

## FRANCHISE DISCLOSURE DOCUMENT



**Do The Beach Franchising, LLC,**  
a Florida limited liability company  
**7431 Sawyer Circle,**  
**Port Charlotte, Florida 33981**  
**941-456-9599**  
**franchising@dothebeach.com, and**  
**www.dothebeach.com**

The franchise offered is a beach-themed inflatable adventure park under the Do The Beach trademark. We also offer area development rights to develop and operate multiple Do The Beach Adventure Park franchises.

The total investment necessary to begin operation of a Do The Beach Adventure Park franchise is between \$889,900 and \$2,520,700. This includes between \$195,000 and \$669,000 that must be paid to the franchisor or affiliate. There is no incremental initial investment cost if you become an area developer, but you will have to pay us an initial fee of \$40,000 for the first Do The Beach Adventure Park you are required to develop and \$20,000 for each additional Do The Beach Adventure Park you must open if you sign an Area Development Agreement.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, 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 Robin Whincup at 7431 Sawyer Circle, Port Charlotte, Florida 33981 and 941-456-9599.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., 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.

Issuance Date: July 17, 2025

## 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 will I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 and Exhibits I and J.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor and at the franchisor's direction; Item 7 lists the initial investment to open, and Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to support my business?</b>	Item 21 and Exhibit K include financial statements. Review these statements carefully.
<b>Is the franchise system stable and growing or shrinking?</b>	Item 20 summarizes the 3-year history of the number of company-owned and franchised outlets.
<b>Will my business be the only Do the Beach business in my market?</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 Do the Beach franchisee?</b>	Item 20 and Exhibits I and J list 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*

Consider these facts about franchising before investing in any franchise:

1. **Continuing Responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.
2. **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 franchised business or may harm your franchised business.
3. **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.
4. **Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.
5. **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.
6. **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.
7. **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 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 [State]. 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 [State] than in your own state.

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

**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 the 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 license of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a

franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.**

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE DISCLOSURE DOCUMENT, IF ANY, APPEAR IN THE STATE ADDENDA AT **EXHIBIT C**, IN THE STATE SPECIFIC FRANCHISE AGREEMENT AMENDMENTS IN **EXHIBIT E**, OR IN THE STATE SPECIFIC AREA DEVELOPMENT AGREEMENT AMENDMENTS IN **EXHIBIT G**, EXCEPT THAT ADDITIONAL DISCLOSURES RELATED TO MICHIGAN LAW CAN BE FOUND RIGHT BEFORE THIS TABLE OF CONTENTS.



## Item 1

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

The franchisor is Do The Beach Franchising, LLC, and will be referred to in this document as “**Franchisor**”, “**we**”, “**us**” or “**our**”. A person who buys a franchise from us will be referred to as “**you**.” If you are a corporation, partnership or other entity, “you” also includes owners, your partners, shareholders and any other person or entity directly or indirectly owning an interest in you.

We are Do The Beach Franchising, LLC, a Florida limited liability company organized on August 18, 2023. Our principal place of business address is 7431 Sawyer Circle, Port Charlotte, Florida 33981. We conduct business under the name “Do The Beach Adventure Parks” and “Do The Beach”. Our agents for the service of process are disclosed in **Exhibit B**.

#### Parents, Predecessors and Affiliates

Our parent is LS11 Holdings LLC, a Florida limited liability company, whose principal business address is 7431 Sawyer Circle. Port Charlotte, FL 33981.

We do not have any predecessors.

Our affiliates include Galaxy America Inc., a Florida corporation, whose principal place of business is 7431 Sawyer Circle, Port Charlotte, Florida 33981. Our affiliate manufactures amusement rides, inflatable theme parks and other attractions.

#### The Franchises We Offer

We grant franchises for a beach-themed inflatable adventure park to be operated under the Do The Beach Adventure Parks name. We may grant qualified parties area development rights to develop and operate multiple Do The Beach Adventure Parks locations in a designated development territory. We do not operate businesses of the type being franchised to you. We do not engage in other business activities and have never offered franchises in any other line of business.

The business you will conduct (we will call it the “**Franchised Business**”) refers to a business using our Do The Beach Adventure Parks service mark and associated logos and symbols we designate from time to time (we will call these marks, logos and symbols the “Proprietary Marks”) to provide beach-themed inflatable adventure park services and entertainment to guests. The Franchised Business will use the methods and procedures we have developed (our “**System**”) and includes standards and methods of operation, accounting, marketing, advertising and public relations, and the standards for conducting a Franchised Business. Our standards and procedures for conducting a Franchised Business are set forth in our Operations Manual. You will have to enter into a separate Franchise Agreement for each Franchised Business location.

If we grant you area development rights, you and we will enter into an area development agreement (the “**Area Development Agreement**”) that gives you the right to open multiple Franchised Business locations. The Area Development Agreement will contain a development schedule that specifies the number of Franchised Businesses you are to open, the geographic area the locations must be located in, and the timetable for opening. We will negotiate the development schedule with you before we enter into the Area Development Agreement. For each

Franchised Business you open under an Area Development Agreement you will have to sign the form of Franchise Agreement that we use at the time the Franchise Agreement is entered into, but your royalty and other fees will stay the same.

All owners of a franchisee or area developer will be required to sign an Owner's Acknowledgement, agreeing to be bound by provisions in the Franchise Agreement and Area Development Agreement that apply to them personally. They will also be required to sign a personal guaranty guaranteeing the franchisee's performance and a Covenant Agreement in which they agree to keep our proprietary information confidential and agree not to compete with the Do The Beach Adventure Parks brand.

### **General Market For Your Products or Services**

Do The Beach Adventure Parks locations are intended to attract the whole family and people of different age groups, with a focus on families with younger children. Activities such as an inflatable obstacle course and other inflatable indoor entertainment options are intended to attract a broad segment of consumers. This is a developed market. We do not expect the business to be seasonal.

### **Competition**

As a franchisee, you will compete with other national regional and local family entertainment centers and trampoline parks and other companies providing similar services, such as Urban Air, Dave and Busters, and Bounce Empire.

### **Laws and Regulations**

You should consider that certain aspects of your Franchised Business are regulated by federal, state, and local laws, rules, and ordinances. For example, laws and regulations may require that inflatables, bouncy houses, and amusement park attractions be subject to inspection, carry minimum insurance, obtain licenses, post warnings and signs on the premises, keep logs of injuries, or show safety videos to customers. These regulations may vary significantly between jurisdictions and are likely to change over time. In addition to laws applicable to inflatables and bouncy houses, you must also comply with other laws, regulations and ordinances that apply to your business. For example, you will be serving food to guests and your Franchised Business must comply with all requirements for food service and preparation, including health and safety regulations. The inflatables in your Franchised Business are subject to the standards developed by ASTM International. ASTM International is an industry organization, and while its standards may not be legally binding, we require that you comply with those standards as they relate to the regulation and safety of inflatables.

