of Tapster, pursuant to the procedures and terms as set forth in this Section.

14.09.2 Tapster, in its sole and absolute discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Co-op, and/or from the obligation to contribute thereto (including a reduction, deferral or waiver of such contribution), upon the written request of such franchisee stating reasons supporting such exemption.

14.10 Minimum Requirements Only. You understand and acknowledge that the required contributions and expenditures set forth in this Article 14 are minimum requirements only, and that you may, and are encouraged by Tapster to, expend additional funds for advertising, marketing and promotion.

14.11 Internet Restrictions. You shall not establish a presence on the Internet, or use it for marketing purposes, without obtaining Tapster's prior written consent and complying with any conditions and restrictions Tapster designates. You are strictly prohibited from listing, advertising, marketing and/or promoting the Franchised Bar on any social or networking website or mobile application, including, without limitation, facebook®, LinkedIn®, TikTok, SnapChat, Twitter®, Groupon®, Instagram®, LivingSocial®, Pinterest, YouTube, Foursquare, Yelp, Google, Yahoo or any similar site, without Tapster's prior written consent in each instance. Tapster may withhold or revoke its consent for any reason. You may not promote or sell any products or services, or make any use of the Marks, through the Internet or any other electronic medium, including mobile applications, without Tapster's prior written approval, which Tapster may withhold in its sole and absolute discretion. As a condition of granting any consent, Tapster shall have the right to establish any requirement that Tapster deems appropriate.

14.11.1 Tapster may (but is not required to) include in any Tapster website an interior page containing information about the Franchised Bar. If Tapster includes such information on the website, Tapster shall have the right to require you to prepare the page, at your expense, using Tapster's designated template. All information shall be approved by Tapster before it is posted. Tapster retains the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You shall follow Tapster's designated intranet and Internet usage rules, policies and requirements, as they may be developed, changed or modified by Tapster in its sole and absolute discretion at any time during the Term. Tapster retains the sole right to approve any linking to, or other use of, the website.

14.12 Limitation of Tapster's Duties. You understand and agree that the only obligations Tapster has regarding the collection and spending of the Advertising Fee, or the administration of the Funds, are the express contractual obligations in this Article 14. Tapster is not acting as a trustee, fiduciary, agent or in any other special capacity. Tapster makes no representations or warranties regarding the quality or effectiveness of any advertising and marketing activities funded

by the Advertising Fee and Tapster has no liability to you with respect to how the Advertising Fee is spent.

## **ARTICLE 15. INSURANCE**

**15.01 Generally.** You shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the Term, at your expense, all insurance required under applicable law, and each of the insurance policies set forth in Section 15.02 below (the "Insurance Policies"), which Insurance Policies shall each name Tapster as an additional insured and serve to protect you and Tapster, and your and Tapster's respective officers, directors, partners, and employees, against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense, whatsoever, arising or relating to the Franchised Bar.

**15.02 Minimum Requirements.** The Insurance Policies shall be written by a responsible carrier or carriers acceptable to Tapster, with a financial rating of A- or better. Except with respect to additional coverages and higher policy limits that may be reasonably required by Tapster from time to time and/or required under the terms of the lease for the Franchised Bar and/or under applicable law, the Insurance Policies shall include, at a minimum, the following types of policies:

**15.02.1** "Comprehensive General Liability Insurance", including broad form contractual liability, broad form property damage, personal injury, completed operations, products liability, in the amount of \$2,000,000 combined single limit, and fire damage coverage, in the amount of not less than \$50,000.

**15.02.2** "All-Risks Insurance" for the full cost of replacement of the Franchised Bar premises and all other property in which Tapster may have an interest, with no coinsurance clause, a replacement cost clause attached, agreed amount endorsement equal to 100% of the value of the property.

**15.02.3** "Business Interruption Insurance", including coverage for royalty payment obligations, in an amount equal to 100% of Franchisee's annual Gross Sales for a period of 24 months (actual or, if not available, estimated), excluding ordinary payroll expenses.

**15.02.4** If Tapster authorizes or requires you to provide delivery services, "Automobile Insurance", including coverage of vehicles owned by you, vehicles used in the business, and vehicles owned by the business, with a combination of primary and excess limits of not less than \$1,000,000. Your vehicle insurance coverage requirements will be specified in more detail in the manual. You must carry minimums higher than those imposed under applicable law. Your policy must include the amendment for hired non-owned auto for vehicles you do not own.

**15.02.5** "Employer's Liability Insurance", "Workers' Compensation Insurance", "Liquor Liability and Dram Shop Insurance", and such other insurance as may be required by statute or rule of the state or locality in which the Franchised Bar is located and operated.

**15.02.6** PCI and data security insurance; and

**15.02.7** You may, with the prior written consent of Tapster, elect to have reasonable deductibles in connection with the coverage required under Sections 15.02.1 and 15.02.2 above.

15.03 Builder's All-Risk Insurance. In connection with any construction, renovation, refurbishment, or remodeling of the Franchised Bar, you shall maintain "Builder's All-RisksInsurance" and performance and completion bonds in the forms and amounts, and written bya carrier or carriers, reasonably satisfactory to Tapster.

15.04 No Limitation. Your obligation to obtain and maintain the foregoing InsurancePolicies in the amounts specified shall not be limited in any way by reason of any insurancewhich may be maintained by Tapster, nor shall your performance of that obligation relieve you of liability under the indemnity provisions, including as set forth in Section 22.03 of this Agreement.

15.05 Franchisee's Negligence. All public liability and property damage policies shallcontain a provision that Tapster, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Tapster or its servants, agentsor employees by reason of your negligence or the negligence of your servants, agents, or employees.

15.06 Additional Requirements. At least thirty (30) days prior to the time any Insurance Policy is first required to be carried by you, and thereafter at least thirty (30) daysprior to the expiration of any such Insurance Policy, you shall deliver to Tapster certificatesof insurance ("Certificates") evidencing the proper coverage with limits not less than those required hereunder. All Insurance Policies and Certificates shall expressly provide that no less than thirty (30)-days' prior written notice shall be given Tapster in the event of material alteration to or cancellation of the coverages evidenced by such Certificates. Further, all Insurance Policies and Certificates shall: (a) contain no provision in which any way limits orreduces coverage for Tapster in the event of any claim by Tapster or any of its affiliates, directors, officers or agents; (b) extend to provide indemnity for all obligations assumed by you under this Agreement and all items for which you are required to indemnify us under the provisions of this Agreement or otherwise; (c) name Tapster, and each of its partners, subsidiaries, affiliates, directors, agents and employees as additional insureds; (d) contain awaiver of the insurance company's right of subrogation against us; (e)provide that the coverage afforded applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured; (d) provide that you cannot refusethe policy limits, restrict coverage, cancel or otherwise alter or amend the policies without our prior written consent; and (e) shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions for which any such Certificate evidences coverage.

15.07 Failure to Procure/Maintain. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Tapster in the Operations Manual or otherwise, Tapster shall have theright and authority, but not the obligation, to immediately procure such insurance on your behalf and to charge the same to you, which charges shall be payable immediately by you upon notice and, together with a reasonable fee for Tapster's expenses, shall not exceed sevenpercent (7%) of the cost of the insurance provided. The foregoing remedies shall be in addition to any other remedies Tapster may have pursuant to this Agreement or at law.

## **ARTICLE 16. TRANSFER AND ASSIGNMENT**

16.01 Transfer by Tapster. Tapster shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations hereunder to any person or Legal Entity.

16.02 Transfer by Franchisee. You understand and acknowledge that the rights andduties set forth in this Agreement are personal to you and/or your current owners, and that Tapster has granted this franchise in reliance upon you and/or your owners' business skill, financial capacity, and personal character.

Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this franchise, nor any individual, partnership, corporation, or limited liability company that, directly or indirectly, has any ownership interest in you and/or this franchise shall sell, assign, transfer, convey, gift, or

otherwise dispose of any direct or indirect interest in this franchise or the Franchised Bar (each a “Transfer”), without the prior written consent of Tapster, which may be granted or withheld in Tapster’s sole and absolute discretion. Notwithstanding the foregoing, Tapster’s prior written consent shall not be required for a transfer of less than a five percent (5%) interest in a corporation registered under the Securities Exchange Act of 1934 (a “publicly- held corporation”). Any purported, sale, assignment, encumbrance or transfer, by operation of law or otherwise, not having the written consent of Tapster required by this Section 16.02, shall be null and void and shall constitute a material breach of this Agreement, for which Tapster may then terminate without opportunity to cure pursuant to Section 17.02.23 below.

**16.03 Ownership Changes.** Without limiting the foregoing, Franchisee acknowledges that any sale, resale, pledge, encumbrance, assignment, transfer or other disposition of any ownership interests of Franchisee, if such Franchisee is a Legal Entity, shall constitute a “Transfer” for purposes of this Agreement. Upon Tapster’s consent to any such Transfer of the ownerships interests of Franchisee, any new partner, shareholder, member, manager, or equity holder of Franchisee, as applicable, shall be required to personally guarantee Franchisee’s obligations under this Agreement.

**16.04 Conditions for Approval.** The consent of Tapster and the approval of a proposed Transfer may be subject to any such conditions as Tapster deems necessary or desirable in its sole and absolute discretion, including, without limitation, any of the following:

16.04.1 All of Franchisee’s accrued monetary obligations and all other outstanding obligations to Tapster and its subsidiaries and affiliates shall have been satisfied;

16.04.2 Franchisee is not in default of any provision of this Agreement or any amendment hereto, or of any provision of any other agreement between (a) Franchisee and Tapster or its subsidiaries or affiliates; and/or (b) any of Franchisee’s owners and/or affiliates and Tapster or its subsidiaries or affiliates;

16.04.3 The transferor shall have executed a general release, under seal and in a form satisfactory to Tapster, of any and all claims against Tapster, and its affiliate, parents, subsidiaries, and each of their respective officers, directors, shareholders and employees, in both their corporate and individual capacities, including, without limitation, claims arising under this Agreement and all federal, state, and local laws, and rules, to the fullest extent permitted by law;

16.04.4 The transferee (and, if the transferee is a Legal Entity, such owners of such Legal Entity as Tapster may request) shall enter into a written assignment, under seal and in a form satisfactory to Tapster, assuming and agreeing to discharge all of Franchisee’s obligations under this Agreement; and, if Franchisee’s obligations were guaranteed by the transferor, the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Tapster;

16.04.5 The transferee (and, if the transferee is a Legal Entity, such owners of such Legal Entity as Tapster may request) shall demonstrate to Tapster’s satisfaction that: it meets Tapster’s educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Bar (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to

operate the Franchised Bar;

16.04.6 At Tapster's option, the transferee shall execute (and/or, upon Tapster's request, shall cause all interested parties to execute), for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the then-current form of franchise agreement being offered to new System franchisees and such other ancillary agreements as Tapster may require for the Franchised Bar, which agreements shall supersede this Agreement in all respects and may include terms that differ from the terms of this Agreement; *provided, however*, that the transferee shall not be required to pay any initial franchise fee;

16.04.7 The transferee, at its expense, shall upgrade the Franchised Bar to conform to Tapster's then-current Standards and Specifications, and shall complete the upgrading and other requirements within the time specified by Tapster;

16.04.8 The transferee shall remain liable for all of the obligations to Tapster in connection with the Franchised Bar prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Tapster to evidence such liability;

16.04.9 The transferee (or, if the transferee is a Legal Entity, a principal of the transferee acceptable to Tapster) and the transferee's manager shall, at the transferee's expense, complete any training programs then in effect for franchisees upon such terms and conditions as Tapster may reasonably require;

16.04.10 Prior to consummating any Transfer, Franchisee shall pay to Tapster a fee in an amount equal to Twenty Thousand Dollars (\$20,000). If Franchisee requests Tapster's approval of a Transfer but does not consummate such Transfer, Franchisee shall pay to Tapster a fee in the amount equal to Five Thousand (\$5,000). In the case of a Transfer to a corporation, partnership, or limited liability company owned by Franchisee for purposes of the convenience of ownership, Franchisee shall pay to Tapster a fee in the amount of Fifteen Hundred Dollars (\$1,500); *provided, however*, no fee shall be owed to Tapster if such Transfer occurs prior to the expiration of the six (6)-month period following the Effective Date. In addition to any Transfer fee required by this Section 16.04.10, Franchisee shall pay to Tapster any reasonable costs and expenses associated with Tapster's review of the application to Transfer, including, without limitation, HNS's legal and accounting fees. Notwithstanding the foregoing, there shall be no Transfer fee required in connection with any Transfer to Tapster.

16.04.11 Franchisee acknowledges and agrees that each condition which shall be met by the transferee is necessary to assure such transferee's full performance of the obligations under this Agreement.

16.05 Right of First Refusal. If, prior to the expiration or termination of this Agreement, Franchisee desires to accept a bona fide offer from a third party to purchase any or all of such party's interest (the "Interest") in the franchise granted by Tapster pursuant to this Agreement, or substantially all of the assets of the Franchised Bar, Franchisee shall notify Tapster in writing of such bona fide offer, and shall provide such information and documentation relating to the offer as Tapster may require to evaluate the terms of such offer.

16.05.1 Upon Tapster's request, Franchisee shall provide Tapster any information about the business and operations of the Franchised Bar that Tapster requests.

16.05.2 Tapster shall have the right and option, exercisable within thirty (30) days

after receipt of such written notification and all of the information requested pursuant to Section 16.05.1 above, to send a written notice to Franchisee that Tapster intends to purchase the Interest on the same terms and conditions offered by the third party and at the same price. If Tapster does not provide written notice to Franchisee within the thirty (30)-day period, Tapster shall be deemed to have waived the right of first refusal provided to it under this Section 16.05.

16.05.3 If Tapster elects to purchase the Interest, closing on such purchase shall occur within ninety (90) days from the date of notice to Franchisee of the election to purchase by Tapster. If Tapster exercises its option, Tapster shall waive the fee described in Section 16.04.10 above. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Tapster as in the case of an initial offer.

16.05.4 Failure of Tapster to exercise the option afforded to it pursuant to this Section 16.05 shall not constitute a waiver of any other provision of this Agreement, including the provisions set forth in Section 16.04 with respect to Transfers, including, without limitation, the requirement that Franchisee obtain Tapster's prior written consent to any proposed Transfer.

16.05.5 If the consideration, terms, and/or conditions offered by a third party include assets not related directly to the Franchised Bar, or are otherwise such that Tapster may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Tapster may purchase the Interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash, an independent appraiser shall be mutually designated by Franchisee and Tapster, and such independent appraiser's determination shall be binding.

16.06 Transfer to a Legal Entity. If Franchisee is an individual, Franchisee has the right to assign Franchisee's rights under this Agreement to a Legal Entity for the convenience of operation; provided that such Legal Entity is wholly-owned by Franchisee. Such assignment shall not be subject to Tapster's right of first refusal, as set forth in Section 16.05 above, provided that the Legal Entity: (a) complies with Section 20.01; (b) is newly organized for the purpose of operating the Franchised Bar or operating other Bars under franchise agreements with Tapster; and (c) agrees in writing to assume all of Franchisee's obligations under this Agreement pursuant to the terms of an assignment and assumption agreement (in substantially the form attached hereto as Exhibit G, the "Assignment and Assumption Agreement").

16.07 Transfer upon Death or Mental Incapacity. Upon the death or mental incapacity of any person with an interest in the franchise or in Franchisee (if Franchisee is a legal entity), the executor, administrator, or personal representative of such person shall transfer his or her interest to a third party approved by Tapster within six (6) months after such death or mental incapacity (the "Transfer Period"). Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as an inter vivos transfer, and to the following conditions:

16.07.1 In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 16.07, the personal representative of the deceased person shall have an additional period of up to six months from the date such individual is disapproved by Tapster (the "Extension Period") to dispose of the deceased's interest in the franchise.

16.07.2 Notwithstanding the foregoing, the following conditions shall be met during the Transfer Period and any Extension Period: (a) the executor, administrator, or personal representative, as applicable, has provided Tapster with documentation reasonably satisfactory to Tapster evidencing such person's authority to receive an assignment or to dispose of the deceased's interest in the

franchise; (b) the Franchised Bar remains open and operating in accordance with all terms and conditions of this Agreement at all times; and (c) a manager who has been approved by Tapster and who has completed Tapster's Initial Training to Tapster's satisfaction is designated to operate the Franchised Bar during the Transfer Period and/or Extension Period, as applicable.

16.07.3 Tapster shall in no way assume any liability in connection with the legal authority of the deceased's executor, administrator, heir, beneficiary or personal representative to receive an assignment or to dispose of the deceased's interest in the franchise.