Check with a lawyer to learn about specific laws applicable to your business.

### **Our Prior Experience**

While we only started offering franchises for Do The Beach Adventure Parks locations as of November 8, 2023 and neither we, nor any of our affiliates that offer products or services to our franchisees, have offered franchises in any other lines of business, our management has experience from other entertainment-focused franchise systems. Our Vice President of Finance, Curt Skallerup, is one of the founders of the Altitude Trampoline Park franchise system which offers recreational entertainment facilities featuring trampolines and other activities, as well as a

founder and CEO of the LARKS franchise system, which offers family entertainment centers combined with a restaurant. Our CEO, Robin Whincup, has manufactured and designed inflatable adventure parks since 2018.

### **Your Owner's Obligations**

If you are an entity, all Owners must sign an Owner's Guaranty in the form attached to the Franchise Agreement or Area Development Agreement. In addition, all Owners must sign the Owner's Acknowledgement in the Franchise Agreement or Area Development Agreement agreeing to accept and be bound by their separate rights and obligations in the Franchise Agreement or Area Development Agreement.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **Chief Executive Officer: Robin Whincup**

Robin is one of our founders and since our inception has served as our Chief Executive Officer. He has served as the President of Galaxy America Inc. in Port Charlotte, Florida, since its inception in January 2009. He is based out of Port Charlotte, Florida.

#### **Chief Operating Officer: Michael Whincup**

Michael is one of our founders and since our inception has served as our Chief Operating Officer. He has served as the Vice President of Galaxy America Inc. in Port Charlotte, Florida, since its inception in January 2009. He is based out of Port Charlotte, Florida.

#### **Vice President - Finance: Curtis (Curt) Skallerup**

Curt is one of our founders and since our inception serves as our Vice President of Finance. He has been the manager of Volume Entertainment, LLC in Southlake, Texas since its inception in August 2020. He has been the CEO of Larks, LLC, in Southlake Texas since its inception in March 2020. He has also been the president of J&C IP, Inc. from August 20, 2013. He maintains his offices in Southlake, Texas.

## **Item 3**

### **LITIGATION**

#### **Concluded Actions:**

Bump It Up, LLC v. SR Park Enterprises, LLC, f/k/a Vertical Trampoline Park Enterprises, LLC and d/b/a/ Altitude Trampoline Parks; SR Franchising, LLC f/k/a Altitude Franchising, LLC; J&C IP, Inc.; SR Concept 2, LLC f/k/a Altitude H2O, LLC, SR Concept 2 Franchising, LLC f/k/a Altitude H2O Franchising, LLC and Curtis Skallerup, District Court, Tarrant County, Texas, Case No. 067-302989-18, filed September 17, 2018. Bump It Up, LLC ("BIU"), an Altitude Trampoline Park franchisee, filed suit against defendants seeking unspecified damages, punitive damages and

attorneys' fees relating to an alleged breach of the license agreement BIU had entered into with SR Franchising, LLC, f/k/a Altitude Franchising, LLC on or about December 1, 2013. BIU alleged that defendants violated the exclusive territory provision in the license agreement and the right of first refusal provision by allowing third parties to open Altitude Trampoline Parks in the exclusive territory or without first offering locations located in the right of first refusal area to BIU. On December 20, 2018, BIU filed a first amended petition, adding claims for fraud in the factum and fraudulent inducement, violation of the Texas Deceptive Trade Practices Act and Texas Business Opportunities Act, negligent misrepresentation, civil conspiracy and aiding and abetting, and declaratory judgment based on the same facts. On March 8, 2019, BIU filed a third amended petition that omitted claims alleging violations of the Texas Deceptive Trade Practices Act and Texas Business Opportunities Act. Defendants entered into a settlement agreement with BIU dated April 16, 2019, under which defendants were required to pay BIU a settlement amount of \$1,075,000, and BIU executed an amendment to its license agreement which terminated and relinquished any right of first refusal it may have had, and which further limited the geographic scope of its protected territory. On July 2, 2019, the court entered an order on plaintiff's motion to dismiss all claims with prejudice.

Jim Kamp v. SR Park Enterprises, LLC f/k/a Vertical Trampoline Park Enterprises, LLC and d/b/a Altitude Trampoline Parks; SR Franchising, LLC f/k/a Altitude Franchising, LLC; J&C IP, Inc.; and Curtis Skallerup, District Court, Tarrant County, Texas, Case No. 017-302814-18, filed September 11, 2018. Jim Kamp ("Kamp") sued Curtis Skallerup ("Skallerup") and certain of his Altitude Trampoline Park companies seeking damages, punitive damages, and attorneys' fees relating to an alleged breach of an alleged oral agent development agreement between Kamp and defendants. Kamp alleged that he was owed compensation for introducing prospective franchisees to Altitude and performing other services. He also alleged that the defendants were his employers, joint employers, or co-employers. In addition to a claim for breach of contract, the complaint included claims for quantum meruit, a common law claim for wages, and fraud and fraudulent inducement. On December 20, 2018, Kamp filed a first amended petition changing his breach of contract claim to also allege quasi contract and changing his fraud claim to also allege fraud in the factum and fraudulent inducement. He sought damages in excess of the amount of \$917,575.75. Defendants entered into a settlement agreement with Kamp, which required the defendants to pay a settlement amount of \$200,000 to Kamp, and Kamp executed an amendment to his license agreement which terminated and relinquished any right of first refusal he may have had, and under which Kamp would be entitled to certain assistance in finding a potential buyer to purchase his existing trampoline park. On November 4, 2019, the court entered an order on plaintiff's motion to dismiss all claims with prejudice.

ATP Holding Company, LLC ("ATPH") v. Curtis Skallerup, Jeffrey A. Rutten, SR Franchising, LLC f/k/a Altitude Franchising, LLC, SR Management 2018, LLC f/k/a L&A Altitude Management LLC, Spike Apparel, LLC, SR Metal, LLC f/k/a ATP Metal, LLC, J&C IP, INC., SR IP, LLC f/k/a ATP IP, LLC, SR Little Rock Management, LLC f/k/a ATP Little Rock Management, LLC, SR Park Enterprises, LLC f/k/a Vertical Trampoline Park Enterprises, LLC, SS RR Park, LLC f/k/a Altitude at Round Rock, LLC, Virgo LLC, SR Concept 2, LLC f/k/a Altitude H20, LLC, SR Concept 2 Franchising, LLC f/k/a Altitude H20 Franchising, LLC, Superior Court, Delaware, Case No. N20C-05-098 MMJ CCLD, filed May 11, 2020. ATPH filed suit against Curt Skallerup ("Skallerup") and the other defendants, which were the predecessor of ATPH and certain affiliates and owners of the predecessor (the "Predecessor Parties"). ATPH asserted that the Predecessor Parties made inaccurate and fraudulent representations to ATPH in connection with the acquisition of the Altitude Trampoline Parks franchise system from the predecessor. ATPH's claims included breach of representations and warranties under the asset purchase agreement governing the

Acquisition (the “APA”), fraud, and indemnity. ATPH sought rescissory, actual and punitive damages, costs and attorneys’ fees. In response, on July 15, 2020, Skallerup and the other Predecessor Parties filed a motion to dismiss ATPH’s complaint. Skallerup and the other Predecessor Parties also filed a lawsuit, Curtis Skallerup, Jeffrey A. Rutten, SR Franchising, LLC f/k/a Altitude Franchising, LLC, SR Management 2018, LLC f/k/a L&A Altitude Management LLC, Spike Apparel, LLC, SR Metal, LLC f/k/a ATP Metal, LLC, J&C IP, INC., SR IP, LLC f/k/a ATPIP, LLC, SR Little Rock Management, LLC f/k/a ATP Little Rock Management, LLC, SR Park Enterprises, LLC f/k/a Vertical Trampoline Park Enterprises, LLC, SS RR Park, LLC f/k/a Altitude at Round Rock, LLC, Virgo LLC, SR Concept 2, LLC f/k/a Altitude H20, LLC, SR Concept 2 Franchising, LLC f/k/a Altitude H20 Franchising, LLC v. ATP Holding Company, LLC, Court of Chancery of the State of Delaware, Case No. 2020-0582, filed July 15, 2020. The Predecessor Parties sought declaratory judgment that ATPH was not entitled to indemnity under the APA. The Predecessor Parties further alleged that ATPH fraudulently induced its former executives, Skallerup and Jeff Rutten, to enter into separation agreements, breached the separation agreements, and breached the APA and other agreements signed in connection with the Acquisition, including the escrow agreements, lease agreement, and promissory notes. The Predecessor Parties sought actual and consequential damages and other remedies, or, in the alternative, that the court compel the parties to arbitrate their disputes. On September 2, 2020, ATPH filed a motion to dismiss the Predecessor Parties’ claims. On October 1, 2020, the Predecessor Parties filed an amended complaint, adding, among other things, a claim for rescission of the separation agreements. On October 15, 2020, ATPH filed a motion to dismiss the amended complaint. On December 4, 2021, the parties settled all claims and released all other claims against each other. The settlement required ATPH to pay Mr. Skallerup and Mr. Rutten each approximately \$1,500,000 held in escrow and ATPH retained approximately \$470,000, the total of which was the remaining balance of the purchase price under the APA. In addition, Mr. Skallerup and Mr. Rutten transferred their respective equity interests in ATPH and waived outstanding amounts owed by ATPH to them under certain promissory notes signed under the terms of the APA. The parties also terminated all other agreements between them. On December 9, 2021, the proceedings in the Delaware Court of Chancery were dismissed with prejudice. On December 13, 2021, the proceedings in the Delaware Superior Court were dismissed with prejudice.

William Pruitt v. Gastonia ATP, LLC d/b/a Altitude Trampoline Park, ATP Alpha, LLC, Tim Kurtz, Altitude Franchising, LLC, ATP Franchising, LLC, SR Franchising, LLC, ATP Holding Company, LLC, ATP Investment Company, LLC, NRD Partners II, L.P., SR Management 2018, LLC, ATP IP, LLC, SR IP, LLC, Fun Spot Manufacturing, LLC, ABEO North America, Inc., ATP Operations, LLC, L&A Altitude Management, LLC, and Curt Skallerup, Superior Court, Gaston County, North Carolina, Case No. 20-CVS-4241, filed December 1, 2020. Plaintiff filed an amended complaint on August 27, 2021, against Curt Skallerup (“Skallerup”) and companies in which he has or has had an ownership interest in (SR Franchising, LLC, f/k/a (formerly known as) Altitude Franchising, LLC, SR Management 2018, LLC, f/k/a L&A Altitude Management, LLC, SR IP, LLC, f/k/a ATPIP, LLC) (collectively “SR Entities”) (the only entities in which Skallerup still has an ownership interest) as well as the Altitude Trampoline Park successor companies (ATP Franchising, LLC, ATP Holding Company, LLC, ATP Investment Company, LLC, NRD Partners, II, L.P., ATP IP, LLC, ATP Operations, LLC), ATP’s franchisees (Gastonia ATP, LLC, ATP Alpha, LLC and one of their principals, Tim Kurtz), and an equipment manufacturer. Plaintiff alleged that he was injured while jumping at a trampoline park. Plaintiff asserted claims for negligence, gross negligence, negligence per se, product liability, and unfair and deceptive practices in violation of North Carolina’s consumer protection statute, N.C.G.S. § 75-1.1, *et seq.* The unfair and deceptive trade practice claim alleged that the defendants misrepresented the safety of the trampolines. Plaintiff

sought compensatory and treble damages, punitive damages, and attorneys' fees and costs. Skallerup and the SR Entities filed an answer to the amended complaint denying that plaintiffs were entitled to any relief against Skallerup and the SR Entities and asserted various affirmative defenses. In January 2024, the parties reached a global settlement in which SR Franchising and Curt Skallerup agreed to pay a total of \$5,000.00, and plaintiff agreed to dismiss all claims with prejudice. On April 1, 2024, plaintiff filed a voluntary dismissal with prejudice with the court.