16.07.4 In the event that a manager acceptable to Tapster has not been designated to operate the Franchised Bar during the Transfer Period and, if applicable, Extension Period, Tapster shall have the right, at its option, to step in and either itself, or through a third party designated by Tapster, operate the Franchised Bar during such period. Tapster or its designee shall be entitled to a reasonable fee for such services, in addition to compensation for all costs and expenses incurred in providing such services.

16.07.5 If the foregoing conditions are not satisfied, or if the deceased's interest in the franchise is not transferred or disposed of before the expiration of the Transfer Period or Extension Period, if applicable, Tapster shall have the right to immediately terminate this Agreement.

16.08 Non-Waiver of Claims. Tapster's consent to a Transfer of any interest in the franchise granted herein shall not constitute a waiver of any claims Tapster may have against the transferring party, nor shall it be deemed a waiver of Tapster's right to demand exact compliance by the transferee with any of the terms of this Agreement.

## **ARTICLE 17. DEFAULT, TERMINATION AND ALTERNATIVE REMEDIES**

17.01 Default and Termination. If Franchisee commits any Act of Default (as defined in Section 17.02 below), and Franchisee fails to cure such Act of Default within the applicable cure period after having been notified of such Act of Default, then this Agreement shall automatically terminate without any further action or notice by Tapster, subject only to Tapster's right to exercise its remedy pursuant to Section 17.04 below. Unless specifically set forth or precluded below, the cure period for any Act of Default shall be thirty (30) days. If any applicable law requires a longer notice period or a longer cure period than is provided in this Agreement, then the period required by law shall be substituted for period provided below.

17.02 Acts of Default: Each of the following acts is a material act of default under this Agreement (collectively, the "Acts of Default", and each, an "Act of Default") and shall constitute good cause for termination of this Agreement by Tapster:

17.02.1 If the Franchised Bar does not open for business to the public by the date that is: (a) three hundred and sixty-five (365) days from the Effective Date; or (b) two hundred and seventy (270) days from the date Franchisee enters into a lease agreement or purchase agreement, as applicable, for the Approved Bar Location.

17.02.2 Franchisee's failure to commence the design, construction, equipping and process of opening the Franchised Bar in accordance with timeline established by Tapster.

17.02.3 Except as otherwise required by the United States Bankruptcy Code, Franchisee is adjudicated as bankrupt and/or files or has filed against it a petition in bankruptcy, reorganization, or similar proceeding and the petition is not dismissed within ninety (90) days after it is

filed. Subject to applicable law, there shall be no cure period for an Act of Default under this provision. Franchisee expressly and knowingly consents to such termination and waives any rights that Franchisee may have under the provisions of the United States Bankruptcy Code and any other relief which may be sought in a complaint filed by Tapster to lift the provisions of the automatic stay of the United States Bankruptcy Code. Additionally, Franchisee agrees not to seek an injunctive order from any court in any jurisdiction relating to insolvency, reorganization or similar proceedings which would have the effect of staying or enjoining this provision.

17.02.4 Franchisee becomes insolvent, a receiver or custodian (permanent or temporary) of Franchisee's property or any part thereof is appointed by a court of competent authority, or Franchisee makes a general assignment for the benefit of creditors. There shall be no cure period for an Act of Default under this provision.

17.02.5 A final judgment against Franchisee remains unsatisfied of record for thirty (30) days or longer (unless a supersedeas or other appeal bond is filed), execution is levied against Franchisee's business or property at the Franchised Bar premises, or a suit to foreclose any lien or mortgage against the Franchised Bar premises or any furniture, fixtures or equipment at the Franchised Bar is filed against Franchisee and not dismissed within thirty (30) days. The cure period for an Act of Default under this provision is five (5) days after notice by Tapster following expiration of any other period set forth in this provision.

17.02.6 Franchisee defaults in the performance of any term, condition, or obligation of payment of any indebtedness to Franchisee's suppliers, distributors or others arising out of the purchase or lease of equipment in connection with the Franchised Bar.

17.02.7 Franchisee fails to pay when due any Royalty Fee, Advertising Fee, or other amounts due and payable to Tapster under this Agreement. The cure period for an Act of Default under this provision is ten (10) days after notice by Tapster.

17.02.8 Franchisee fails to submit any Gross Sales reports or other financial report required under this Agreement, or unintentionally files an inaccurate Gross Sales statement or other financial report required under this Agreement. The cure period for an Act of Default under this provision is five (5) days after notice by Tapster.

17.02.9 Franchisee knowingly submits any false Gross Sales statement or other financial report required under this Agreement. There shall be no cure period for an Act of Default under this provision.

17.02.10 Franchisee fails to operate the Franchised Bar in accordance with Tapster's standards as to cleanliness, safety, health and sanitation. The cure period for an Act of Default under this provision is twenty-four (24) hours after notice by Tapster.

17.02.11 Franchisee fails to immediately rectify all hazardous situations, and immediately remove and destroy any and all hazardous products. For purposes of the foregoing sentence, "hazardous situations" are those which have the potential to cause injury, illness or death, and "hazardous products" are products which are unfit for human consumption or which have the potential to cause injury, illness or death. There shall be no cure period for an Act of Default under this provision.

17.02.12 Franchisee sells products at the Franchised Bar that are not approved by Tapster for sale at the Franchised Bar, or sells products that do not conform to the product specifications

established by Tapster. The cure period for an Act of Default under this provision is five (5) days after notice by Tapster.

17.02.13        Franchisee fails to use proprietary recipes designated by Tapster, or fails to sell or offer for sale at the Franchised Bar any product that is required by Tapster to be sold or offered for sale at the Franchised Bar. The cure period for an Act of Default under this provision is five (5) days after notice by Tapster.

17.02.14        Franchisee fails to use at the Franchised Bar any furniture, fixtures, equipment or signage required by Tapster to be used at the Franchised Bar.

17.02.15        Franchisee uses at the Franchised Bar any furniture, fixtures, equipment or signage not approved by Tapster for use at the Franchised Bar.

17.02.16        Franchisee fails to repair and maintain the Franchised Bar, or the furniture, fixtures, equipment or signage at the Franchised Bar to the standards required by Tapster.

17.02.17        Franchisee fails to operate the Franchised Bar in accordance with any of Standards and Specifications (other than those as to cleanliness, safety, health and sanitation) as to operating procedures, systems and methods of operation (including, without limitation, standards related to quality and quantity of food products served).

17.02.18        Franchisee fails to obtain and maintain all Insurance Policies required under this Agreement, with all required terms and policy provisions as required by this Agreement. The cure period for an Act of Default under this provision is ten (10) days after notice by Tapster.

17.02.19        Franchisee violates any law, ordinance, rule or regulation of a governmental body or authority in connection with the operation of the Franchised Bar, and Franchisee fails to correct the violation within twenty (20) days after notification by the governmental body or authority. The cure period for an Act of Default under this provision is five (5) days after notice by Tapster after expiration of the twenty (20) days from notification by the governmental body or authority; *provided, however,* that the five (5)-day cure period shall be stayed if there is a bona fide dispute as to the violation or the legality of the law, ordinance, rule or regulation at issue, and Franchisee takes action in an appropriate court or other forum to contest such violation or legality.

17.02.20        Franchisee loses its right to possession of the Franchised Bar or the Approved Bar Location. There shall be no cure period for an Act of Default under this provision.

17.02.21        Franchisee abandons the franchise and franchise relationship with Tapster. It shall be an abandonment of the franchise and franchise relationship with Tapster if Franchisee ceases to do business at the Franchised Bar for a period of five (5) consecutive days. There shall be no cure period for an Act of Default under this provision.

17.02.22        Franchisee fails to comply with the restrictions on Confidential Information, or any covenants set forth in Article 11 or Article 19 of this Agreement, or if Franchisee misuses or makes any unauthorized use of the Marks or any other identifying characteristics of the System, or otherwise materially impairs the goodwill associated therewith or with Tapster's rights therein. There shall be no cure period for an Act of Default under this provision.

17.02.23 Franchise sells, assigns, transfers, encumbers, or licenses any interest in this Agreement or in the franchise or Franchised Bar without the prior written consent of Tapster and otherwise as permitted under this Agreement. There shall be no cure period for an Act of Default under this provision.

17.02.24 Franchisee violates any other obligation, provision or condition of this Agreement not specifically identified in Section 17.02.

17.02.25 Franchisee commits three or more Acts of Default under this Agreement within any consecutive twelve (12)-month period, regardless of whether any of such Acts of Default are cured by Franchisee. There shall be no cure period under this provision, such that if two Acts of Default occur within a twelve (12)-month period, this Agreement shall immediately terminate upon receipt of the notice of default delivered by Tapster upon the occurrence of the third Act of Default.

17.02.26 Franchisee, or any individual with an ownership interest in Franchisee, is convicted in a court of competent jurisdiction of: (a) an offense punishable by a term of imprisonment in excess of one (1) year; or (b) any offense for which a material element is fraud, dishonesty or moral turpitude. There shall be no cure period for an Act of Default under this provision.

17.03 Cross-Default. If Franchisee commits a default in the performance of any of the covenants, conditions or agreements contained in: (a) Franchisee's lease for the ApprovedBar Location; or (b) any other agreement between (i) Franchisee and Tapster or Tapster's subsidiaries or affiliates, or (ii) any of Franchisee's owners, Guarantors or affiliates and Tapster or Tapster's subsidiaries or affiliates (each a "Related Agreement"), Franchisee shall also be in default under this Agreement. In addition to any of Tapster's rights under any Related Agreement, Tapster has the right to terminate this Agreement pursuant to Section 17.02 above, unless such default is cured within the lesser of (x) thirty (30) days after written notice of default has been provided by Tapster, or (y) the applicable cure period for the default under the lease or the Related Agreement. Franchisee specifically agrees that all of the foregoing remedies shall be available to Tapster as a result of Franchisee's breach or default, or failure to perform all obligations required by it, under Franchisee's lease agreement or any Related Agreement, even if Franchisee is not otherwise in default under this Agreement.

#### 17.04 Tapster's Right to Assume Management.

17.04.1 If Franchisee commits an Act of Default that has no cure period, or fails to cure a default under Section 17.02 above, such that this Agreement is subject to termination, Tapster, as an alternative to immediately terminating this Agreement, has the right, but not the obligation, to enter the Approved Bar Location and assume management of the Franchised Bar for any period of time Tapster deems appropriate in its sole and absolute discretion.

17.04.2 If Tapster assumes management of the Franchised Bar under this Section 17.04, Tapster shall be entitled to collect from Franchisee an amount equivalent to the Royalty Fee and Advertising Fee that would be due under this Agreement, in addition to Tapster's direct out-of-pocket costs and expenses incurred in the management of the Franchised Bar.

17.04.3 Tapster's exercise of its right to assume management of the Franchised Bar under this Section 17.04 shall not affect Tapster's right to terminate this Agreement at any time without additional notice to Franchisee.

17.04.4 If Tapster assumes management of the Franchised Bar under this Section 17.04, Franchisee acknowledges that: (a) Franchisee has no measurable property right remaining in the franchise, which franchise was subject to immediate termination; (b) Tapster's duty is limited to using Tapster's reasonable efforts to manage the Franchised Bar; and (c) Tapster shall not be liable to Franchisee or its owners for any debts, losses or obligations related to the Franchised Bar or to any of Franchisee's creditors for any Products or Services provided to the Franchised Bar.

## **ARTICLE 18. POST-TERM OBLIGATIONS**

18.01 Post Termination/ Expiration Obligations. Upon termination or expiration of this Agreement, all rights granted to you under this Agreement shall immediately terminate, and you shall strictly comply with the following obligations:

18.01.1 You shall immediately cease to operate the Franchised Bar, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of Tapster or the System.

18.01.2 You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System and the Marks, Trade Dress and distinctive forms, slogans, signs, symbols, and devices associated with the System. Without limiting the generality of the foregoing, you shall cease to use all System trade fixtures, signs, advertising materials, displays, stationery, forms, products and any other articles displaying the Marks.

18.01.3 You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any of the Marks, and you shall furnish Tapster with evidence satisfactory to Tapster of your compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.01.4 You shall, at Tapster's option, assign or sublease to Tapster, or its designee, any interest which you have in any liquor license and/or lease for the Franchised Bar. If Tapster does not require you to assign the lease to Tapster or its designee, you shall make all modifications, changes and alterations to the interior and exterior of the premises at which the Franchised Bar was operated, as designated by Tapster, so as to de-identify the premises from the System. If you fail or refuse to comply with the requirements of this Section 18.01.4, Tapster shall, in addition to any other rights and/or remedies available to Tapster under this Agreement or at law, have the right to enter upon the premises where the Franchised Bar was conducted, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which expense you shall pay to Tapster or its designee immediately upon demand.

18.01.5 You shall assign to Tapster or its designee the telephone numbers used in connection with the operation of the Franchised Bar. You shall complete all forms and approvals and perform all acts reasonably necessary to effectuate such assignments or transfers.

18.01.6 Without limiting any of your obligations under this Agreement, you agree that if you continue to operate, or subsequently begin to operate, any business you shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks or the Trade Dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Tapster's rights in and to the Marks and the Trade Dress, and you further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Tapster constituting unfair competition.

18.01.7 You shall promptly pay all sums owing to Tapster and its subsidiaries and affiliates that are then unpaid, including Royalty Fees, Continuing Advertising Fees, interest due on any of the foregoing and all other amounts owed to Tapster.

18.01.8 The parties agree that, if this Agreement is terminated as a result of your default prior to the expiration of the Term, it would be impossible to calculate with reasonable precision the losses that would be incurred by Tapster because of the unpredictability of future business conditions, inflationary prices, the impact on Tapster's reputation from having a closed location, the ability of Tapster to replace the Franchised Bar in the same market, and a variety of other factors. Accordingly, if this Agreement is terminated as a result of any default by you, Tapster shall be entitled to recover as liquidated damages, and not as a penalty, an amount equal to the aggregate Royalty Fees and Advertising Fees due to Tapster during the thirty-six (36) (or twenty-four (24), if in Washington) full calendar months during which the Franchised Bar was open and operating immediately before the termination date. If the Franchised Bar has not been open and operating for thirty-six (36) (or twenty-four (24), if in Washington) months before the termination date, liquidated damages shall be equal to (x) the average monthly Royalty Fees and Advertising Fees due to Tapster for all months during which the Franchised Bar was open and operating, multiplied by (y) thirty-six (36) (or twenty-four (24), if in Washington). If there are less than thirty-six (36) (or twenty-four (24), if in Washington) months remaining on the Term, the liquidated damages shall be equal to (x) the amount calculated above, multiplied by (y) a fraction, the numerator of which is the number of calendar months (including partial months) remaining on the Term and the denominator of which is thirty-six (36) (or twenty-four (24), if in Washington).

18.01.9 You shall pay to Tapster all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Tapster subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Article 18 or any other post-term obligations under this Agreement.

18.01.10 You shall immediately deliver to Tapster the Operations Manual and all other records, correspondence, and instructions containing Confidential Information, or information relating to the operation of the Franchised Bar, all of which are acknowledged to be the property of Tapster, and you shall retain no copy or record of any of the foregoing, with the exception of your copy of this Agreement, any correspondence between the parties, and any other documents which you reasonably need for compliance with any provision of law.

18.01.11 Franchisee shall comply with the covenants contained in Article 19 of this Agreement.

18.02 Tapster's Right to Purchase the Franchised Bar. Tapster shall have the option, to be exercised within sixty (60) days after termination or expiration of this Agreement, as applicable, to purchase the Franchised Bar from you, including the leasehold rights to the Franchised Bar, free and clear of all liens, restrictions or encumbrances. (The date on which Tapster notifies you whether or not Tapster is exercising its option is referred to in this Agreement as the "Notification Date.") Tapster has the unrestricted right to assign this option to purchase the Franchised Bar. Tapster shall be entitled to all customary warranties and representations in connection with Tapster's asset purchase, including, without limitation, representations and warranties as to ownership, condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities effecting the assets, contingent or otherwise. If Tapster elects to exercise its option to purchase the Franchised Bar, the following shall apply:

18.02.1 Leasehold and Liquor License Rights. You agree, at Tapster's election, to

assign your leasehold interest in the Franchised Bar premises to Tapster or its designee, or to enter into a sublease with Tapster or its designee for the remainder of the lease term on the same terms (including renewal options) as the prime lease. You agree to assign to Tapster or its designee, your liquor license, if permissible under applicable law.

18.02.2        Purchase Price. The purchase price for the Franchised Bar shall be its fair market value, determined in a manner consistent with reasonable depreciation of the Franchised Bar's equipment, signs, inventory, materials and supplies, provided that the Franchised Bar shall be valued as an independent business and its value shall not include any value for the franchise or any rights granted by this Agreement, the Marks, or participation in the System.