2434 South Interstate 35E Leasing, LLC and Milton 2434 South I-35, LLC v. Thomas Hjelm, Curtis Skallerup, Jeffrey Rutten, SR Park Enterprises, LLC f/k/a Vertical Trampoline Park Enterprises, LLC, J&C IP, Inc., Lunacrossing, Ltd., and Triangle Property Management, Inc., District Court of Denton County, Texas, Cause No. 22-4043-481, filed May 20, 2022. Plaintiffs' original Petition alleged breach of contract – guaranty to recover amounts Plaintiffs claim were allegedly due under a guaranty signed in 2015 by, among others, Mr. Skallerup, Mr. Rutten, and two entities in which they had an interest, SR Park Enterprises, LLC f/k/a Vertical Trampoline Park Enterprises, LLC and J&C IP, Inc. Mr. Skallerup allegedly signed the guaranty in his individual capacity when he was CEO and president of Altitude Franchising, LLC and in his capacity as president and CEO of SR Park and J&C in connection with a franchisee's lease for the operation of an Altitude Trampoline Park. In 2018, the existing franchisee sold the park and the lease was assigned to the new franchisee with new guarantors. The landlord alleged that the new franchisee tenant failed to pay rent during the Covid-19 pandemic. The original Petition sought \$639,778 for unpaid rent and other monthly lease amounts, plus interest, attorneys' fees, and costs from a number of alleged guarantors, including Mr. Skallerup. On September 6, 2022, Mr. Skallerup and related parties filed a third-party petition against Renegades of Fun, LLC (the new franchisee tenant), Bradley D. Jestis, and Tejal N. Jestis, all of whom were new lease guarantors, for indemnification of amounts allegedly owed under the lease and for attorneys' fees and costs. On March 12, 2024, Plaintiffs filed their Fourth Amended Petition in which they added a claim for fraud against the original franchisee tenant, Mr. Skallerup and related parties, and the new tenant and new guarantors in connection with the execution of an alleged amendment to the lease at the time the original franchisee sold the park to the new franchisee, seeking in excess of \$1.6 million in damages for unpaid lease amounts, plus attorneys' fees, pre-judgment and post-judgment interest, and costs. On March 22, 2024, Mr. Skallerup and related parties filed a Fourth Amended Third-Party Petition against Renegades of Fun, Bradley Jestis and Tejal Jestis seeking a declaratory judgment for indemnity, third-party liability, and alleging fraud by forgery/fraudulent misrepresentation/fraudulent inducement, and breaches of contract. On March 26, 2025, Mr. Skallerup, Mr. Rutten, SR Park Enterprises, LLC and J&C IP, Inc. agreed to settle Plaintiffs' claims in exchange for a mutual release of claims. Mr. Skallerup paid \$350,000, half of the settlement amount. Plaintiffs' claims against Mr. Skallerup and related parties were dismissed with prejudice. Mr. Skallerup's and the related parties' third-party claims against Renegades, Bradley Jestis and Tejal Jestis remain pending.

Other than the these actions, no litigation is required to be disclosed in this disclosure document.

#### **Item 4**

#### **BANKRUPTCY**

In re: AJC ATP, LLC d/b/a Altitude Trampoline Park, Fort Lauderdale, Debtor, United States Bankruptcy Court, Southern District of Florida, Case No. 21-12503-PDR. The Debtor AJC ATP, LLC, whose principal place of business is 1709 E. Commercial Blvd., Fort Lauderdale, Florida, 33334-5737, voluntarily filed for Chapter 11 bankruptcy relief on March 16, 2021. We are not the debtor. Curt Skallerup, our CEO, is a minority member, manager and creditor of the debtor, but he was not actively involved in the operation of the debtor's business, nor did he have any prior knowledge of, nor involvement in, the decision to file bankruptcy. On April 23, 2021, the court dismissed the case, with prejudice, for a period of six months from the date of the order, and ordered the debtor to release and disburse funds to a secured creditor and pay the United States trustee and bankruptcy clerk of the court outstanding fees and costs in connection with the case.

Other than this one action, no bankruptcy is required to be disclosed in this Item.

#### **Item 5**

#### **INITIAL FEES**

##### **Franchise Agreement:**

All franchisees pay a \$40,000 initial franchise fee to us when they sign the franchise agreement. The initial franchise fee is not refundable.

Besides the initial franchise fee, you must also make the following payments to us or our affiliates before your business opens:

You must purchase the inflatable attractions for your Franchised Business from our affiliate, Galaxy America Inc. The cost of the inflatable attractions, shipping and installation included is approximately between \$150,000 and \$600,000, depending on the size of your Location and the specific configuration of attractions that you select for your Franchised Business.

You will also need to sell safety socks for guests to use on the attractions, and you will have to purchase those from us. Before you open, you will need an initial inventory of safety socks for which you will have to pay us \$5,000. The Franchise Agreement specifies by when, at the latest, you must start construction on your Franchised Business, and also when construction, at the latest, must be completed. If you are not able to make those deadlines, you may request that we grant you an extension of the deadlines. The Franchise Agreement allows you to ask for up to 4 30-day extensions for the commencement of construction, and also for the completion of construction. It is in our discretion to decide if to grant the extensions, but if we do, you will have to pay us \$5,000 for each extension we grant.

Before you open, we will inspect your Franchised Business to confirm that it complies with our System standards. If you fail that inspection, we have the right to come back for a second inspection, to re-inspect. If we have to come back for a re-inspection, you will have to reimburse us for our expenses related to the re-inspection, such as our travel expenses. We estimate that the cost of a re-inspection will be between \$2,000 and \$4,000.

### **Area Development Agreement:**

If you sign an Area Development Agreement, part of the initial franchise fees for the Franchise Agreements you are committing to open are due to us no later than on the date of the Area Development Agreement. You will have to pay the full initial franchise fee under the Franchise Agreement for the first Franchised Business you will open pursuant to the Area Development Agreement and 50% of the initial franchise fee for the remaining Franchised Businesses that you will open. For example, if the Area Development Agreement is for the development of 3 Franchised Businesses in regular markets, you will pay \$80,000 at the time you sign the Area Development Agreement: the full \$40,000 fee for the first location, and 50% (\$20,000) for each of the 2 additional locations. The fees paid are non-refundable.

### **Item 6**

#### **OTHER FEES**

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Royalty	7% of Gross Revenue	Monthly	See Note 2.
Brand Development Fund	Up to 2% of Gross Revenue. Currently 0% of Gross Revenue.	Monthly	We currently don't collect a Brand Development Fund Fee but have the right to do so. It can be up to 2% of Gross Revenue.
Successor Agreement Fee	Then current successor agreement fee.	Upon signing of a successor Franchise Agreement	Payable if you and we agree to enter into a successor Franchise Agreement when the term of your Franchise Agreement expires. Since we just started franchising there is no successor agreement fee set at this time.
Technology Fund	Up to \$200/month, currently \$100/month	Monthly	This fee supports system-wide technology development and maintenance efforts, such as the website, intranet and network connectivity, the gift card platform, loyalty program platform, and other technology used by the entire Do the Beach franchise system.
Additional Training	Currently \$350 per day and	Upon invoice	Payable if you request additional training, or if we



<b>Column 1</b> <b>Type of Fee</b>	<b>Column 2</b> <b>Amount</b>	<b>Column 3</b> <b>Due Date</b>	<b>Column 4</b> <b>Remarks</b>
	trainer, plus travel and lodging.		determine you require additional training.
Annual Conference Fee	A reasonable fee intended to offset our expenses can be charged. Currently not charged.	Upon invoice	This fee is intended to offset our expenses for organizing an annual conference for our franchisees. You are likely to incur travel and lodging expenses in addition to this fee.
Extended Training Fee	\$5,000/month, plus travel cost we incur.	Upon invoice	If you choose to take advantage of the Extended Training package, consisting of management supervisory services.
Mystery Shopper Fee	A reasonable fee intended to offset our expenses can be charged. Currently not charged.	Upon invoice	Fee to cover our expenses for using a third-party mystery shopping service to evaluate quality and service level compliance by our franchisees.
Administrative Assistance	A reasonable fee intended to offset our expenses and overhead for providing the assistance.	Upon invoice	Payable if you want assistance with administrative services, such as assistance with negotiations with your lenders, or preparation of agreements and other documents, we may also charge a reasonable fee, set by us, for such services.
Quality Audit Fee	Actual expense	Upon invoice	We may engage a third party to perform periodic (typically not more than quarterly) quality assurance audits of your Franchised Business. If we do so, you will have to reimburse us for the expense.
Alternative Supplier or Product Review Fee	The greater of \$500 and our actual cost	Upon invoice	Payable if you want to buy approved products or services from another supplier than one we have already approved, or if you want to buy different products or services than those we have approved. If, based on the review, we decide to approve the products, services, or

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			supplier for the entire franchise system, we will reimburse you the review fee charged.
Advertising Cooperative Fee	Currently none, up to 2% of Gross Revenues	Upon demand	See Note 3.
Insufficient Funds Fee	\$100 per occurrence	Upon invoice	Payable for returned checks or insufficient funds within your EFT account.
Replacement Site Fee	\$5,000	Upon invoice	Payable if you don't acquire the initially approved location and you submit a replacement site for our consideration.
Replacement of Attractions	\$30/sqft	Upon invoice	The attractions equipment you purchase to begin the operations of your Franchised Business will have to be replaced during the term of your Franchise Agreement. Replacement is often of modules of equipment, and not all equipment at once, with more popular modules that experience more wear and tear having to be replaced sooner. Some modules may have to be replaced more than once during the term of your Franchise Agreement.

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**Notes:**

- (1) These fees are uniformly imposed and are not refundable. None of these fees are imposed or collected on behalf of a third party. All fees are payable to us. Unless other collection procedures and time frames are stated specifically for a fee, it is collected by us on a monthly basis, by EFT.
- (2) **Gross Revenues and Royalty Percentage.** "Gross Revenues" means revenues attributable to or derived from the operation of the Franchised Business, including, but not limited to, from the sale of all food, beverages, products, merchandise, and services related to the Franchised Business, from participation in games and other entertainment offered by the Franchised Business (regardless of whether such food, beverages, games, entertainment, services or products are partaken in the Location or elsewhere), and all other income of every kind and nature related to the Franchised Business including,

without limitation, income from gift and loyalty programs, and the proceeds of business interruption insurance, whether for cash, credit, barter, or otherwise, and regardless of collection in the case of credit, less any sales taxes or other taxes collected from your customers for transmittal to the appropriate taxing authority, and authorized discounts. Income from the sale of gift cards is excluded from Gross Revenues, but the redemption of gift cards is included, however we reserve the right to change the method of accounting and collection for gift cards and gift certificates upon six (6) months' notice to you. Gross Revenues shall be accounted for in accordance with the accounting procedures set forth in the Manual from time to time.

If, due to federal, state or local laws, we are prohibited from receiving percentage royalty based on alcoholic beverage sales, gambling device revenues or other similar percentage payouts, you will pay us a Royalty Fee on all Gross Revenue except these alcoholic beverage sales, gambling device and/or other revenues in the same dollar amount as would have been.

- (3) **Advertising Cooperative.** If we start a local or regional advertising cooperative for your area, you will have to contribute up to 2% of your Gross Revenues to the cooperative, though your required local marketing expenditures will be reduced by the same amount as you contribute to the coop. If we or our affiliates own any Do The Beach Adventure Park locations that are members of the coop, those locations will have the same voting rights with respect to the coop and fees imposed by the coop, as franchised Do The Beach Adventure Park locations that are members.
- (4) **Transfers.** If control of the Franchisee doesn't change in the transfer, the transfer fee is \$1,500. If control of the Franchisee changes, the transfer fee is the higher of \$5,000 and the costs we incur in connection with the evaluation and approval of the transfer, including legal fees we incur. If the transfer involves a public offering, our transfer fee is the higher of \$25,000 and the costs we incur in connection with the evaluation, including legal and accounting fees we incur. If the transfer involves a private offering, our transfer fee is the higher of \$10,000 and the costs we incur in connection with the evaluation, including legal and accounting fees we incur. Under the Area Development Agreement, the transfer fee is the higher of \$5,000 and the costs we incur in connection with the evaluation and approval of the transfer, including legal fees we incur.
- (5) **Insurance.** During the term of the Franchise Agreement you must comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Franchised Business as well as all of our insurance requirements. Our requirements will be listed in the Operations Manual or as we may otherwise communicate from time to time. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto, but in no event later than the Opening, and shall be written by insurance companies with an A.M. Best rating of A-VI or greater. As of the Effective Date, at a minimum, Franchisee shall maintain the following:
  - (a) Commercial Property insurance on the Location and all boilers, machinery, improvements, and/or betterments in, on, or to the Location. Coverage shall be provided on a "Special Cause of Loss" form, not be subject to any coinsurance provisions, and be in an amount not less than the full replacement cost of the Location. Such coverage shall also include the following:

- i. Electronic and data processing with a sublimit no less than \$25,000 each occurrence;
  - ii. Equipment Breakdown, including spoilage damage coverage;
  - iii. Business Income/Extra Expense coverage for loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the Brand Development Fund, for any interruption in Franchisee's business operations, as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild;
  - iv. If the Location is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, earthquake coverage with a limit equal to the full replacement cost of the Location or with a sublimit no less than such amount as agreed upon between Franchisor and Franchisee, or if not specified by the parties, as may be required by the Manual; and
  - v. If the Location is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood coverage with a limit equal to the full replacement cost of the Location or with a sublimit no less than such amount as agreed upon between Franchisor and Franchisee, or if not specified by the parties, as may be required by the Manual.
- (b) Commercial General Liability (CGL) insurance with coverage for bodily injury, personal injury, property damage, contractual liability, products liability, completed operations, and independent contractors, written on the latest ISO CG 00 01 occurrence form or equivalent. The policy shall have minimum limits of (i) \$1,000,000 each occurrence for bodily injury and property damage, (ii) \$1,000,000 each occurrence for personal and advertising injury, (iii) \$2,000,000 general aggregate, and (iv) \$2,000,000 products-completed operations aggregate. The general aggregate limit shall apply separately to the Location.
- (c) Business Automobile Liability insurance covering all of Franchisee's owned, non-owned, and hired automobiles with a minimum combined single limit of \$1,000,000 per accident for bodily injury and property damage.
- (d) Workers' Compensation and Employer's Liability insurance for all employees that work at the Location, regardless of whether Franchisee is able to exempt itself under applicable state law from the Workers' Compensation requirement, or whether the employees are full-time, part-time, temporary, seasonal, leased, or borrowed. The Workers' Compensation coverage provided shall be in accordance with the laws of the state where the Location is located, and the Employer's Liability coverage shall have limits of \$1,000,000 each accident for bodily injury by disease; \$1,000,000 each employee for bodily injury by disease; and \$1,000,000 policy limit for bodily injury by disease.
- (e) Excess or Umbrella Liability insurance which provides excess coverage over the underlying CGL policy with minimum limits of \$1,000,000 each occurrence and \$1,000,000 general aggregate.
- (f) Commercial Crime insurance for losses arising out of or in connection with any fraudulent or dishonest act committed by employees of Franchisee.