18.02.3        Fair Market Value. The Franchised Bar's fair market value shall include the reasonable goodwill you developed since your commencement of operations, which exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Franchised Bar premises shall also be considered in determining the Franchised Bar's fair market value.

18.02.4        Exclusions. Tapster may exclude from such asset sale any cash or cash equivalents and/or any equipment, signs, inventory, materials, and supplies that are not reasonably necessary (in function or quality) to the Franchised Bar's operation or that Tapster has not approved as meeting standards for the Franchised Bar. The purchase price shall reflect the exclusion of such assets.

18.02.5        Appraisal. If you and Tapster are unable to agree on the Franchised Bar's fair market value, its fair market value shall be determined by one (1) independent qualified appraiser that Tapster appoints in its sole business judgment. Tapster shall appoint the appraiser within fifteen (15) days after the date Tapster determines you and Tapster are unable to agree on the Franchised Bar's fair market value. You and Tapster shall share equally the fees and expenses of the appraiser. You and we further agree to take reasonable actions to cause the appraiser to complete the appraisal within thirty (30) days after the appraiser's appointment. Tapster shall have the right to offset against the purchase price your share of the appraiser's fees if you fail to pay such fees within five (5) business days after your receipt of the appraiser's invoice.

18.02.6        Closing. The purchase price shall be paid at the closing of the purchase, which shall take place not later than ninety (90) days after determination of the purchase price. Tapster also shall have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners or guarantors owe to us, including attorneys' fees.

18.02.7        Instruments. At the closing, you agree to deliver such instruments as are necessary to transfer: (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Tapster, if any) and with all sales and other transfer taxes paid by you; (b) all licenses and permits of the Franchised Bar, which may be assigned or transferred; and (c) the leasehold interest in the Franchised Bar premises and any improvements thereon.

18.02.8        Escrow. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall, at Tapster's election, be accomplished through an escrow arrangement with an independent escrow agent selected by Tapster.

18.02.9        Releases. You and your owners and Guarantors agree to execute general releases, in a form satisfactory to Tapster, of any and all claims against Tapster and its shareholders, officers, directors, employees, agents, successors and assigns.

## ARTICLE 19. BEST EFFORTS; RESTRICTIVE COVENANTS

19.01 Best Efforts. Franchisee covenants that during the Term, except as otherwise approved in writing by Tapster, Franchisee's Managing Owner, who has: (a) been approved by Tapster; (b) completed Tapster's Initial Training to Tapster's satisfaction; and (c) entered into a Restrictive Covenant Agreement, shall devote full time, energy, and best efforts to the management and operation of the Franchised Bar.

19.02 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee shall receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Tapster and the System. Franchisee covenants that during the Term, except as otherwise approved in writing by Tapster, neither Franchisee, nor any of its officers, directors, members, managers, shareholders, partners or owners, nor Franchisee's spouse nor the spouse of any of the aforementioned individuals, shall, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, limited liability company or corporation:

19.02.1 Divert or attempt to divert any business or customer of the Franchised Bar to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

19.02.2 Own, maintain, operate, engage in, provide any assistance to, or have any interest in any Competitive Business (as defined below).

The term "Competitive Business" means any business or facility owning, operating, or managing, or granting franchises or licenses to others to do so, any bar, tavern, pub, restaurant, food or alcohol beverage service facility or any retail establishment that (a) features beer or wine; (b) serves craft beer; or (c) has more than ten (10) beers on tap. The term Competitive Business shall not include other Bars operated by Franchisee pursuant to a valid, binding franchise agreement by and between Franchisee and Tapster.

19.03 Post-Termination/Expiration Covenants. You covenant that, except as otherwise approved in writing by Tapster, you shall not, for a continuous uninterrupted period commencing upon the expiration, transfer or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons (including your spouse or any immediate family member, or the spouse or any immediate family member of any Guarantor), partnership, limited liability company or corporation, own, maintain, operate, engage in, provide assistance to, or have any interest in any Competitive Business that is, or is intended to be, located: (a) at the Approved Bar Location; or (b) within a forty (40) mile radius of the Approved Bar Location, or within a forty (40) mile radius of any other Bar in existence or under construction at the time this Agreement is terminated, expired or transferred, as applicable;. Franchisee further covenants that it shall not engage in any form of unfair competition with Tapster.

19.04 No Defense. Franchisee expressly agrees that the existence of any claims Franchisee may have against Tapster, whether or not arising from this Agreement or otherwise, shall not constitute a defense to the enforcement by Tapster of the covenants in this Article 19. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Tapster in connection with the enforcement of any of Franchisee's obligations under this Article 19.

19.05 Irreparable Harm. Franchisee acknowledges that any violation of the terms of this Article 19 would result in irreparable injury to Tapster for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in

violation of any of the terms of this Article 19.

**19.06 Restrictive Covenant Agreements.** Franchisee shall require the execution of Restrictive Covenant Agreements by the Franchisee's Managing Owner, and all of Franchisee's managers and any other personnel employed by Franchisee who has received or shall receive training from Tapster or shall otherwise be privy to Confidential Information. Every covenant required by this Section 19.06 shall include a specific identification of Tapster as a third party beneficiary of such covenant with the independent right to enforce such covenant.

**19.07 Acknowledgment.** Franchisee acknowledges and agrees that the length and term of the geographical restrictions contained in this Article 19 are fair and reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Tapster. Franchisee agrees that Franchisee's full, uninhibited and faithful observance of each of the covenants contained in this Article 19 shall not cause any undue hardship, financial or otherwise, and that the enforcement of each of the covenants in this Article 19 shall not impair Franchisee's ability to obtain employment commensurate with Franchisee's abilities and on terms fully acceptable to Franchisee or to otherwise obtain income required for the comfortable support of Franchisee, Franchisee's family and the satisfaction of Franchisee's creditors. Franchisee agrees that it has acquired special knowledge of the business of the System and that use of such knowledge by Franchisee (or by anyone that has acquired similar knowledge through Franchisee) to the benefit of a competitor, or in any way competitive with Tapster or any System franchisee, would cause Tapster and the other System franchisees serious injury and irreparable loss.

**19.08 Extension of Covenant Period.** If Franchisee violates the post-term covenant set forth in Section 19.03 above following the expiration, termination or transfer of this Agreement, Franchisee acknowledges and agrees that the post-term covenant period of two years shall be extended to commence on the date that Franchisee first complies with such covenant so as to provide Tapster with the full and uninterrupted benefit of the post-term covenant period.

## **ARTICLE 20. OWNERSHIP BY LEGAL ENTITY**

**20.01 Franchisee as a Legal Entity.** If Franchisee is a corporation, partnership or limited liability company (each, a "Legal Entity"), the following requirements shall apply, as applicable:

**20.01.1** Franchisee shall be newly organized and its charter shall at all times provide that Franchisee's activities are confined exclusively to operating the Franchised Bar.

**20.01.2** Franchisee shall furnish to Tapster copies of such Legal Entity's organizational documents (e.g., articles or organization, articles of formation, etc.), governing documents (e.g., bylaws, shareholder agreements, partnership agreement, operating agreement, etc.), and authorizing resolutions (e.g., of the board of directors, partners, members, etc.).

**20.01.3** Franchisee shall maintain stop-transfer instructions against the transfer of any equity interests of Franchisee; and each stock certificate or membership interest certificate, if any, shall conspicuously maintain a legend, in a form satisfactory to Tapster, that such ownership interests are held subject to, and that any assignment or transfer thereof is further subject to, the restrictions imposed upon such interests pursuant to this Agreement; *provided, however,* that the requirements of this Section 20.01.3 shall not apply to a publicly-held corporation.

20.01.4 Franchisee shall maintain and provide to Tapster a list of all current holders of any equity interests in such Legal Entity.

20.01.5 All equity holders of such Legal Entity shall jointly and severally guarantee Franchisee's performance under this Agreement and shall bind themselves to the terms of this Agreement; *provided, however,* that the requirements of this Section 20.01.5 shall not apply to a publicly-held corporation.

## **ARTICLE 21. COMPLIANCE WITH LAWS; TAXES & PERMITS**

21.01 Compliance with Laws. Franchisee shall comply with all applicable federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

21.02 Prompt Payment. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement.

21.03 Bona Fide Dispute. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; *provided, however,* in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Bar, or any improvements thereon.

21.04 Notice of Action. Franchisee shall notify Tapster in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Bar.

## **ARTICLE 22. INDEPENDENT CONTRACTOR STATUS; INDEMNIFICATION**

### **22.01 Independent Contractors / No Fiduciary Relationship.**

22.01.1 Tapster and Franchisee have no intention whatsoever to create a fiduciary relationship and the parties understand that no fiduciary or special relationship exists or is created by this Agreement. It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. All employees and agents hired or engaged by or working for you will be only the employees or agents of yours and will not, for any purpose, be deemed employees or agents of ours, nor subject to our control. We have no authority to exercise control over the hiring or termination of your employees, independent contractors, agents or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. You shall file your own tax, regulatory and payroll reports with respect to your employees, agents and contractors and you shall save, indemnify and hold us harmless from any and all liability, costs and expenses of any nature that we incur related to these

obligations. Franchisee shall in all respects be an independent contractor, and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, joint-employer, partner, employee, or servant of the other for any purpose whatsoever.

22.01.2 During the Term, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Tapster. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice in a conspicuous place at the Franchised Bar premises, the content of which Tapster reserves the right to specify providing that Franchisee is a franchisee and independent operator. Without limiting the foregoing, you shall display the following notice in a prominent place at your Bar: ***"This Tapster® Bar is a franchise of Tap Star Franchising LLC and is independently owned and operated."***

22.01.3 Tapster does not owe Franchisee any special duty other than to comply with its contractual duties under this Agreement.

22.02 No Authorization. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Tapster's behalf, or to incur any debt or other obligation in Tapster's name; and Tapster shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Tapster be liable by reason of any act or omission by Franchisee in the conduct of the Franchised Bar or for any claim or judgment arising therefrom against Franchisee or Tapster. Tapster shall have no liability or responsibility for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Bar.

22.03 Indemnification. Franchisee shall save, defend, exonerate, indemnify, and hold harmless Tapster, Tapster's affiliates, and their respective officers, shareholders, members, managers, directors, employees, agents, successors and assignees (the "Indemnified Parties"), from and against all losses, claims, liabilities, damages (actual, consequential or otherwise), obligations and costs reasonably incurred in the defense of any claim against any Indemnified Party (including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses) (collectively, the "Losses") that such Indemnified Party incurs as a result of, arising out of, related to, or with respect to: (a) the operation of the franchise granted under this Agreement and/or of the Franchise Bar; and/or (b) any breach or non-fulfillment of any agreement or covenant of Franchisee contained in this Agreement or failure to comply with any of Franchisee's obligations hereunder. Tapster has the exclusive right to defend any such claim. This indemnity shall continue in effect after the expiration or termination of this Agreement. Under no circumstances shall Tapster or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate any of their or Tapster's losses and expenses, in order to maintain and recover fully a claim against Franchisee. This Section 22.03 also incorporates Franchisee's obligation to defend, indemnify and hold harmless the Indemnified Parties as otherwise referenced in this Agreement, including, without limitation, the indemnification obligations set forth in Sections 8.05 and 8.06.2 above.

## ARTICLE 23. APPROVALS; WAIVERS; NOTICES

23.01 Approvals and Consents. Whenever this Agreement requires the prior approval or consent of Tapster, Franchisee shall make a timely written request to Tapster therefor and such approval or consent shall be obtained in writing. Tapster may grant or withhold its approval or consent in Tapster's sole and absolute discretion.

23.02 No Warranties. Tapster makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.03 No Waiver. Tapster shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant of this Agreement or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of: any custom or practice at variance with the terms of this Agreement; Tapster's failure, refusal or neglect to exercise any right under this Agreement or to insist upon exact compliance by Franchisee with respect to the obligations of this Agreement, including, without limitation, any of the System's Standards and Specifications; Tapster's waiver, forbearance, delay, failure or omission to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Bars; the existence of other franchise agreements for Bars which contain different provisions from those contained in this Agreement; or Tapster's acceptance of any payments due from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us shall constitute a waiver, compromise, settlement or accord and satisfaction. Tapster is authorized to remove or obliterate any legend or endorsement, and such legend or endorsement shall have no effect. Acceptance by Tapster of payments due under this Agreement from any person or entity shall be deemed to be acceptance from such person or entity as Franchisee's agent and not as recognition of such person or entity as Franchisee's assignee or successor.

23.04 Notices. Any and all notices required or permitted under this Agreement or the Operations Manual shall be deemed so delivered: (a) at the time delivered, if by hand; (b) one business day after being placed on the hands of a commercial courier service for next business day delivery; or (c) three (3) business days after placement in the United States Mail by registered or certified mail, return receipt request postage prepaid; and shall be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Tapster may send any notice to Franchisee at the Approved Bar Location. Franchisee shall send a copy of any notice to Tapster to the attention of Tapster's president or chief executive officer. Notwithstanding the deemed delivery dates set forth above, any required payment or report which Tapster does not actually receive during regular business hours on the date due shall be deemed delinquent. Tapster's current address for which notices should be sent is set forth in the opening paragraph of this Agreement.

23.05 Force Majeure. Neither Franchisee nor Tapster shall be liable for loss or damage, or deemed to be in breach of this Agreement, if Franchisee's or Tapster's failure to perform any obligation results from acts of God or fires, wars or riots. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of any royalties due on any sales thereafter.

23.06 Withholding of Payments Prohibited. Franchisee agrees that it shall not set off or withhold payment of any amounts Franchisee owes on the grounds of Tapster's alleged nonperformance of any of Franchisee's obligations under this Agreement or for any other reason.

## **ARTICLE 24. SEVERABILITY; CONSTRUCTION**

24.01 Severability. Except as expressly provided to the contrary in this Agreement, each section,

part, term, provision, and covenant of this Agreement, and any portion of each, shall be considered severable. If, for any reason, any such section, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement.

**24.02 No Third Party Beneficiaries.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or Legal Entity other than Franchisee, Tapster, Tapster's officers, directors, and employees, and such of Franchisee's and Tapster's respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Article 16 hereof, any rights or remedies under or by reason of this Agreement.

**24.03 Maximum Duty.** Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Tapster is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

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

**24.05 References.** All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable; and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on Franchisee's behalf.

**24.06 Additional Requirements.** All instructions, requirements, prescriptions or specifications to be provided by Tapster to Franchisee, as required under this Agreement, may be provided to Franchisee in the Operations Manual or otherwise in writing, or in such manner as Tapster may deem suitable.

## **ARTICLE 25. GOVERNING LAW; MEDIATION; ARBITRATION; WAIVERS; LIMITATIONS**

### **25.01 Governing Law & Venue.**

**25.01.1 Governing Law.** This Agreement shall take effect upon its acceptance and execution by Tapster. Except to the extent governed by the United States Arbitration Act (9 U.S.C. §§ 1, et seq.) and the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), this Agreement, the franchise and all claims arising from or in any way related to the relationship between Tapster, and/or any of its affiliates, officers, directors, shareholders, members, guarantors, employees, representatives, independent contractors or owners (each, a "Tapster Related Party"), on one hand, and you and/or any of your owners, affiliates, officers, directors, shareholders, Guarantors, employees, owners or members (each, a "Franchisee Related Party"), on the other hand, shall be interpreted and construed under the laws of the State of Illinois, which laws shall prevail in the event of any conflict of law, except that any law

regulating the sale of franchises or governing the relationship of a Tapster and its franchisee shall not apply unless jurisdictional requirements are met independently without reference to this paragraph.

25.01.2 Venue. In the event the arbitration clause set forth in Section is inapplicable or unenforceable, and subject to Tapster's right to obtain injunctive relief in any court of competent jurisdiction, the parties hereby expressly agree that the United States District Court for Northern District of Illinois, or if such court lacks subject matter jurisdiction, the State Superior Court in Cook County, Illinois, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of such litigation, they shall not contest or challenge the jurisdiction or venue of these courts. You acknowledge that this Agreement has been entered into in the State of Illinois and that you are to receive valuable and continuing services emanating from Tapster's headquarters in Cook County, Illinois. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

25.02 Mediation. The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Other than an action by Tapster under Section below, before beginning any legal action or arbitration, the parties agree to mediate any dispute, controversy or claim between you and/or any Franchisee Related Party, on the one hand, and Tapster and/or any Tapster Related Party, on the other hand, including, without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) any lease or sublease for your Franchised Bar; (c) any loan or other finance arrangement between Tapster and Tapster's affiliates and you; (d) the parties' relationship; (e) events occurring prior to the entry into this Agreement; (f) the Bar; or (g) any of the System's Standards and Specifications, in accordance with the procedures set forth in this Section 25.02, inclusive of all subparts. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement. The mediation shall be conducted in accordance with the following provisions:

25.02.1 Initiation Procedure. The party seeking mediation (the "Initiating Party") shall commence mediation by sending the other party/parties a written notice of its request for mediation (the "Dispute Notice"). The Dispute Notice shall specify, to the fullest extent possible, the nature of the dispute, the Initiating Party's version of the facts surrounding the dispute, the amount of damages, and the nature of any injunctive or other relief such party claims, and shall identify one or more persons with authority to settle the dispute for the Initiating Party. The party (or parties as the case may be) receiving a Dispute Notice (the "Responding Party") shall issue a written response (the "Response") to the Initiating Party within ten (10) days after receipt of the Dispute Notice identifying one or more persons with authority to settle the dispute on the Responding Party's behalf (the "Authorized Persons").