During any construction work at the Location, Franchisee shall maintain or cause its general contractor or design-builder to maintain Builder's Risk insurance or equivalent property insurance to cover that portion of the work to be constructed, installed, altered, or repaired, as well as premises liability insurance for the Location. Such coverage shall include the interests of Franchisor, Franchisee, any mortgagee, the general contractor or design-builder, any subcontractors, and any other party having an interest in the work. Franchisee shall also flow down the requirements of this Section 12.1 to all contractors or design-builders performing such work, to the extent applicable.

- (6) **Liquidated Damages.** If you terminate the Franchise Agreement without cause, or if we terminate it for your breach, you will pay us liquidated damages to compensate us for the damages we incur as a result of you not operating your Franchised Business for the duration of the Franchise Agreement term. The liquidated damages will be an amount equal to the ongoing fees paid under the Franchise Agreement for the 24 months preceding your default. If you have operated for less than 24 months, then we will use the period of actual operation and project what those fees would have been over a 24-month period. The fees included in the calculation are ongoing fees listed in Section 4 of the Franchise Agreement and include royalty fees, brand development fund fees, web strategy and intranet fees, and pro-rata marketing and advertising fees.
- (7) **Periodic Adjustment of Fixed Fees.** Some fees that we may charge you are set as a fixed dollar amount. Because of inflation, the scope of services or products provided in exchange for the fee, or other cost increases we may experience in connection with providing the services or products, we have the right to increase fees set as a fixed dollar amount. We can increase those fees by up to 10% annually. The annual increase is cumulative, so if we do not increase a fee in any year, or we do not increase it by the full 10%, then in a subsequent year we may increase the fee not just by the 10% increase permitted in that year, but also with the increase permitted in previous years, which we did not use. For example, if a monthly fee is \$10 currently, and next year we do not change it, then the following year we could increase that fee to \$12.10. For fees that are the avoidance of doubt, any increase permitted by this Section does not impact any fees expressed as a percentage, but where fees are expressed as a percentage or a fixed dollar amount, the dollar amount that is part of such fee may be adjusted according to this Section.

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**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Type of expenditure</b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Initial Franchise Fee <sup>(1)</sup>	\$40,000	Lump Sum	Upon signing Franchise Agreement	Us
Training Expenses <sup>(2)</sup>	\$5,000 - \$10,000	As arranged	As incurred	Hotels/ airlines/ restaurants/ rental car
Real Property, whether purchased or leased <sup>(3)</sup>	See Note (3)	See Note (3)	See Note (3)	See Note (3)
Equipment, fixtures, other fixed assets, construction, remodeling, leasehold improvements, and decorating costs, whether purchased or leased <sup>(4)</sup>	\$483,900 - \$1,696,700	As arranged	As incurred	Our affiliates, contractors, other approved vendors
Inventory and start-up to begin operating <sup>(5)</sup>	\$20,000 - \$40,000	As arranged	As incurred	Approved Suppliers
Security Deposits, utility deposits, business licenses and pre-paid expenses <sup>(6)</sup>	\$0 - \$102,000	As arranged	As incurred	Government agencies, landlord
Computer Equipment and Audio, Video and Security Systems <sup>(7)</sup>	\$61,000 - \$182,000	As arranged	As incurred	Approved Suppliers
Signage <sup>(8)</sup>	\$40,000 - \$60,000	As arranged	As incurred	Approved Suppliers

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Pre-Opening and Grand Opening Marketing Advertising <sup>(9)</sup>	\$30,000 - \$50,000	As arranged	As incurred	Approved Suppliers
Insurance <sup>(10)</sup>	\$20,000 - \$60,000	As arranged	As arranged	Insurance company
Professional Fees and Financing Fees <sup>(11)</sup>	\$90,000 - \$180,000	As arranged	As incurred	Attorneys, CPAs, lenders, and consultants
Additional Funds <sup>(12)</sup> - 3 months	\$100,000	As arranged	As incurred	Payroll, utilities, day to day and business operations costs, until the Franchised Business reaches break even.
Total	\$889,900 - \$2,520,700			

#### Notes:

The payments listed in this estimate are typically not refundable, though you may be able to negotiate different terms with the different vendors you will hire. The security deposits listed are typically refundable.

This is our best estimate on the costs you will incur to develop and open a franchised business based on our experience. The factors that underlie this estimate can vary considerably depending on a number of variables, and the actual investment you may make may be lesser or greater than the estimates given. There are no incremental initial investment costs if you become an area developer.

Neither we, nor our affiliates, finance any part of your initial investment.

This estimate is for the development of one Location. If you are signing an Area Development Agreement you will be opening several Locations. When estimating your initial investment you

can use the estimate in this Item 7 to estimate the expenses of the first Location you will open. You can also use it for subsequent Locations, but you should consider that due to inflation and potential System changes that may be made between the issuance date of this Franchise Disclosure Document and the time when you are developing those subsequent locations, both the low range and high range of the estimate in Item 7 will likely be higher. There are no incremental initial investment costs if you become an area developer.

- (1) **Initial Fee.** All franchisees pay a \$40,000 initial franchise fee to us when they sign the franchise agreement. The initial franchise fee is not refundable. If you sign an Area Development Agreement you will pay the full initial fee for the first Franchise Agreement you will sign at the time you sign the Area Development Agreement and at the same time you will pay 50% of the initial franchise fees for the rest of the Franchise Agreements you are committing to sign pursuant to the Area Development Agreement.
- (2) **Travel Expenses.** You (or if you are an entity, your owner) and your general manager must successfully complete initial training before you may open the Franchised Business. We do not charge a fee for initial training for those two trainees, but you must pay for the travel expenses, as well as room and board during the training. You are also responsible for the salaries of any of your trainees during the time of training.
- (3) **Real Property.** We cannot estimate your real estate costs in a low-high range. The cost per square foot of commercial space varies considerably depending upon the location and market conditions affecting commercial property. The approximate size of your property and building will be 12,000 to 30,000 square feet and its probable location would be second generation retail (existing buildings with a previous tenant with high foot traffic). The size of your Franchised Business will vary based on a number of factors, including how many attractions are offered.
- (4) **FF&E, Construction, Remodeling, Leasehold Improvements.** The most significant portions of this estimate are the leasehold improvement expenses and the cost for the inflatable and other attractions that you will need to purchase. Leasehold improvements, include expenses such as HVAC, electrical, plumbing, framing and drywall, plans, building permits and inspections, painting, demolition, roofing penetrations, concrete work, doors and hardware, fire sprinkler and alarm systems, flooring, equipment rental and maintenance, and similar construction-related costs, as well as the architect fees for architectural plans. The cost for the attractions will depend on the size of your Franchised Business, and also on the specific attractions you choose to include. Currently, the attractions that you may choose for Franchised Business include, for example, an inflatable park, the Meltdown, Kapow, a ninja course, climbing walls, and a soft play area. Shipping and installation of the attractions is also included in the estimate. Furniture and fixtures required also include breakroom appliances, lockers and furniture, office furniture, and cubbies for shoe storage, as well as café equipment. The café equipment includes a coffee machine, conveyor oven, commercial dishwasher, commercial fridge and freezer, ice machine, stainless tables, hotdog roller, a serving counter, and café tables and chairs. This estimate also includes the estimated expense for getting your Location-specific website up and running.
- (5) **Start-up Inventory and Supplies.** You will need to purchase staff uniforms, safety socks for customers, and a start-up food and beverage inventory before you open your Franchised Business.



- (6) **Security Deposits, Licenses and Permits.** Your landlord may require you to post a building security deposit, or to pre-pay rent for a period. The licenses and permits you are required to obtain will vary by location, but may include, for example, a business license, and food and beverage-related permits.
- (7) **Computer Equipment and Audio, Video and Security Systems.** You will need an audio, video and security system for your Franchised Business. The most significant component of your computer system for operation of the Franchised Business is the point of sale system. This estimate also includes office computers and other hardware needed.
- (8) **Signage.** This cost is for exterior building signage, monument signage (when available), and any interior “Do the Beach” signage.
- (9) **Pre-Opening and Grand Opening Marketing and Advertising.** Starting 2 weeks before the scheduled opening of your Franchised Business and for 4 weeks thereafter you must start marketing your Franchised Business.
- (10) **Insurance.** You will have to obtain construction-related insurance policies before you start construction of your location. Before you may start operating your Location you will also need insurance for the operation of the Franchised Business. You will need to obtain the insurance required by the Franchise Agreement. This will include Builder’s Risk insurance, General Liability insurance, Property insurance, and Workers Comp insurance, as well as other policies. This estimate covers your down payment towards insurance premiums for the first year of operation.
- (11) **Professional Fees and Financing Fees.** You will likely hire an attorney and CPA to assist you with the start up of your business. We also expect that you will finance your investment. This estimate includes estimated bank closing costs, SBA guarantee fees, an interim interest reserve, and construction monitoring fees.
- (12) **Additional Funds.** We estimate (without making any warranty) that the initial period will be 3 months. You will need to have on hand sufficient additional capital to cover salaries for your employees and yourself. The estimate given is the amount of additional funds, in excess of revenues, we estimate you will need to cover these expenses during this initial phase. This estimate is based on anticipated salaries and debt service and our 12 years of experience in the family entertainment business. Our management has experience with several other brands in that business.

## Item 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Approved Suppliers and Specifications:** Except as listed below, neither we, nor any of our affiliates, currently require you to purchase or lease any goods, services, supplies, FF&E, inventory, computer hardware or software, real estate, or comparable items related to establishing or operating the franchised business either from us, our designees, or suppliers approved by us, or under our specifications.

To ensure the high and uniform standards of service and quality to be maintained by all Do The Beach Adventure Park locations, you must operate your Franchised Business in conformity with our methods, standards and specifications. You must purchase certain equipment for the entertainment options you make available at your Franchised Business, such as the inflatable adventure park attractions, safety apparel, such as socks and the software and hardware for your point of sales system, under our specifications and only from our approved vendors. Certain kitchen equipment, and food and beverage must also be purchased under our specifications and only from approved vendors. We currently also have approved vendors you will have to use for marketing and PR.

You must also purchase the insurance coverage we require. During the term of the Franchise Agreement you must comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Franchised Business as well as all of our insurance requirements. Our requirements will be listed in the Operations Manual or as we may otherwise communicate from time to time. At this time, all insurance must be obtained as early as possible, but at the latest no later than at that opening. It must be written by insurance companies with an A.M. Best rating of A-VI or greater. You must maintain the following insurance:

- (a) Commercial property insurance on the Franchised Business and all boilers, machinery, improvements, and/or betterments in, on, or to the Franchised Business. Coverage must be provided on a "Special Cause of Loss" form, not be subject to any coinsurance provisions, and be in an amount not less than the full replacement cost of the Franchised Business. Such coverage shall also include the following: (i) electronic and data processing with a sublimit no less than \$25,000 each occurrence; (ii) equipment breakdown, including spoilage damage coverage; (iii) business income/extra expense coverage for loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the Brand Development Fund, for any interruption in your business operations, as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild; (iv) if the Franchised Business is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, earthquake coverage with a limit equal to the full replacement cost of the Location or with a sublimit no less than such dollar amount as agreed upon between us and you, or if not specified by the parties, as may be required by the Manual; and (v) if the Franchised Business is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood coverage with a limit equal to the full replacement cost of the Franchised Business or with a sublimit no less than such amount as agreed upon between us and you, or if not specified by the parties, as may be required by the Manual.
- (b) Commercial General Liability (CGL) insurance with coverage for bodily injury, personal injury, property damage, contractual liability, products liability, completed operations, and independent contractors, written on the latest ISO CG 00 01 occurrence form or equivalent. The policy shall have minimum limits of (i) \$1,000,000 each occurrence for bodily injury and property damage, (ii) \$1,000,000 each occurrence for personal and advertising injury, (iii) \$2,000,000 general aggregate, and (iv) \$2,000,000 products-completed operations aggregate. The general aggregate limit applies separately to the Franchised Business.

- (c) Business Automobile Liability insurance covering all of your owned, non-owned, and hired automobiles with a minimum combined single limit of \$1,000,000 per accident for bodily injury and property damage.
- (d) Workers' Compensation and Employer's Liability insurance for all employees that work at the Franchised Business, regardless of whether you are able to exempt itself under applicable state law from the Workers' Compensation requirement, or whether the employees are full-time, part-time, temporary, seasonal, leased, or borrowed. The Workers' Compensation coverage provided shall be in accordance with the laws of the state where the Franchised Business is located, and the Employer's Liability coverage shall have limits of \$1,000,000 each accident for bodily injury by disease; \$1,000,000 each employee for bodily injury by disease; and \$1,000,000 policy limit for bodily injury by disease.
- (e) Excess or Umbrella Liability insurance which provides excess coverage over the underlying CGL policy with minimum limits of \$1,000,000 each occurrence and \$1,000,000 general aggregate.
- (f) Commercial Crime insurance for losses arising out of or in connection with any fraudulent or dishonest act committed by your employees.