25.02.2 Direct Negotiations. Upon receipt of a Dispute Notice and the issuance of the Response, the parties shall endeavor, in good faith, to resolve the dispute outlined in the Dispute Notice and the Response. If the parties have been unable to resolve any such dispute(s) outlined in a Dispute Notice or a response thereto within twenty (20) days after the Initiating Party's receipt of the Response, either party may initiate a mediation procedure in accordance with the American

Arbitration Association (“AAA”), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties shall take place in Cook County, Illinois, or the city of Tapster’s then-current corporate headquarters, as Tapster designates.

25.02.3 Selection of the Mediator. The Authorized Persons shall have seven (7) days from the date on which one party gives notice that he, she, or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons shall rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these shall be designated the mediator. If this process does not result in selection of a mediator, the parties agree jointly to request that AAA supply a list of qualified potential mediators. Within seven (7) days after receipt of the list, the parties shall again rank the proposed mediators in numerical order of preference and shall simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties shall go onto contact the mediator who was next highest in ranking until they are able to select a mediator.

25.02.4 Time and Place for Mediation. In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation. Unless the circumstances make it impossible, the time may not be later than thirty (30) days after the selection of the mediator.

25.02.5 Exchange of Information. If either party to this Agreement believes that he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties shall attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator if required.

25.02.6 Summary of Views. At least seven (7) days before the first scheduled mediation session, each party shall deliver to the mediator and to the other party a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

25.02.7 Representatives. In the mediation, each party shall be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the mediator, bring with him, her, or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

25.02.8 Conduct of Mediation. The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it shall be useful after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party’s views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions shall be strictly private. The mediator shall keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

25.02.9        Termination of Procedure. The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section. The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

25.02.10        Fees of Mediator; Disqualification. The fees and expenses of the mediator shall be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

25.02.11        Confidentiality. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible shall not be excluded from discovery or made inadmissible simply because of its use in the mediation.

25.03        Arbitration. Except as provided in Article 25.04, and if not resolved by the negotiation and mediation procedures described under Section 25.02 above, any dispute, controversy or claim between you and/or a Franchisee Related Party, on the one hand, and Tapster and/or any Tapster Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the relationship of the parties; (c) the events leading up to the entry into this Agreement; (d) any lease or sublease for your Bar; (e) any loan or other finance arrangement between Tapster or Tapster's affiliates and you; (f) the parties' relationship; (g) the Franchised Bar; (h) any of the System's Standards and Specifications; (i) any claim based in tort or any theory of negligence; or (j) the scope of validity of the arbitration obligation under this Section 25.03, shall be determined in Illinois by the AAA. The arbitration shall be administered by one arbitrator of the AAA pursuant to its Commercial Arbitration Rules then in effect. The arbitrator shall be an attorney with substantial experience in franchise law. If proper notice of any hearing has been given, the arbitrator shall have full power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear. The arbitration shall be conducted in accordance with the following provisions:

25.03.1        In connection with any arbitration proceeding, each party shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be forever barred.

25.03.2        Any arbitration shall be on an individual basis and the parties and the arbitrator shall have no authority or power to proceed with any claim as a class action, associational action,

or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation on joinder of, or class action certification of, claims is unenforceable, then the agreement to arbitrate the dispute shall be null and void and the parties shall submit all claims to the jurisdiction of the courts, in accordance with Section 25.01. The arbitration shall take place in Cook County, Illinois or at Tapster's then-current office location, or in such other location if Tapster so designates.

**25.03.3** The arbitrator shall follow the law and not disregard the terms of this Agreement. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or Tapster. The arbitrator may not under any circumstance: (a) stay the effectiveness of any pending termination of this Agreement; (b) assess punitive or exemplary damages; (c) certify a class or a consolidated action; or (d) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we have set. The arbitrator shall have the right to make a determination as to any procedural matters that a court of competent jurisdiction would be permitted to make in the state in which the main office of Tapster is located. Further, the arbitrator shall decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Section 25.03 is applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute; any available remedies; and the existence of unconscionability and/or fraud in the inducement.

**25.03.4** The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

**25.03.5** The arbitrator shall have subpoena powers limited only by the laws of the State of Illinois.

**25.03.6** The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness in order to minimize the time and expense of arbitration. The parties to the dispute shall otherwise have the same discovery rights as are available in civil actions under the laws of the State of Illinois.

**25.03.7** All other procedural matters shall be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of Illinois.

**25.03.8** Other than as may be required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), shall remain confidential and shall not be disclosed to anyone other than the parties to this Agreement.

**25.03.9** The judgment of the arbitrator on any preliminary or final arbitration award shall be final and binding and may be entered in any court having jurisdiction.

**25.03.10** Tapster reserves the right, but has no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished Tapster's right to seek recovery of those costs against you.

**25.04 Exceptions to Arbitration and Mediation.**

**25.04.1** Notwithstanding the provisions of Sections 25.02 and 25.03, Tapster shall be entitled, without bond, to the entry of temporary, preliminary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement in any court of competent jurisdiction relating to: (a) your and/or any FranchiseeRelated Party's use of the Marks; (b) the covenants under Article 19, including your covenants not to compete and confidentiality covenants; (c) your obligations upon termination or expiration of the franchise; and/or (d) the transfer or assignment by you of the Franchised Bar. If Tapster secures any such injunction or order of specific performance, you agree to payto Tapster an amount equal to the aggregate of Tapster's costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses and any damages incurred by Tapster as a result of the breach of any such provision.

**25.04.2** Further, at the election of Tapster, or its affiliate, the mediation and arbitration provisions Sections 25.02 and 25.03, inclusive of all subparts, shall not applyto: (a) any claim by Tapster relating to your failure to pay any fee due to Tapster under this Agreement; (b) any claim by Tapster relating to your failure to comply with the covenants setforth in Article 19; and/or (c) any claim by Tapster or its affiliates relating to your use of theMarks and/or the System, including, without limitation, claims for violations of the LanhamAct.

**25.05 Survival.** The provisions of Article 25 are intended to benefit and bind certainthird party non-signatories and shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**25.06 Franchisee May Not Withhold Payment Due Tapster.** You agree that you shallnot, on grounds of the alleged non-performance by Tapster of any of its obligations hereunder,or on any other grounds, withhold payment of any Royalty Fees, Advertising Fees or any other fees due to Tapster from you under this Agreement.

**25.07 Waiver of Rights. EACH OF THE PARTIES HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREE AS FOLLOWS:**

**25.07.1 Jury Trial. Each of the parties hereto EXPRESSLY WAIVES THE RIGHT ANY PARTY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER ORNOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 25.03 is unenforceable. Each party acknowledges that he, she or it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed,voluntary, intentional, and not the result of unequal bargaining power.**

**25.07.2 Damage Waiver. Each of the parties hereto EXPRESSLY WAIVES ANY**

CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, *except that* this waiver and limitation shall not apply with respect to: (1) your obligation to indemnify Tapster pursuant to any provision of this Agreement; and (2) any claims Tapster brings against you and/or your Guarantors and/or owners for: unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of your covenants under Article 19, including your in-term and post-term non-competition covenants, and/or any cause of action under the Lanham Act. Notwithstanding the foregoing, Tapster shall be entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

25.07.3 Each of the parties hereto EXPRESSLY AGREES THAT IN THE EVENT OF ANY FINAL DETERMINATION, ADJUDICATION OR APPLICABLE ENACTMENT OF LAW THAT PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGESMAY NOT BE WAIVED, ANY RECOVERY BY ANY PARTY IN ANY ARBITRATION OR OTHER FORUM SHALL NEVER EXCEED TWO (2) TIMES ACTUAL DAMAGES, except that Tapster may recover more than two (2) times its actual damages if you commit acts of willful trademark infringement or otherwise violate the Lanham Act, as provided by law.

**25.08 Limitation of Action.**

25.08.1 Except for claims arising from your non-payment or underpayment of amounts you owe to Tapster, claims related to your indemnification obligations to Tapster, or claims related to your unauthorized use of the Marks, any and all claims arising out of or related to this Agreement or the relationship of the parties shall be barred unless a judicial or arbitration proceeding, as required under this Agreement, is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims, and that any action not so brought shall be barred, whether as a claim, counterclaim, defense or setoff.

25.08.2 You hereby acknowledge and agree that you may not maintain any action against Tapster or any Tapster Related Party unless: (a) you deliver written noticeof any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to you; (b) you strictly adhere to the negotiation and mediationprocedures described in Article 25; and (c) you file an arbitration within one (1) year after thenotice is delivered.

25.09 Cumulative Rights. No right or remedy conferred upon or reserved to Tapster or you by this Agreement is intended to be, nor shall be deemed to be, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulativeof every other right or remedy.

25.10 Injunctive Relief. You recognize that you are a member of a franchise system and that your acts and omissions may have a positive or negative effect on the success of other businesses operating under the Marks and in association with the System. You acknowledge that failure on the part of a single franchisee to comply with the terms of its franchise agreement is likely to cause irreparable damage to Tapster and to some or all of the other franchisees of Tapster. For this reason, you agree that if Tapster can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of your breach or threatened breach of any of the terms of this Agreement, Tapster shall be entitled to an injunction restraining the breach or to a decree of specific performance, without showing or proving any actual damage. Without limiting the generality of the foregoing, nothing herein contained shall bar Tapster's right to obtain injunctive relief, without posting bond or security, against conduct or threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders, preliminary and permanent injunctions, and orders of specific performance enforcing the provisions of this Agreement. Additionally, and without limiting the generality of the foregoing, Tapster shall have the right

to seek injunctive relief to prohibit any act or omission by you or your employees that constitute a violation of any applicable law, is dishonest or misleading to the public, or which may impair the goodwill associated with the Marks, TradeDress or the System.

**25.11 No Class or Collective Actions.** You agree that any arbitration, or, if applicable, litigation, between you and/or any Franchisee Related Party, on the one hand, and Tapster and/or any Tapster Related Party, on the other hand, shall be on such party's individual claim and that the claim or claims subject to arbitration and/or litigation shall not be arbitrated or litigated on a class-wide, associational or collective basis.

**25.12 Post-Term Applicability.** The provisions of Article 25 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

**25.13 Costs and Attorneys' Fee.** Tapster shall be entitled to recover from you all of Tapster's costs and expenses, including attorneys' fees, accounting fees, expert witness fees, and any other reasonably incurred fees, if Tapster is the prevailing party in any action, including arbitration, litigation, any motion to compel arbitration, and/or any action on appeal, with you and/or any of your owners or Guarantors, including, without limitation, any action: (a) to enforce the terms of this Agreement; (b) for violation of this Agreement; or (c) for violation of the Lanham Act or other state or federal statutes. Without limiting the generality of the foregoing, if Tapster incurs costs and expenses due to Franchisee's failure to pay when due amounts owed to Tapster or its affiliates, to submit when due any reports, information, or supporting records, or otherwise comply with this Agreement, Franchisee agrees, whether or not Tapster initiates a formal arbitration or legal proceeding, to reimburse Tapster for all of the costs and expenses that Tapster incurs including, without limitation, reasonable accounting, attorneys' and related fees and costs.

## **ARTICLE 26. ACKNOWLEDGMENTS; MISCELLANEOUS**

**26.01 Independent Investigation.** You acknowledge that you have conducted an independent investigation of the Franchised Bar, and recognize that, like any other business, the business venture contemplated by this Agreement involves business risks. Your success in this business is not guaranteed, is speculative and depends, to an important extent, upon your ability as an independent businessperson. Tapster does not represent or warrant that the Bar shall achieve a certain level of sales or be profitable, notwithstanding Tapster's grant of this license or approval of the Approved Bar Location. Tapster expressly disclaims the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement. By signing this Agreement, you acknowledge that you have entered into it after making an independent investigation of the System.

**26.01.1 FDD Acknowledgment.** You acknowledge that you received Tapster's Franchise Disclosure Document (the "FDD") at least fourteen (14) calendar days prior to the date on which this Agreement was executed and that you have read the FDD. You acknowledge that the FDD is a disclosure document, not a contract, and that this Agreement embodies the entire contractual agreement between the parties and that you have read it in its entirety.

**26.01.2 Consultation with Business Advisor.** You acknowledge that you have read and understood this Agreement, the attachments hereto and all agreements relating thereto, if any. You acknowledge that Tapster has accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You further acknowledge that Tapster has advised you to seek franchise counsel to review and evaluate this Agreement.

26.01.3 **No Reliance**. You acknowledge that you are relying solely on Tapster and not on any affiliated entity or parent company related to Tapster with regard to Tapster's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing Tapster has made any statements or promises to the effect that any affiliated entities or parent companies guarantee Tapster's performance or financially back Tapster.

26.02 **No Guarantee of Performance**. You understand that neither Tapster, nor any of Tapster's representatives and/or agents with whom you have met have made, and are not making, any guarantees, express or implied, as to whether or not the Franchised Bar shall break even, be successful or profitable. You acknowledge that the *Tapster®* franchise opportunity is a newly offered opportunity with no track record or operating history, other than as expressly disclosed in the FDD. You accept all risks, including the risk of loss of your entire investment. You acknowledge that neither Tapster nor any of its representatives and/or agents with whom you have met or corresponded with, have, in any way, represented or promised any specific amounts of earnings or profits in association with your Franchised Bar or any other Bar. You further understand, acknowledge and agree that any information you obtain from any *Tapster®* franchisee, including relating to their sales, profit, cash flows, and/or expenses, does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information.

26.02.1 **No Personal Liability**. You agree that fulfillment of any and all of Tapster's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Tapster's sole responsibility and none of its agents, representatives, nor any individuals associated with it shall be personally liable to you for any reason.

26.03 **Anti-Terrorist Activities and Representations**. You acknowledge that it is Tapster's intent to comply with all anti-terrorism laws enacted by the U.S. Government, including, without limitation, the USA PATRIOT Act or Executive Order 13324. You acknowledge that you are not now, nor have you ever been, a suspected terrorist or otherwise associated directly or indirectly with terrorist activity. At any time during the Term, if Tapster is prohibited for doing business with you under any anti-terrorism law enacted by the U.S. Government, then this Agreement may be terminated immediately. You further certify and warrant that neither you, nor any of your owners, principals, employees or associates (including all shareholders, members or partners (as applicable)), are: (a) a person or entity designated by the U.S. Government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List") with which a U.S. person or entity cannot deal with or otherwise engage in business transactions; (b) a person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with you or your shareholders, members or partners; (c) either wholly or partly owned or partly controlled by any person or entity on the SDN List, including, without limitation, by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List; (d) a person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or (e) a person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Agreement would be prohibited under U.S. law.

26.03.1 You shall comply with, and assist Tapster to the fullest extent possible in Tapster's efforts to comply with, the Anti-Terrorism Laws (as defined below). You shall not hire nor have any dealings with any person listed on the SDN List, as it may be modified from time to time. You are solely responsible for ascertaining what actions shall be taken by you to comply with all Anti-Terrorism

Laws. You specifically acknowledge and agree that your indemnification obligations under this Agreement pertain to your obligations under this Section 26.03. Any misrepresentation by you under this Section 26.03, or any violation of any Anti-Terrorism Laws by you, your owners, principals or employees, shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with Tapster or its affiliates. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, The United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

26.04 Representation. You represent to Tapster, as an inducement to Tapster's entry into this Agreement, that all statements that you have made and all materials you have submitted to Tapster in connection with your purchase of this franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. Tapster has approved of your purchasing of a franchise in reliance upon all of your representations.

26.05 Entire Agreement This Agreement, inclusive of all exhibits hereto, constitutes the entire, full and complete agreement and understanding between the parties and supersedes any and all prior agreements, no other representations, promises, warranties or agreements have induced you to execute this Agreement with Tapster. Both parties acknowledge and agree that there are no oral or written representations, promises, assurances, warranties, covenants, "side-deals", rights of first refusal, options or understandings other than those expressly contained in this Agreement. This Agreement supersedes all prior agreements, no other representations, promises, warranties, assurances, covenants, "side-deals", rights of first refusal, options or understandings having induced you to execute this Agreement. The parties agree that, in entering into this Agreement, they are each relying on their own judgment, belief and knowledge as to any claims and further acknowledge that no promise, inducement or agreement or any representations and warranties not expressed herein have been made to procure their agreement hereto. The parties further acknowledge that they have read, fully understand and fully agreed to the terms of this Agreement. Except for those permitted to be made unilaterally by Tapster hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Notwithstanding the foregoing, if Franchisee and/or the Tapster Franchised Bar is located in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, then 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. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

26.06 Execution This Franchise Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together

shall constitute one agreement. A signed copy of this Franchise Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Franchise Agreement. You agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Franchise Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed, and delivered this Agreement on the day and year first above written.

**TAP STAR FRANCHISING LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION. THIS AGREEMENT CONTAINS EXPRESS WAIVERS OF: (A) ANY AND ALL RIGHTS TO A JURY TRIAL; (B) ANY AND ALL RIGHTS TO PARTICIPATION IN CLASS ACTION ARBITRATION AND/OR LAWSUITS; (C) YOUR RIGHT TO OBTAIN PUNITIVE, MULTIPLE OR EXEMPLARY DAMAGES; AND (D) YOUR RIGHT TO BRING ANY CLAIM OR ACTION LATER THAN ONE (1) YEAR AFTER THE DISCOVERY OF THE FACTS GIVING RISE TO SUCH CLAIMS OR ACTIONS.**

**FRANCHISEE:**

\_\_\_\_\_  
**WITNESS**  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A TO  
TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**CONTRACT DATA SHEET**

1. **Effective Date:** \_\_\_\_\_

2. **Approved Bar Location:** The Franchised Bar will be located at (check (a) or (b), as applicable):



(a) \_\_\_\_\_

(Street Address, City, State and Zip Code)



(b) The Approved Bar Location has not been determined as of the Effective Date of this Agreement. Franchisee shall secure the Approved Bar Location in accordance with the terms and conditions of the Franchise Agreement within the general area described as follows (the "Designated Area"):

\_\_\_\_\_  
(Indicate City, County or Area within which the Franchised Bar shall be located.)

If (b) above is selected, the parties shall amend this Contract Data Sheet to reflect the address of the Bar and the Protected Territory, once the Approved Bar Location is secured by Franchisee in accordance with the terms of the Franchise Agreement.

3. **Protected Territory.** The Protected Territory shall be comprised of the following area: \_\_\_\_\_

4. **Initial Franchise Fee.** \_\_\_\_\_

\$40,000

\$30,000 (If signing 3 or more franchise agreements concurrently with this one.)

5. **Launch Fee.** \$15,000 \_\_\_\_\_

6. **Grand Opening Advertising Expenditure Requirement.** \$25,000 \_\_\_\_\_  
\$30,000 \_\_\_\_\_

7. **Franchisee Information.** (Check and complete as appropriate.)



(a) The following individual(s) is the Franchisee: \_\_\_\_\_

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

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



(b) The Franchisee is the following corporation:

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

State of Incorporation: \_\_\_\_\_

Shareholder Name (each an "Owner")	Shareholder Address & Telephone Number	Number of Shares

List of all Officers and Directors: \_\_\_\_\_

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



(c) The Franchisee is the following limited liability company:

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

State of Formation: \_\_\_\_\_

Member Name (each an "Owner")	Member Address & Telephone Number	Percentage Interest	Ownership

List of all Managers and Officers: \_\_\_\_\_

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



(d) The Franchisee is the following partnership:

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

State of Formation: \_\_\_\_\_

Partner Name (each an "Owner")	Partner Address & Telephone Number	Percentage Interest	Ownership

List of all Officers and the General Partner: \_\_\_\_\_

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

**EXHIBIT B TO  
TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

**THIS COLLATERAL ASSIGNMENT OF LEASE** is made as of the last date below written by and among \_\_\_\_\_ (“Tenant”), TAP STAR FRANCHISING LLC (“Franchisor”), and \_\_\_\_\_ (“Landlord”).

**RECITALS**

**WHEREAS**, Tenant is the tenant under a certain lease (or sublease), dated \_\_\_\_\_ (the “Lease”), wherein Landlord leased to Tenant certain premises at \_\_\_\_\_ (the “Premises”); and

**WHEREAS**, Tenant and Franchisor have, or will, enter into a Franchise Agreement (the “Franchise Agreement”), whereby Franchisor will grant to Tenant the right to open and operate a Tapster® bar at the Premises; and

**WHEREAS**, as a condition to Franchisor entering into the Franchise Agreement, Franchisor has required that Tenant assign its right, title and interest in the Lease, with the right to reassign (as provided therein), as security for Tenant’s obligations and Franchisor’s rights under the Franchise Agreement; and

**WHEREAS**, in order to induce Franchisor to enter into the Franchise Agreement, Tenant has agreed to assign its right, title and interest in the Lease, with the right to reassign (as provided therein), as security for Tenant’s obligations and Franchisor’s rights under the Franchise Agreement.

**AGREEMENT**

**NOW, THEREFORE**, in consideration for the foregoing premises and the mutual promises contained herein and in the Franchise Agreement, and in order to secure Tenant’s obligations and Franchisor’s rights under the Franchise Agreement, Tenant does hereby collaterally assign, transfer and set over unto Franchisor, with the right to reassign (as provided herein), all of its right, title and interest in and to the Lease and in and to the Premises; it being nevertheless expressly understood and agreed that this assignment is made and is consented to by the Landlord contingent upon the following terms, covenants, limitations and conditions:

a. **Tenant’s Right to Possession.** Tenant shall retain right to possession of the Premises in accordance with the terms and conditions of the Lease until the occurrence of an Assignment Event (as defined in paragraph 2 of this Agreement).

b. **Assignment Events.**

b.1 Franchisor shall have the right to exercise either of the options set forth in paragraphs 2.1(i) or 2.1(ii) below upon: (a) Franchisor’s declaration of a default by Tenant under the Franchise Agreement, which remains uncured beyond all applicable notice and cure periods; (b) the expiration or earlier termination of the Franchise Agreement; or (c) an expression by Tenant of its desire to terminate the Lease (each, an “Assignment Event”). Upon

the occurrence of an Assignment Event, Franchisor shall have the option to either:

assume and occupy the Premises upon written notice to Landlord and Tenant, in which event Franchisor shall be deemed to be substituted as the tenant under the Lease in the place and stead of Tenant and shall be deemed to have assumed expressly all of the terms, covenants and obligations of the Lease theretofore applicable to Tenant and shall likewise be entitled to enjoy all of the rights and privileges granted to Tenant under the terms and conditions of the Lease; or

assign the Lease to an affiliate or an approved Tapster® franchisee, without obtaining Landlord's prior written consent, provided that, in the event of an assignment to a franchisee, such franchisee: (x) has a net worth equal to or greater than the net worth of Tenant at the time of Lease execution; (y) assumes all of Tenant's obligations under the Lease; and (z) completes Franchisor's initial training program to Franchisor's satisfaction.

b.2 If Franchisor exercises either of the rights set forth in paragraphs 2.1(i) or 2.1(ii) above, Tenant shall remain obligated under the Lease and Tenant shall be liable to Franchisor for all payments by Franchisor for rent and other Lease obligations. The parties acknowledge that such payments are reasonable expenses of foreclosure.

b.3 If Franchisor exercises either of the rights set forth in paragraphs 2.1(i) or 2.1(ii) above, Landlord shall not terminate or accelerate the rent owed under the Lease in connection with any such assignment, so long as Franchisor, or its franchisee, assumes, in writing, the obligations of Tenant under the Lease. Nothing in this Paragraph 2.3 shall serve to extend the term of the Lease or provide Franchisor with occupancy rights, options to renew or other rights not expressly set forth to Tenant in the Lease.

c. Agreement of Landlord.

c.1 Landlord agrees to provide Franchisor with copies of any and all letters and notices to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant.

c.2 Landlord further agrees that, if it intends to terminate the Lease, Landlord will give Franchisor the same advance written notice of such intent as provided to Tenant, specifying in such notice all defaults that are the cause of any proposed termination. Franchisor shall have the right to cure, at its sole option, any such default within the time periods granted to Tenant under the Lease.

c.3 If neither Tenant nor Franchisor cures all such defaults within the prescribed time period (or such longer period as may be specifically permitted by the Lease), then the Landlord may terminate the Lease, re-enter the Premises, and/or exercise all other rights as set forth in the Lease. Landlord will promptly notify Franchisor of any expression by Tenant of its desire to terminate the Lease.

d. Right to Enter and Make Modifications to Premises. Before the expiration or termination of the Lease, Franchisor shall have the right to enter the Premises to make any reasonable modifications or reasonable alterations necessary to protect Franchisor's interest in the Tapster® franchise system or its proprietary marks, or to cure any default under the Franchise Agreement entered into by and

between Franchisor and Tenant, or any affiliate of Tenant. Landlord and Tenant agree that Franchisor shall not be liable for trespass or any other crimes or tort.

e. Notices. All notices and demands required to be given hereunder shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, telegram or telex (provide that the sender confirm the facsimile, telegram or telex by sending an original confirmation copy by certified transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If to Franchisor:

TAP STAR FRANCHISING LLC

---

---

With a copy to:

---

---

---

If to Tenant:

---

---

---

If to Landlord:

---

---

---

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by telex or facsimile shall be deemed given on the business day of transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties.

f. No Material Modification of Lease. Landlord and Tenant will not amend, renew, extend or otherwise modify the Lease in any manner which would materially affect any of the foregoing provisions without Franchisor's prior written consent.

g. Acknowledgment. The parties hereby acknowledge and agree that, so long as Franchisor shall not have exercised its option to take possession of the Premises under this Agreement, Franchisor shall not be liable for rent or any other obligations under the Lease.

h. e-Signature Provision. This Collateral Assignment of Lease may be executed in duplicate, and each copy so executed shall be deemed an original. This Assignment may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together

shall constitute one agreement. A signed copy of this Assignment transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Assignment. You agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Assignment shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

**IN WITNESS WHEREOF**, the parties hereto have executed this Collateral Assignment of Lease as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**ASSIGNOR:**

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISOR:**

**TAP STAR FRANCHISING LLC**

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**LANDLORD:**

\_\_\_\_\_  
WITNESS

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C TO**  
**TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**PERSONAL GUARANTEE**

The undersigned hereby execute this **PERSONAL GUARANTEE** (this “Guarantee”), as of the last date written below, in order to, among other things, induce TAP STAR FRANCHISING LLC (“Franchisor”) to enter into, or permit the transfer of, that certain Tapster® Franchise Agreement, dated \_\_\_\_\_ (the “Franchise Agreement”), with \_\_\_\_\_ (“Franchisee”).

**RECITALS**

**WHEREAS**, the undersigned constitute all of the shareholders, members, partners, or other persons or entities interested in effecting the grant or transfer of the Franchise Agreement by Franchisor to Franchisee; and

**WHEREAS**, Franchisor is relying on this Guarantee to ensure that there are sufficient assets to operate the franchised business and to protect Franchisor in the event Franchisee commits a default under the Franchise Agreement; and

**WHEREAS**, Franchisor is only willing to enter into the Franchise Agreement if each of the undersigned personally guarantee Franchisee’s obligations thereunder.

**AGREEMENT**

**NOW, THEREFORE**, the undersigned, in consideration of the undertakings and commitments of each such party set forth in this Guarantee, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. The undersigned hereby represent and warrant that they constitute [*check all that apply*]:

- the holders of one hundred percent (100%) of the originally issued and outstanding capital stock of Franchisee, a corporation;
- one hundred percent (100%) of the members of Franchisee, a limited liability company (“LLC”);
- one hundred percent (100%) of the partners of Franchisee, a partnership (“Partnership”); and/or
- Franchisee’s spouse and/or the spouses of the shareholders, members or partners of Franchisee, as applicable.

2. Each of the undersigned individuals personally, jointly and severally, agrees to be bound by all the terms and conditions of the Franchise Agreement, including any amendments thereto, whenever made, and absolutely, irrevocably and unconditionally guarantees to Franchisor, and its successors and assigns, that all of Franchisee’s obligations under the Franchise Agreement

will be punctually paid and performed.

3. The undersigned acknowledges and agrees that Franchisor has entered into the Franchise Agreement with Franchisee solely on the condition that each owner of Franchisee, and each owner's spouse, be personally obligated and jointly and severally liable with Franchisee (and with each other owner of Franchisee) for the performance of each and every obligation of Franchisee (and its owners) under: (i) the Franchise Agreement, including any amendments thereto or extensions or renewals thereof, and (ii) each and every other agreement entered into by Franchisee in connection with the Franchise Agreement, including any lease agreement (all aforementioned agreements are collectively referred to as the "Tapster Agreements"). Without limiting the generality of the foregoing, the undersigned acknowledge and agree that each individual is personally bound by the confidentiality restrictions and the covenant against competition set forth in the Franchise Agreement.

4. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee.

5. This Guarantee is effective until all terms of the Tapster Agreements have been fully and completely performed by Franchisee, to the satisfaction of Franchisor. No release of Franchisee or discharge of Franchisee under bankruptcy law, or any other law, shall impair or effect the obligations of Guarantor(s) to Franchisor hereunder.

6. The undersigned jointly and severally agree to pay all attorneys' fees, costs and expenses (including any and all Royalty Fees and Advertising Fees and associated interest on such amounts, that are determined to be owing to Franchisor due to underreporting by Franchisee) incurred by Franchisor in enforcing this Guarantee, whether or not suit or action is filed, and if suit or action is filed, then through trial and all appeals, and also in any proceedings or matter in Bankruptcy Court, and to assume all liability for all losses, costs, attorney's fees, and expenses that Franchisor incurs as a result of a default by Franchisee, including those fees and expenses incurred in a bankruptcy proceeding involving Franchisee.

7. The undersigned hereby waives the following:

(i) notice of amendment of the Tapster Agreements and notice of demand for payment or performance by Franchisee of any obligation under the Tapster Agreements;

(ii) presentment or protest of any instrument and notice thereof, and notice of default or intent to accelerate with respect to the indebtedness or nonperformance of any of Franchisee's obligations under the Tapster Agreements;

(iii) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability;

(iv) the defense of statute of limitations in any action hereunder or for the collection or performance of any obligation;

(v) any and all rights to payments, indemnities and claims for reimbursement or subrogation that the undersigned may have against Franchisee arising from the undersigned's

execution of and performance under this Guarantee;

(vi) any defense based on any irregularity or defect in the creation of any of the obligations or modification of the terms and conditions of performance thereof;

(vii) any defense based on the failure of Franchisor or any other party to take, protect, perfect or preserve any right against and/or security granted by Franchisee or any other party; and

(viii) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

8. Upon default by Franchisee or notice from Franchisor, the undersigned will immediately make each payment and perform each obligation required of Franchisee under the Tapster Agreements. Without limiting the generality of the foregoing, the undersigned acknowledges that Franchisor is not required to proceed first against the Franchisee, but may proceed first against the undersigned or any of them alone or concurrent with proceeding against Franchisee. The obligations of the undersigned hereunder are absolute and unconditional.

9. Governing Law; Jurisdiction; Venue.

(i) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. §1050 et seq.) or other federal law, this Guarantee and any claims related thereto, shall be governed by, interpreted and construed under the laws of the State of Illinois, which laws shall prevail in the event of any conflict of law.

(ii) The undersigned hereby acknowledge and agree that the United States District Court for the District of Illinois shall be the sole and exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of, in connection with, or related to, either directly or indirectly, this Guarantee. The undersigned agree that the undersigned are subject to personal jurisdiction in the State of Illinois, and further agree that, in the event of litigation, they will not contest or challenge the *in personam* jurisdiction or venue in Illinois. If and only if the United States District Court for the District of Illinois lacks subject matter jurisdiction over any matter litigated under this Guarantee, then the appropriate state court located in Cook County, Illinois shall be the venue and exclusive proper forum for such litigation. The undersigned agree that they are subject to personal jurisdiction in the state courts in Cook County, Illinois and, in any litigation brought in any such court under this Guarantee, the parties agree that they will not contest or challenge the *in personam* jurisdiction or venue of the courts of Cook County, Illinois. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

10. The undersigned hereby waive any right to trial by jury that they may have in any action brought by Franchisor related, directly or indirectly, to this Guarantee and/or the Tapster Agreements, or the negotiation of the Guarantee and/or the Tapster Agreements.

11. If one or more provisions contained in this Guarantee shall be invalid, illegal or unenforceable, in any respect under the laws of any jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

12. Each of the undersigned acknowledges that: (i) it is a condition to the granting of the Franchise Agreement to Franchisee that each of the undersigned shall execute and deliver this Guarantee to Franchisor; (ii) that Franchisor has entered into the Franchise Agreement with Franchisee in reliance upon the agreement of the undersigned to do so; and (iii) that, as owners of the Franchisee, or spouses of such owners, the undersigned have received adequate consideration to support their execution of this Guarantee. This Guarantee does not grant or create in the undersigned any interests, rights or privileges in the Tapster Agreements, or any other franchise or franchise agreement.

13. Execution. This Guarantee may be executed in duplicate, and each copy so executed shall be deemed an original. This Guarantee may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Guarantee transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Guarantee. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Guarantee shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Guarantee as of \_\_\_\_\_.

**GUARANTORS:**

Date: \_\_\_\_\_

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

Print Name: \_\_\_\_\_, an individual

Date: \_\_\_\_\_

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

Print Name: \_\_\_\_\_, an individual

**EXHIBIT D TO**  
**TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**  
**ELECTRONIC FUNDS TRANSFER FORM**

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

Bar #: \_\_\_\_\_

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

Contact Name, Address, and Phone Number:  
\_\_\_\_\_

Employer Identification Number (if applicable): \_\_\_\_\_

Principal's Name and Social Security Number: \_\_\_\_\_

**Franchisee's Bank Account Information**

Bank Name, Branch and Address: \_\_\_\_\_  
(the "Bank")

Bank Account Number: \_\_\_\_\_ (the "Bank Account")

Bank Routing Number: \_\_\_\_\_

Bank Phone Number: \_\_\_\_\_

Type of Account (Check One):  Savings Account  Checking Account

**Payment Authorization:**

Franchisee hereby authorizes TAP STAR FRANCHISING LLC (hereinafter "Payee"), any financial institution acting on behalf of Payee (hereinafter "Payee's Bank"), and Franchisee's financial institution which is identified above (hereinafter "Franchisee's Bank") to initiate withdrawals from the Bank Account indicated on this form, and hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to Payee. The amount of such charge shall be set forth in a notice from the Payee presented to the Bank on the days(s) of the week set forth in the Franchise Agreement by and between Payee and Franchisee, and any other agreement Franchisee signs that authorizes Payee or its affiliate to debit Franchisee's account for the fees, which may be modified by Payee, for the payment of royalty fees, advertising fees, POS support fees, gift card program fees and funds flow, and any other fees, charges or debits payable to Payee or its affiliates for any services Payee provides or facilitates. Franchisee agrees to sign such additional documents as may be reasonably requested by Payee or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until Payee has received written notification from Franchisee in such time and manner as to afford Payee and the Bank to act on such notice. Franchisee understands that the termination of this authorization does not relieve Franchisee of its obligations to make payments to Payee. Payee may assign its rights and obligations under this EFT Authorization to Payee's affiliates or agents. Payee may change its designated affiliates or agents at Payee's discretion.

The Franchisee acknowledges that the Bank, Payee, and Payee's Bank must comply with the National Automated Clearing House Association rules. Payee, the Bank and Franchisee's Bank are authorized to make any necessary debits or credits to correct duplicate or erroneous entries. The Franchisee hereby agrees to hold Payee, Payee's Bank, Bank and their agents, successors and assigns harmless from all direct, indirect, special or consequential damages and/or all losses, costs, claims or expenses arising out of or related to the use of this automatic payment service.

This authorization is effective as of the date indicated below and shall remain in full force until the expiration or earlier termination of the Franchise Agreement. The automatic payment process is subject to modification or cancellation at any time by Payee without notice to the Franchisee. This agreement shall be governed by the laws of the State of Illinois.

NOTE: A separate Authorization Agreement is required for each bank account, even if all accounts are within the same banking institution. Please attach a voided check or deposit slip to this authorization.

**EXHIBIT E TO  
TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS**

This Conditional Assignment of Telephone Numbers and Listings (the "Assignment") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ ("Effective Date"), in accordance with the terms of the Franchise Agreement ("Franchise Agreement") between TAP STAR FRANCHISING LLC ("Franchisor") and

\_\_\_\_\_ ("Franchisee"), executed concurrently with this Assignment and under which Franchisor granted Franchisee the right to own and operate a TAPSTER® bar located at \_\_\_\_\_ (the "Bar").

**FOR VALUE RECEIVED**, receipt of which is hereby acknowledged, Franchisee hereby agrees as follows:

1. **Conditional Assignment of Listings**. Franchisee hereby conditionally assigns to Franchisor all of Franchisee's right, title and interest in and to: (a) all telephone numbers and regular yellow pages, special, classified and other telephone directory listings used at any time in connection with the operation of the Bar; and (b) any and all website and social media addresses and accounts, including, without limitation, Facebook®, Twitter®, LinkedIn®, and any other account that contains any term or any mark the same as or similar to any of Franchisor's trademarks (individually and collectively, the "Listings").

2. **No Liability**. This Assignment is for collateral purposes only, and except as expressly provided herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless and until Franchisor notifies the telephone company, listing agency and/or webmaster/webhost (each, a "Listing Agency"), as applicable.

3. **Effectiveness of Assignment**. This Assignment will become effective automatically upon expiration (provided that Franchisee has not obtained a Successor Franchise Agreement) or the earlier termination of the Franchise Agreement. Upon the occurrence of that condition, Franchisee must do all things required by the applicable Listing Agency to assure the effectiveness of the assignment set forth herein as if the Franchisor had been originally issued the Listings, and the usage thereof.

4. **Responsibility of Franchisee**. Franchisee agrees to pay the Listing Agencies on or before the effective date of assignment all amounts owed for the use of Listing(s). Franchisee further agrees to indemnify Franchisor for any sums Franchisor must pay any Listing Agency to effectuate this assignment, and agrees to fully cooperate with the Listing Agency and Franchisor in effectuating this assignment.

5. **Franchisee Acknowledgments**. Franchisee agrees and acknowledges that as between Franchisor and Franchisee, Franchisor shall have the sole right to and interest in and to the Listings upon termination or expiration of the Franchise Agreement. Franchisee appoints Franchisor as Franchisee's true and lawful attorney-in-fact to direct the Listing Agency to assign same to Franchisor and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event Franchisee shall immediately instruct the applicable Listing Agency to assign the applicable Listing to Franchisor, and /or to assign

the Listing account to Franchisor. If Franchisee fails to promptly do so, Franchisor shall direct the appropriate parties to effectuate the assignment contemplated hereunder to Franchisor.

6. Attorney in Fact. The parties agree that the Listing Agency may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Listings and that such assignment shall be made automatically and effective immediately upon the Listing Agency's receipt of notice from Franchisor or Franchisee. The parties further agree that if the Listing Agency requires that the parties execute an assignment form or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Assignment as of \_\_\_\_\_, \_\_\_\_.

**ASSIGNOR:**

[\_\_\_\_\_]

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSIGNEE:**

**TAP STAR FRANCHISING LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F TO  
TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**

*(To be completed by Franchisee's trained employees, officers, directors, generalpartners, members and managers, as applicable.)*

In consideration of receiving an offer of employment from \_\_\_\_\_ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be bound hereby, I hereby acknowledge and agree that:

1. Tap Star Franchising LLC ("Franchisor") has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of a self-service beer bar offering craft beers on tap, a variety of imported, domestic and local craft beers, a selection wines, and other designated or approved beverage and food items, which may include, without limitation, cocktails, kombucha, coffee, soda, light snacks, sandwiches, and finger foods under the mark Tapster® ("System Bars").

2. Franchisee has acquired the right and license from Franchisor to operate a System Bar using the name Tapster® or such other name as designated by Franchisor (the "Bar"), and the right to use in the operation of the Bar, Franchisor's trade names, trademarks and service marks (the "Proprietary Marks").

3. As part of your employment with Franchisee, not only will you be exposed to Confidential Information, as defined below, with regard to the operation of the Bar, but you will also become familiar with the unique System utilized by Franchisor with regard to the sale of the identified products in System Bars.

4. For purposes of this Agreement, "Confidential Information" means all information, knowledge, know-how and techniques related to the Bar, Franchisor, Franchisee, the products that Franchisee or Franchisor sell, the System Bars, and the System, which is communicated to me or learned by me in the course of working for Franchisee, including, without limitation, information of a confidential and proprietary nature concerning the operations of Franchisee or Franchisor, as well as any product pricing information provided to Franchisee by Franchisor or its suppliers and vendors.

4.1 Confidential Information shall not include any information that is or becomes available to the public other than as a consequence of a breach by a person of any fiduciary duty or obligation of confidentiality, including, without limitation, catalogues, product descriptions and sales literature that Franchisor, Franchisee, or any franchisees or licensees of Franchisor or its affiliates have distributed to the public generally; (ii) is disclosed as required by a final, unappealable court order and no suitable protective order, or equivalent remedy, is available; or (iii) I was aware of prior to its disclosure to me in the course and scope of my employment with Franchisee from a source not bound by a confidential obligation.

4.2 Because I am an employee of Franchisee, Franchisor and Franchisee may disclose the Confidential Information to me during the course of the training program or any subsequent ongoing training program, and/or when furnishing to me general assistance and instruction during my employment with Franchisee.

4.3 I will not acquire any interest in the Confidential Information, other than the right to utilize it in on behalf of Franchisee in its the operation of the Bar, and the use or duplication of the Confidential Information for any use other than on behalf of the Franchisee in its operation of the Bar, would constitute an unfair method of competition.

4.4 The Confidential Information is non-public, proprietary, involves trade secrets of the Franchisee and Franchisor and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in confidence all Confidential Information and all other information designated by Franchisee and/or Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee, and will continue not to disclose and/or use any such information even after my employment with Franchisee ceases.

5. Non-Competition Covenants. Except as otherwise approved in writing by Franchisor and Franchisee or on behalf of or in connection with a System Bar, I shall not:

5.1 while in the employment of the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any Competitive Business (as defined below); or

5.2 for a period of two (2) years following the date on which I cease to be employed by Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own maintain, engage in, be employed by, or have any interest in any Competitive Business, which business is located: (a) at the Bar location; or (b) within a forty (40)-mile radius of the Bar location, or within a forty (40)-mile radius of any other Bar in existence or under construction as of the date I cease to be employed by Franchisee.

For purposes of this Agreement, the term "Competitive Business" means any business or facility owning, operating, or managing, or granting franchises or licenses to others to do so, any bar, tavern, pub, restaurant, food or alcohol beverage service facility or any retail establishment that (a) features beer or wine; (b) serves craft beer; or (c) has more than ten (10) beers on tap. The term Competitive Business shall not include other Bars operated by Franchisee pursuant to a valid, binding franchise agreement by and between Franchisee and Tapster.

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

I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my

consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

6. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement may cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

7. In the event of a dispute between the parties arising under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs. Any controversy, claim or dispute arising out of or relating to this Agreement, either during the existence of the employment relationship or afterwards, between the parties hereto, shall be litigated solely in state or federal court in or for Cook County, Illinois. Due to the importance of this Agreement to the Franchisee and Franchisor, I agree that any claim I have against the Franchisee or Franchisor is a separate matter, and does not entitle me to violate, or justify any violation of this Agreement, and must be raised in a separate lawsuit or claim.

8. This Agreement shall be construed under the laws of the State of Illinois. The only way this Agreement can be changed is in writing signed by both the Franchisee and me and approved, in writing, by Franchisor.

9. Execution. This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

[INSERT POSITION]

---

Witness

---

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

**EXHIBIT G TO  
TAPSTAR FRANCHISING LLC FRANCHISE AGREEMENT**

*(To be completed if Franchisee signs the Franchise Agreement as an individual and subsequently forms a legal entity to operate the Franchised Bar.)*

**ASSIGNMENT & ASSUMPTION AGREEMENT**

**THIS ASSIGNMENT AND ASSUMPTION AGREEMENT** (the “Assignment”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between TAP STAR FRANCHISING LLC (“Franchisor”), [insert name of individual franchisee] (“Assignor”), and [insert name of corporation or limited liability company], an entity owned and controlled by Assignor with an address at \_\_\_\_\_.

**RECITALS**

**WHEREAS**, Franchisor and Assignor entered into a certain TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT dated \_\_\_\_\_ (the “Franchise Agreement”), whereby Assignor was granted the right and undertook the obligation to operate a TAPSTER® bar at the location identified in the Franchise Agreement (the “Franchised Business”); and

**WHEREAS**, Assignor has formed Assignee for the convenience and purpose of owning and operating the Franchised Business; and

**WHEREAS**, Assignor desires to assign his or her rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement; and

**WHEREAS**, Franchisor is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor’s agreement to guarantee the performance by Assignee of its obligations under the Franchise Agreement and to continue to be bound by all of the provisions of the Franchise Agreement.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all of his or her rights, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment.

2. Assignee hereby assumes all of Assignor's obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the franchisee under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as franchisee.

3. Assignor agrees that Assignor shall continue to be bound by all of the terms and conditions of the Franchise Agreement, including, without limitation, all non-competition, confidentiality and indemnification obligations, and that nothing contained in this Assignment herein shall be deemed to relieve Assignor of any of Assignor's obligations contained in the Franchise Agreement. Assignor further agrees to, and by this instrument does hereby, guarantee the performance by Assignee of all of its obligations, commitments, duties and liabilities under the Franchise Agreement.

3.1 Without limiting the foregoing, Assignor irrevocably and unconditionally guarantees to Franchisor that: (i) Assignee will pay all amounts to be paid and otherwise comply with all provisions of the Franchise Agreement and any other agreement between Assignor and Franchisor or its affiliates concerning the operation of the Franchised Business; and (ii) if Assignee defaults in making any such payments or complying with any such provisions, Assignor shall pay forthwith upon demand all amounts due and owing Franchisor and all damages that may arise as a result of any such non-compliance.

4. In the enforcement of any of its rights against Assignor, Franchisor may proceed as if Assignor was the primary obligor under the Franchise Agreement. Assignor waives any right to require Franchisor to first proceed against Assignee or to proceed against or exhaust any security (if any) held by Franchisor or to pursue any other remedy available to it before proceeding against Assignor. No dealing between Franchisor and Assignee shall exonerate, release, discharge or in any way reduce the obligations of Assignor hereunder, in whole or in part, and in particular and without limiting the generality of the foregoing, Franchisor may modify or amend the Franchise Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Franchise Agreement, or any obligation of Assignee, take or release any securities or other guarantees for the performance by Assignee of any of its obligations, and otherwise deal with Assignee as Franchisor may see fit without affecting, lessening or limiting in any way the liability of Assignor. Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or other act of insolvency by Assignee and notwithstanding any rejection, disaffirmance or disclaimer of this Assignment or the Franchise Agreement, Assignor shall continue to be fully liable.

5. This Assignment is entered into in the State of Illinois and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law.

6. This Assignment shall be binding and inure to the benefit of the parties and their respective heirs, successors and assigns.

7. Assignor and Assignee acknowledge and agree that they are bound by the dispute resolution provisions of the Franchise Agreement. Assignor and Assignee further agree that they have and will continue to have a substantial relationship with Franchisor at its offices in Cook County, Illinois and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction as set forth below, any action by or against them arising out of or relating to this Assignment shall be commenced, litigated and concluded only in any state or federal court of general jurisdiction in the State of Illinois. Assignor and Assignee agree that Illinois represents the most convenient forum for the parties to litigate any disputes between them. Accordingly, Assignor and Assignee irrevocably submit to the jurisdiction of such court and waive any objection they may have to either the jurisdiction or venue of such court. Assignor and Assignee further waive any objection that such court is an inconvenient forum. Franchisor shall have the option, at its sole discretion, of bringing any action seeking equitable relief to enforce the terms of this Assignment in any court of competent jurisdiction in order to prevent real or threatened harm, and Assignor and Assignee consent to the entry of injunctive relief, including, without limitation, temporary restraining orders and/or preliminary and permanent injunctions without the requirement of bond, according to the usual equity rules in the jurisdiction in which such relief is sought.

8. The Franchise Agreement, including all Exhibits and Amendments thereto, and this Assignment shall constitute the entire integrated assignment between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

9. In the event that it becomes necessary for Franchisor to retain the services of legal counsel to enforce the terms of this Assignment, Franchisor shall be entitled to recover all costs and expenses, including reasonable attorneys', expert and investigative fees, incurred in enforcing the terms of this Assignment.

10.

A. [For Franchised Businesses Subject to Washington Franchise Investment Protection Act]: Each party declares that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain, and confer with counsel. This Assignment is entered into after a full investigation by the parties.

B. [For All Other Franchised Businesses]: Each party declares that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain, and confer with counsel. This Assignment is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Assignment.

11. The persons executing this Assignment on behalf of Assignee acknowledge their authority to do so.

12. The obligations of Assignor and Assignee under this Assignment are joint and several.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I  
WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO**

**BE BOUND BY ITS TERMS.**

**IN WITNESS WHEREOF**, the undersigned have affixed their signatures heretoas of the day and date first above written.

**ASSIGNOR:**

\_\_\_\_\_  
ATTEST

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

**ASSIGNEE:**

\_\_\_\_\_  
ATTEST

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

**FRANCHISOR:**

**TAP STAR FRANCHISING LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT H TO  
TAP STAR FRANCHISING LLC FRANCHISE AGREEMENT**

**SECURITY AGREEMENT**

THIS SECURITY AGREEMENT is entered into, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ at \_\_\_\_\_ ("Debtor"), and TAP STAR FRANCHISING LLC ("Secured Party"), whose address is \_\_\_\_\_.

**AGREEMENT**

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Debtor grants to Secured Party a first priority security interest in all of the property owned by Debtor, as described in Schedule I and the Property presently located at or intended to be located at Debtor's bar located at: \_\_\_\_\_.

\_\_\_\_\_(the "Premises") and/or elsewhere and used and/or intended to be used and/or consumed in connection with the operation of a Tapster® bar at the Premises, together with all after-acquired property of the same general class and description and the proceeds of all property encumbered hereby (the "Collateral").

**TO SECURE:**

- (a) Performance of each agreement of Debtor contained in that certain Franchise Agreement between Debtor and Secured Party, dated \_\_\_\_\_ (the "Franchise Agreement"); and
- (b) The repayment of all sums and amounts that may be advanced or expended by Secured Party for the maintenance and preservation of the Collateral or any part thereof or the enforcement of any rights of Secured Party hereunder; and
- (C) Performance of each agreement of Debtor contained herein.

**DEBTOR WARRANTS AND AGREES:**

1. Except for the security interest granted hereby, Debtor is the owner of the Collateral, free from any adverse lien, security interest or encumbrance, and Debtor will defend against all claims and demands of all persons at any time claiming the same or an interest therein.

2. No Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office. Debtor hereby authorizes Secured Party to execute, on behalf of both Debtor and Secured Party, one or more Financing Statements, pursuant to the Uniform Commercial Code, in form satisfactory to Secured Party, and to file or record same in all public offices wherever filing or recording is deemed by Secured Party to be necessary or desirable and Debtor agrees to pay the cost of filing or recording the same.

3. To do all acts which may be necessary to maintain, preserve and protect the Collateral, not to commit or permit any waste thereof, and to maintain the Collateral in good order, repair and condition, reasonable wear and tear excepted.

4. Not to remove any of the Collateral from the Premises, except for the purpose of repair or replacement with other articles of substantially similar quality and value, which will not be subject to any lien, encumbrances or interests in others, except for purchase money security interests and the security interest granted hereby, and to permit Secured Party to inspect the Collateral at any time. Notwithstanding the above, Debtor may sell the inventory secured hereby in the ordinary course of its business.

5. Except as provided in Section 4 above, not to sell, assign, lease, encumber, or otherwise dispose of all or any of the Collateral without the prior written consent of Secured Party.

6. To pay before delinquency, all taxes, assessments and liens now or hereafter imposed on the Collateral, and to maintain in force at all times, fire and other insurance policies (including all risk, and earthquake insurance) on the Collateral.

7. If Debtor fails to make any payment or do any act as herein required, then Secured Party, without obligation to do so and without notice to or demand upon Debtor, may make such payments and do such acts as Secured Party may deem necessary to protect its security interest in the Collateral, Secured Party being hereby authorized (without limiting the general nature of the authority hereinabove conferred) to take possession of the Collateral or any part thereof and to pay, purchase, contest or compromise any security interest, encumbrance, charge or lien which, in the judgment of Secured Party, appears to be prior or superior to or to jeopardize the security interest granted hereby, and in exercising any such powers and authority to incur necessary expenses, including attorneys' fees. Debtor hereby agrees to repay immediately and without demand all sums expended by Secured Party pursuant to the provisions of this paragraph.

8. Debtor shall be in default under this Agreement upon the happening of any of the following events or conditions:

(a) Default by Debtor in the payment of any or all of the indebtedness, obligations or liabilities secured hereby beyond the applicable cure periods, or failure by Debtor to perform any agreement herein contained or secured hereby.

9. Upon any such default, Secured Party, at its option, without demand upon or notice to Debtor, may declare all indebtedness, obligations and liabilities secured hereby to be immediately due and payable, and Secured Party shall have all the rights and remedies provided a secured party under the Uniform Commercial Code and may proceed to foreclose the security interest created hereby according to law, and may, at its option, and it is hereby empowered, with or without foreclosure action, to enter upon the Premises or any other premises where the Collateral or any part thereof may be and take possession thereof and remove the Collateral or any part thereof. In addition, Secured Party may require and Debtor agrees to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonable convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private or other intended disposition is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown above at least ten (10) days before the time of the sale or disposition. The Collateral may be

sold in one or more lots and at one or more sales, which may be held on different days and need not be held within view of the Collateral being sold. Secured Party shall deduct and retain from the proceeds of such sale or sales all costs and expenses paid or incurred in the taking, removal, holding, preparing for sale or sales of the Collateral, including any reasonable attorneys' fees and legal expenses incurred or paid by Secured Party; the balance of the proceeds shall be applied by Secured Party upon the indebtedness, obligations and liabilities secured hereby, in such order and manner as Secured Party may determine, and the surplus, if any, shall be paid to Debtor or to the person or persons lawfully entitled to receive the same.

(a) Secured Party, at its option, shall have the right to commence any action or proceeding against a third party or appear in or defend any action or proceeding brought by a third party purporting to affect the rights, duties or liabilities of the parties hereto, including, without limiting the generality of the foregoing, an action to foreclose the security interest created hereby, and in connection therewith to incur costs, expenses and attorneys' fees in any such action or proceeding in which the Secured Party shall appear, all of which costs, expenses and attorneys' fees will be paid or reimbursed to Secured Party by Debtor.

(b) In the event of any default hereunder, Secured Party shall be entitled, without notice and without regard to the adequacy of the Collateral and of any other security for the indebtedness hereby secured, to the appointment of a receiver to take possession of all or any part of the Collateral and to exercise such powers as the Court shall confer upon him.

(c) At any public sale or sales made under this Section 9 or authorized herein or by law, or at any sale or sales made upon judicial foreclosure of this security interest, Secured Party (or its representative) may bid for and purchase any Collateral being sold and, in the event of such purchase, shall hold such property thereafter discharged of all rights of redemption.

10. Secured Party shall be entitled to enforce any indebtedness, obligation or liability secured hereby and to exercise all rights and powers hereby conferred, although some or all of the indebtedness, obligations and liabilities secured hereby are now or shall hereafter be otherwise secured. Debtor's acceptance of this Agreement shall not affect or prejudice Secured Party's right to realize upon or enforce any other security now or hereafter held by Secured Party, and Secured Party shall be entitled to exercise all rights of set-off to the same effect and in the same manner as if this security interest had not been given.

11. In the event suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover, as an element of damages, its cost of suit and, not as damages, a reasonable attorneys' fee to be fixed by the Court.

12. The words Secured Party and Debtor, as used herein, shall be construed to include the heirs, legatees, devisees, administrators, executors, successors and assigns, respectively, of Secured Party and Debtor. This Agreement shall bind and inure to the benefit of such third persons. Whenever the context so requires, the masculine gender includes the feminine and neuter, the singular number includes the plural, and vice versa. All references herein to the Uniform Commercial Code means the Uniform Commercial Code as adopted by the State in which Secured Party's principal place of business is located.

13. Execution. This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Agreement shall have

the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

THE UNDERSIGNED DEBTOR HEREBY SPECIFICALLY CERTIFIES THAT HEHAS READ AND UNDERSTANDS THIS SECURITY AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the dayand year first above written.

**Secured Party:**

**TAP STAR FRANCHISING LLC**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Franchisee:**

[\_\_\_\_\_]  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

## **SCHEDULE I**

All leasehold improvements, furniture, fixtures, appliances, tools, equipment, cash registers, goods, inventories, and allied products, and finished goods and materials, now owned or hereafter at any time acquired by Debtor, and all accessories, parts, repossessions, and returns thereto or therefore; all accounts, general tangibles, chattelpaper, documents, instruments, (whether negotiable or non-negotiable), deposit accounts, money, contract rights and rights to payment of every kind, now existing and hereafter arising; and all proceeds (including proceeds of insurance policies on the Collateral), products, additions, accessions, replacements and substitutions for and of such Collateral.

**EXHIBIT C**  
**TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE DOCUMENT**

**CURRENT FRANCHISEES**

**AS OF DECEMBER 31, 2023**

<b>STATE</b>	<b>Franchisee Name</b>	<b>Address</b>	<b>Phone Number</b>
<b>OHIO</b>	Kay Family Ventures, LLC	15320 Detroit Ave, Lakewood, OH 44107	(330) 754-4417
<b>Kentucky*</b>	David Swedler	401 West Main Street, Suite 101, Lexington, KY 40515	(510)-229-9949

\*Franchise Agreement signed, but not yet open as of 12/31/23.

**EXHIBIT D**  
**TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE DOCUMENT**

**FORMER FRANCHISEES**

*As of the Issuance Date of this FDD there were no former franchisees.*

**EXHIBIT E**  
**TO TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**



TAPSTER

TAP STAR FRANCHISING, LLC

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

FOR THE PERIOD FROM INCEPTION (APRIL 4, 2024)

TO MAY 31, 2024



# TAP STAR FRANCHISING, LLC

## Table of Contents

	<u>Page</u>
Independent auditor's report.....	3
Balance sheet.....	5
Statements of operations and member's equity .....	6
Statement of cash flows.....	7
Notes to the financial statements .....	8



### *Independent Auditor's Report*

To the Members  
Tap Star Franchising, LLC  
Philadelphia PA

#### *Opinion*

We have audited the accompanying financial statements of Tap Star Franchising, LLC, comprise the balance sheet as of May 31, 2024 and the related statements of operations, member's equity, and cash flows for the period from inception (April 4, 2024) to May 31, 2024, 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 Tap Star Franchising, LLC as of May 31, 2024 and the related statements of operations, member's equity and cash flows for the period from inception (April 4, 2024) to May 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 within one year after the date that the financial statements are available to be issued.

#### *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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing 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, including omissions, 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 auditing 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.

***Restrictions on Use***

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

*Kezar J. Dunlavy*

St. George, Utah  
June 17, 2024

**Tap Star Franchising LLC**  
**BALANCE SHEET**  
**As of May 31, 2024**

	<b>2024</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 2,000
Total current assets	<u>2,000</u>
Total assets	<u><u>\$ 2,000</u></u>
<b>Liabilities and Members' Equity</b>	
Liabilities	\$ -
Total liabilities	<u>-</u>
Member's equity	2,000
Total liabilties and members' equity	<u><u>\$ 2,000</u></u>

The accompanying notes to the financial statements are integral part of these financial statements

**Tap Star Franchising LLC**  
**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY**  
For the period from inception (April 4, 2024) to May 31, 2024

	<b><u>2024</u></b>
Operating revenues	\$ -
Operating expenses	
General and administrative	- <hr/>
Total operating expenses	- <hr/>
Operating income	- <hr/>
Net income	<hr/> \$ - <hr/>
Beginning members' equity	\$ -
Net income	- <hr/>
Member contributions	2,000 <hr/>
Ending members' equity	<hr/> \$ 2,000 <hr/>

The accompanying notes to the financial statements are integral part of these financial statements

**Tap Star Franchising LLC**  
**STATEMENT OF CASH FLOWS**  
For the period from inception (April 4, 2024) to May 31, 2024

	<b>2024</b>
Net income	\$ -
Cash flows from financing activities:	
Member contributions	2,000
Cash flows provided by financing activities	<u>2,000</u>
Net change in cash and cash equivalents	2,000
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<u>\$ 2,000</u>
Supplemental disclosures of cash flow	
Cash paid for interest and taxes	\$ -

The accompanying notes to the financial statements are integral part of these financial statements

**TAP STAR FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**May 31, 2024**

**(1) Nature of Business and Summary of Significant Accounting Policies**

*(a) Nature of Business*

Tap Star Franchising, LLC (the “Company”) was organized in the State of Delaware on April 4, 2024 as a limited liability company. The Company was formed for the purpose of marketing and supporting a self-pour tasting room/bar franchise concept.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year. The members’ liability is limited to their equity.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of May 31, 2024, the Company had cash and cash equivalents of \$2,000.

*(e) Revenue Recognition*

The Company’s primary revenues consist of initial franchise fees and royalty fees (which are based on a percentage of franchisee gross revenues) from franchisees.

Upon commencement of operations, the Company adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluates all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial franchise fee, ongoing royalties, and the Company’s performance obligations.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties and tech fees and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606,

**TAP STAR FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**May 31, 2024**

*Franchisors—Revenue from Contracts with Customers.* The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. ASC 952-606 identifies the following general pre-opening services (which the Company may or may not provide) as eligible for inclusion in the single distinct performance obligation:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services.
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon the provision of these pre-opening services, which is generally the commencement of operations.

Company sold no franchises during the period ended May 31, 2024.

*(f) Income Taxes*

The Company is structured as a limited liability company under the laws of the state of Delaware. Accordingly, the income or loss of the Company will be included in the income tax returns of the member. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of May 31, 2024, no tax years were subject to examination.

*(g) Advertising Cost*

The Company expenses advertising costs as incurred. Advertising expenses for the year ended May 31, 2024, were \$0.

*(h) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities.

*(i) Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**TAP STAR FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**May 31, 2024**

**(2) Commitments and Contingencies**

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**(3) Subsequent Events**

Management has reviewed and evaluated subsequent events through June 17, 2024, the date on which the financial statements were issued.

**These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.**

## **Tap Star Franchising LLC Balance Sheet**

As of December 31, 2024

**Accounts Payable**

2200 Accounts Payable (A/P)	0.00
<b>Total Accounts Payable</b>	<b>\$ 0.00</b>
Credit Cards	

<b>Total Credit Cards</b>	<b>\$ 0.00</b>
<b>Other Current Liabilities</b>	

**6220 Intercompany Payable**

6225 Other Payable	0.00
--------------------	------

<b>Total Other Current Liabilities</b>	<b>\$ 0.00</b>
<b>Total Current Liabilities</b>	<b>\$ 0.00</b>

**Long-Term Liabilities**

2301 Notes Payable	0.00
--------------------	------

**Total Long-Term Liabilities**

\$ 0.00
---------

**Total Liabilities**

\$ 0.00
---------

**Equity****2303 Owner's Contribution**

2304 Partner Distribution-	0.00
----------------------------	------

2305 Ptr Contrib - T&B	0.00
------------------------	------

2306 Retained Earnings	57,200.00
------------------------	-----------

**2307 Partner Distribution-Roman****Net Income****Total Equity**

\$ 57,200.00
--------------

**TOTAL LIABILITIES AND EQUITY**

\$ 57,200.00
--------------

**EXHIBIT F**  
**TO TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE GENERAL RELEASE**

This General Release (the "Release") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between TAP STAR FRANCHISING LLC ("Franchisor"), and \_\_\_\_\_, ("Franchisee") and \_\_\_\_\_ ("Guarantor").

**BACKGROUND**

A. On \_\_\_\_\_, \_\_\_\_\_, Franchisee entered into a franchise agreement (the "Franchise Agreement") with Franchisor for the right to operate a *TAPSTER®* franchised FRANCHISED BUSINESS at \_\_\_\_\_ (the "FRANCHISED BUSINESS").

B. In order to induce Franchisor to enter into the Franchise Agreement with Franchisee, on \_\_\_\_\_, \_\_\_\_\_, Guarantor executed a guarantee (the "Guarantee") under which Guarantor agreed to personally guarantee, and act as a surety for, Franchisee's obligations to Franchisor under the Franchise Agreement.

C. Franchisee wishes to *[enter into a Successor Franchise Agreement; assign its rights and duties under the Franchise Agreement]* and has agreed to execute this Release as a condition of obtaining the consent of Franchisor in connection with the *[entry into the Successor Franchise Agreement; or assignment]*.

**AGREEMENT**

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. **Release**. Franchisee, Guarantor, and all persons and entities claiming by, through or under them, release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors and assigns (the "Franchisor Releasees") from any and all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, judgments, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or related to the offer, sale and/or operation of the FRANCHISED BUSINESS, and the parties' rights or obligations under the Franchise Agreement and Guarantee, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

2. This Release shall not be amended or modified unless such amendment or modification is signed by Franchisor, Franchisee and Guarantors. Franchisee and Guarantors acknowledge that the terms of this Release have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel.

3. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Release, it shall be entitled to recover all costs and expenses, including reasonable attorney's fees, incurred in enforcing the terms of this Release.

**I HAVE READ THE ABOVE RELEASE AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS RELEASE IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**The following language applies only to transactions governed by the Washington Franchise Investment Protection Act**

The release provided above will not apply to the extent prohibited by the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220.

**TAP STAR FRANCHISING LLC:**

Attest:\_\_\_\_\_

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

**Franchisee:**

Attest:\_\_\_\_\_

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

**Guarantor:**

Witness:\_\_\_\_\_

By:\_\_\_\_\_  
, individually

Witness:\_\_\_\_\_

By:\_\_\_\_\_  
, individually

**EXHIBIT G**  
**TO TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE**

**DOCUMENT**

**STATE SPECIFIC ADDENDA**

The following are additional disclosures for the Franchise Disclosure Document of TAP STAR FRANCHISING LLC required by various state franchise laws.

**NASAA REQUIRED MODIFICATIONS TO ITEM 22 OF THE FDD –**

**IN ADDITION TO CERTAIN STATE SPECIFIC ADDENDA THAT FOLLOW, THE FOLLOWING  
LANGUAGE SHALL BE APPLICABLE IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA,  
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND,  
SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.**

## **ILLINOIS**

1. Item 5 is amended by the addition of the following language to the original language that appears therein: The State of Illinois requires the franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and the franchisee has commenced doing business pursuant to the franchise agreement. The Illinois Attorney General's Office imposed this deferral requirements due to Franchisor's financial condition.

2. The "Summary" section of Item 17(v), entitled Choice of forum, is deleted and replaced with the following:

Subject to mediation and arbitration requirements, litigation generally must be in courts located in Illinois.

3. The "Summary" section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

Illinois law governs the franchise agreement.

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

Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**RIDER TO THE TAP STAR FRANCHISING  
LLC FRANCHISE AGREEMENT FOR USE IN  
ILLINOIS**

**THIS RIDER** is made this \_\_\_\_\_ day of \_\_\_\_\_, 20 by and between **TAP STAR FRANCHISING LLC**, an Illinois limited liability company, having its principal place of business at 2027 W. North Avenue, Chicago, IL 60647 (“**Franchisor**”), and (“**Franchisee**”).

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987 (“Act”), 815 ILCS 705/1-44. To the extent that this Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of this Franchise Agreement. If this Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. In conformance with Section 41 of the Illinois Franchise Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
- c. Any provision that designates jurisdiction or venue or requires Franchisee to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois. Therefore to the extent that the Franchise Agreement is inconsistent with Illinois law, Illinois law will control.
- d. Any release of claims or acknowledgment of fact contained in this Franchise Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and is hereby deleted with respect to claims under the Act.

2. Section 5.01 of the Franchise Agreement, under the heading “Initial Fees” shall be supplemented by adding the following: “The Illinois Attorney General's Office imposed this deferral requirements due to Franchisor's financial condition. Therefore, all initial fees and payments owed by you shall be deferred until we complete our preopening obligations, and you have commenced doing business under this Agreement.”

3. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act, or any law of the State of Illinois is void. However, this provision shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. All other provisions of this Franchise Agreement are hereby ratified and confirmed.

*[The Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties, intending to be legally bound, have duly executed and delivered this Rider on the day and year first above written.

**ATTEST:**

**TAP STAR FRANCHISING LLC**

---

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

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

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

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

Date: \_\_\_\_\_

**ATTEST/WITNESS:**

---

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

**FRANCHISEE:**

---

---

---

---

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

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

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

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

## **MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

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.

### **RISK FACTOR**

**No Experience:** We have no experience operating a franchise of this nature, and we have almost no experience operating the type of business you will be operating as our franchisee.

### **ITEM 5**

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

### **ITEM 17**

The general release required as a condition of renewal, assignment, or transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

The franchise agreement provision which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

## **MARYLAND ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached are amended as follows to comply with the Maryland Franchise Registration and Disclosure Law:

1. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

2. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

3. The Franchise Agreement shall be amended to delete the following sections in their entirety:

- 26.01, 26.01.1, 26.01.2, 26.01.3, 26.02, 26.05 (other than the second to last sentence) of the Franchise Agreement shall be deleted.

4. 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.

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

**FRANCHISOR:**

**TAP STAR FRANCHISING, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$229,200 to \$1,331,000. This amount exceeds the franchisor's stockholder's equity as of May 31, 2024, which is \$2,000.

**WASHINGTON ADDENDUM TO FRANCHISE  
AGREEMENT FRANCHISE DISCLOSURE  
REPRESENTATION AND OTHER RELATED  
AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The Remarks column for Costs of Enforcement in Item 6 shall be supplemented to state that the Franchisee will only be required to pay these costs in the event that the Franchisor is the substantially prevailing party in a legal action.

Notwithstanding anything to the contrary in the Franchise Agreement, including but not limited to Section 18.01.9 and Section 19.04 thereof, Franchisee shall only be required to pay these costs of enforcement in the event Franchisor is the substantially prevailing party in a legal action.

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.

Section 5.01.1 of the Franchise Agreement (entitled “Initial Franchise Fee”) shall be supplemented by adding the following: “In lieu of an impound of the franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.”

Except for Sections 26.05 and 26.06, the entirety of Section 26 of the Franchise Agreement shall be deleted.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.  

---

FRANCHISOR

FRANCHISEE

**This addendum may also be used as a rider to the Franchise Disclosure Document.**

**EXHIBIT H**  
**TO TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE DOCUMENT**

**OPERATIONS MANUAL TABLE OF CONTENTS**



# T A P S T E R®

## Franchise Operations Manual

### **CHAPTER 1: INTRODUCTION.....1**

How To Use This Manual.....	1
Confidential Disclosure Agreements .....	3

### **CHAPTER 2: WELCOME TO TAPSTER.....5**

History of Tapster .....	6
The Tapster Management Team .....	8
Legal Advisory and Franchisor's Management Support .....	10
Tapster Mission Principles & Promises.....	12

### **CHAPTER 3: SUPPORT RESOURCES .....15**

Franchisee Support Matrix.....	15
Franchise Corporate Officers .....	16

### **CHAPTER 4: PRE-OPENING TIMETABLE & OBLIGATIONS.....18**

Tapster Pre-Opening Timetable.....	18
Week One.....	19
Week Two .....	20
Week Three .....	21

### **CHAPTER 5: FRANCHISEE TRAINING REQUIREMENTS .....22**

Tapster Orientation Training .....	22
Tapster Qualified Certifications.....	24
Additional Training & Refresher Courses .....	25
Tapster National Sales Meeting.....	26

### **CHAPTER 6: STAFFING YOUR TAPSTER FRANCHISE.....27**

Staffing Your Tapster Franchise.....	27
Position Descriptions with Profiles.....	28

<b>CHAPTER 7: OFFICE POLICIES .....</b>	<b>35</b>
Setting Up Your Office .....	35
Quality Standards of Service .....	36
Service and Courtesy to Clients.....	38
Handling Typical Complaints and Problems .....	40
Employee Appearance (Trade Dress) and Hygiene.....	41
Visitors in the Workplace.....	43
Computer/Cell Phone Usage .....	44
<b>CHAPTER 8: OFFICE OPERATION AND MAINTENANCE .....</b>	<b>45</b>
Business Processes Mapping .....	45
General Housekeeping.....	46
Opening Procedures .....	47
Closing Procedures .....	49
Cleaning Procedures.....	51
Office Administration Major Activities Listing.....	53
Administrative Management Checklist .....	54
Alarms, Locks and Keys.....	55
Inventory Levels.....	56
Daily Procedures .....	57
Restrooms .....	58
Safety.....	59
<b>CHAPTER 9: OFFICE EQUIPMENT, COMPUTER SYSTEM, INVENTORY, AND SUPPLIES...</b>	
60	
Office Equipment.....	60
Approved Vendors.....	61
Equipment “Starter Package” .....	62
<b>CHAPTER 10: ADMINISTRATION.....</b>	<b>63</b>
Record Keeping.....	63
Accounting Services .....	64
Collections and Accounts Receivable Management.....	65
<b>CHAPTER 11: REPORTS, AUDITS &amp; INSPECTIONS .....</b>	<b>66</b>
Franchisee Reports .....	66
Records and Reports .....	67
Failure to Report.....	68
Audits and Inspections .....	69
<b>CHAPTER 12: MARKETING .....</b>	<b>70</b>
Tapster Franchisee Marketing Requirements .....	70

Target Marketing with Selected Social Media .....	71
Executing Your Marketing Plan .....	72
<b>CHAPTER 13: INSURANCE REQUIREMENTS &amp; RISK MANAGEMENT .....</b> 73	
General Insurance Coverage .....	73
Risk Management .....	75
Managing Risk at the Franchise Location or Job Site .....	76
Franchisee Site Security .....	77
Reporting Incidents .....	78
<b>CHAPTER 14: CORPORATE STRUCTURE AND FINANCING.....</b> 79	
Setting Up Your Entity.....	79
Legal Business Structures .....	80
Types of Structures.....	82
Setting Up the New Corporation .....	83
Financing Arrangements.....	84
Financing Alternatives .....	86
<b>CHAPTER 15: TRADEMARKS AND TRADE SECRETS - PROTECTION POLICIES.....</b> 87	
Trademark Usage and Guidelines.....	87
Examples Of Trademark Misuse.....	90
<b>CHAPTER 16: FIELD OPERATIONS.....</b> 91	
Safety First.....	91
Business Processes Mapping .....	92
Outline of Window Cleaning Process.....	93
<b>CHAPTER 17: RESALE, TRANSFER, RENEWAL AND CLOSING .....</b> 94	
Conditions of Renewal.....	94
Continuation.....	95
Assignment or Transfer.....	96
Termination .....	97
<b>CHAPTER 18: EXPANSION AND RELOCATION REQUIREMENTS .....</b> 98	
Franchise Expansion, New Territory, Resale Purchase or Territory Expansion .....	98

**EXHIBIT I**

**Pre-Closing Questionnaire**

## **PRE-CLOSING QUESTIONNAIRE**

***[To be completed by Franchisee and all Owners before signing Franchise Agreement]***

**DO NOT COMPLETE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS  
WILL BE LOCATED IN: CALIFORNIA, HAWAII, ILLINOIS, INDIANA,  
MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE  
ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

As you know, you and TAP STAR FRANCHISING LLC (the “Franchisor”) are about to enter into a franchise agreement for the development, opening and operation of a TAPSTER® franchised outlet (the “Outlet”). The purpose of this Questionnaire is to determine if any improper sales practices have occurred, including, whether any statements or promises were made to you Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. **The answers you provide in this Questionnaire are material to Franchisor and Franchisor is relying on all such answers in agreeing to enter into a franchise relationship with you.**

1. Have you received and personally reviewed Franchisor’s Franchise Disclosure Document?

Yes  No

2. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes  No

3. Have you received and personally reviewed the TAP STAR FRANCHISING LLC Franchise Agreement and all accompanying Exhibits?

Yes  No

4. Has any employee or other person speaking on behalf of Franchisor made any statement, representation or promise concerning the revenue, profits or operating costs of a TAPSTER® Outlet operated by Franchisor or any of its affiliates?

Yes  No

5. Has any employee or other person speaking on behalf of Franchisor made any statement, representation (aside from the disclosure provided in Item 19 of the FDD) or promise concerning the revenue, profits or operating costs of a TAPSTER® Outlet operated by a franchisee?

Yes  No

6. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning any TAPSTER® Outlet that is contrary to, different from, or in addition to, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

7. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the amount of money you may earn or revenue you may derive in operating a TAPSTER® Outlet ?

Yes\_\_\_\_ No\_\_\_\_

8. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the amount of revenue a TAPSTER® Outlet will generate?

Yes\_\_\_\_ No\_\_\_\_

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise regarding the costs you may incur in operating a TAPSTER® Outlet that is contrary to, or different from, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a TAPSTER® Outlet?

Yes\_\_\_\_ No\_\_\_\_

11. Has any employee or other person speaking on behalf of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes\_\_\_\_ No\_\_\_\_

12. Do you understand that Franchisor's approval of a location for the Outlet does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of the Outlet at the location?

Yes\_\_\_\_ No\_\_\_\_

13. Do you understand that the approval of Franchisor of a financing plan for operation of the Outlet does not constitute any assurance that such financing plan is favorable, or not unduly burdensome, or that the Outlet will be successful if the financing plan is implemented?

Yes\_\_\_\_ No\_\_\_\_

14. Do you understand that in all dealings with you, the officers, directors, employees and agents of Franchisor act only in a representative capacity and not in an individual capacity and such dealings are solely between you and Franchisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you have answered "Yes" to any of questions 4 through 11, please provide a full explanation by attaching an additional page. You understand that your answers are important to us and that we will rely on them.

**By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.**

**PROSPECTIVE FRANCHISEE/APPLICANT:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT J**  
**STATE EFFECTIVE DATES**

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

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

<b>State</b>	<b>Effective Date</b>
Illinois	
Indiana	
Michigan	
Washington	
Maryland	
Virginia	
New York	

In states that do not require a franchise registration or exemption filing, the effective date of this disclosure document is September 5, 2024.

**EXHIBIT K**  
**TO TAP STAR FRANCHISING LLC FRANCHISE DISCLOSURE**

**DOCUMENT RECEIPT PAGES**

## 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 **TAP STAR FRANCHISING LLC** (“TAPSTER”) offers you a franchise, it must provide this Disclosure Document to You 14 Calendar-days before you sign a binding agreement with, or make a payment to, TAPSTER or an affiliate in connection with the proposed franchise sale. **[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan, Oregon, and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]**

If TAPSTER does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of Federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and with the appropriate state agency listed on Exhibit A.

The franchisor is TAP STAR FRANCHISING LLC, located at 2402 Manning Street, Philadelphia, PA, 19103. Its telephone number is 720-358-1212

Issuance Date: September 5, 2024

### **The franchise seller for this offering is:**

**Name:** Roman Maliszewski

**Address:** 2402 Manning Street, Philadelphia, PA, 19103

**Telephone #:** 720-358-1212

**Name:** Justin Livingston

**Address:** 2575 Andrew Dr, Superior, CO 80027

**Telephone #:** 720-358-1212

**Name:** Angela Kelly

**Address:** 908 Main St. #140, Louisville, CO

**Telephone #:** 720-358-1212

**Name:** Michael Weinberger

**Address:** 1601 Sansom Street, Philadelphia PA 19103.

**Telephone #:** 720-339-8803

**TAP STAR FRANCHISING LLC** authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated September 5, 2024 that included the following Exhibits:

A. LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS	G. STATE SPECIFIC ADDENDA
B. FRANCHISE AGREEMENT	H. OPERATIONS MANUAL TABLE OF CONTENTS
C. CURRENT FRANCHISEES	I. PRE-CLOSING QUESTIONNAIRE
D. FORMER FRANCHISEES	J. STATE EFFECTIVE DATE PAGE
E. FINANCIAL STATEMENTS	K. RECEIPTS
F. SAMPLE RELEASE AGREEMENT	

## 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 **TAP STAR FRANCHISING LLC** (“TAPSTER”) offers you a franchise, it must provide this Disclosure Document to You 14 Calendar-days before you sign a binding agreement with, or make a payment to, TAPSTER or an affiliate in connection with the proposed franchise sale. **[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan, Oregon, and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]**

If TAPSTER does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of Federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and with the appropriate state agency listed on Exhibit A.

The franchisor is TAP STAR FRANCHISING LLC, located at 2402 Manning Street, Philadelphia, PA, 19103. Its telephone number is 720-358-1212

Issuance Date: September 5, 2024

### The franchise seller for this offering is:

**Name:** Roman Maliszewski

**Address:** 2402 Manning Street, Philadelphia, PA, 19103

**Telephone #:** 720-358-1212

**Name:** Justin Livingston

**Address:** 2575 Andrew Dr, Superior, CO 80027

**Telephone #:** 720-358-1212

**Name:** Angela Kelly

**Address:** 908 Main St. #140, Louisville, CO

**Telephone #:** 720-358-1212

**Name:** Michael Weinberger

**Address:** 1601 Sansom Street, Philadelphia PA 19103.

**Telephone #:** 720-339-8803

**TAP STAR FRANCHISING LLC** authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated September 5, 2024 that included the following Exhibits:

A. LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS	G. STATE SPECIFIC ADDENDA
B. FRANCHISE AGREEMENT	H. OPERATIONS MANUAL TABLE OF CONTENTS
C. CURRENT FRANCHISEES	I. PRE-CLOSING QUESTIONNAIRE
D. FORMER FRANCHISEES	J. STATE EFFECTIVE DATE PAGE
E. FINANCIAL STATEMENTS	K. RECEIPTS
F. SAMPLE RELEASE AGREEMENT	