During any construction work at the Franchised Business, you must also maintain or cause its general contractor or design-builder to maintain Builder's Risk insurance or equivalent property insurance to cover that portion of the work to be constructed, installed, altered, or repaired. Such coverage shall include our, yours, and the mortgagee's interests, as well as the interests of the general contractor or design-builder, any subcontractors, and any other party having an interest in the work.

We also have specifications for signage, furniture, fixtures and equipment you need to buy before opening your Franchised Business, as well as supplies used in the operation of the Franchised Business, but currently you can buy those types of items and products from any vendor, as long as they meet our specifications.

We and our affiliates may be an approved supplier, and may be the only approved supplier for some products or services. Our affiliate Galaxy America, Inc. is the only approved supplier for the amusement rides, attractions and socks.

One or more of our officers is a part-owner of us and our affiliate Galaxy America, Inc. which you must use for purchase of your amusement rides and attractions when you first start your business. We, or an affiliate that one or more of our officers will have an ownership interest in will also be an approved supplier for architectural services that you may, at your option, use.

We estimate that 60-80% of your initial purchases and 12-25% of your ongoing purchases of products and services will be purchases either from us, our affiliates, our designees, suppliers approved by us, or under our specifications.

We are a newly formed company and did not derive any revenue in 2024. In the future, part of our and our affiliates' revenue may be derived from required purchases and leases of products and services by franchisees.

**Alternative Suppliers and Alternative Products or Services:** You must obtain our approval to purchase any alternative products or services by submitting a written request to us with all applicable information, specifications or samples we may require. The same applies if you wish to purchase a product or service from an alternative supplier than the supplier we have approved for a product or service. However, we will not consider any alternative supplier or product for the inflatables and attractions for your Franchised Business. In each case we may charge a fee for the review. Currently, the fee is the higher of \$500 and our actual cost of the testing and research required to evaluate the product or services. The fee is intended to cover our expenses incurred in the review of the alternative product or service, or the alternative supplier. The fee is payable to us at the time you submit the request for approval for the product or service (with any balance due against invoice). Within a reasonable time (our goal is 30 days or less), we will notify you whether the alternative product or service, or supplier, is approved. We do not issue particular specifications and standards to Franchisees for approving alternative suppliers, products or services and we do not make such criteria available to franchisees. If we revoke the approval of an alternative supplier, product, or service, you will be notified of the revocation in a manner we deem appropriate. Applications for approval are reviewed on a case-by-case basis.

**Relationship Between Us and Approved Vendors:** We may negotiate product and service purchase terms with vendors for the benefit of all Do The Beach Adventure Park locations, franchised as well as company-owned. We do not currently provide any material benefits to a franchisee based on a franchisee's purchase of any particular services or use of particular suppliers. As part of those negotiations, it is possible that we will receive rebates or other material consideration from the vendor related to required purchases made by our franchisees. We may choose to pass such rebates on to the Brand Development Fund, or directly to you, but we are not required to do so. We did not receive any rebates from approved vendors based on franchisee purchases made in 2024 and neither we, nor our affiliates, had any revenue from required purchases or leases of products or services by franchisees.

Currently there are no purchasing or distribution cooperatives for the Do The Beach Adventure Park franchise system.

## Item 9

### FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement <sup>(1)</sup>	Disclosure document item
a. Site selection and acquisition/lease	FA §§2.2, 2.3, 2.8, 2.9, 5.1 ADA §§3.1, 3.2, 6.2, 7.1	5, 6, 7 & 11
b. Pre-opening purchases/leases	FA §§5.2, 5.3, 5.8	7 & 8

<b>Obligation</b>	<b>Section in agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
c. Site development and other pre-opening requirements	FA §§5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.8, 7.1, 7.2 ADA §§3.1, 6.2	6, 7 & 11
d. Initial and ongoing training	FA §§5.7, 7.2, 7.3, 7.4, 7.5	6, 7, 11 & 15
e. Opening	FA §5.7 ADA §§3.1.1, 6.2	7 & 11
f. Fees	FA §§2.8, 3.2, 4.1, 4.2, 5.3, 5.5, 5.7.D, 7.5, 7.9, 7.17, 7.18, 7.26, 7.27, 8.1.D, 8.3, 9.2, 9.3, 9.9 10.4, 12.4, 12.5, 13.7, 13.9, 14.4, 14.5, 15.1, 15.2, 19.2.B, 19.7 and §§2 & 4 of Covenant Agreement. ADA §§5, 6.1, 10.2, 13.7	5, 6, 7 & 11
g. Compliance with standards and policies/operating manual	FA §§2.4, 2.5, 4.2, 5.3, 5.4, 5.6, 5.7, 7.1, 7.2, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.14, 7.23, 7.30, 8.1, 8.2, 8.8, 9.1, 10.1, 11.5, 11.6, 12.1, 12.5, 14.1.D	8, 11, 14 & 16
h. Trademarks and proprietary information	FA §§7.23, 7.24, 8.1, 11, 15.1 ADA §8	13 & 14
i. Restrictions on products/services offered	FA §§2.4, 2.5, 7.9, 8.1, 8.2	8 & 16
j. Warranty and customer service requirements	None	None
k. Territorial development and sales quotas	ADA §§3.1, 3.2, 6.2, Exhibits 1 and 2	12
l. Ongoing product/service purchases	FA §§7.6 & 8.1	8

<b>Obligation</b>	<b>Section in agreement<sup>(1)</sup></b>	<b>Disclosure document item</b>
m. Maintenance, appearance, and remodeling requirements	FA §§7.13, 7.14, 7.30	8 & 11
n. Insurance	FA §§12.1, 12.2, 12.3, 12.4	6, 7 & 11
o. Advertising	FA §§4.1.C, 7.23, 7.24, 8.1, 8.6, 9.	6, 7, 8 & 11
p. Indemnification	FA §§12.5 ADA §12.4	6, 17
q. Owner participation/management/staffing	FA §§5.7, 7.2, 7.4, 7.5, and 7.8	11 & 15
r. Records and reports	FA §§7.8, 10.1, 10.2, 10.3, 10.4, 15.3	6 & 11
s. Inspections and audits	FA §§8.3, 8.4, 10.4	6 & 11
t. Transfer	FA §13 ADA §§10.2, 10.3, 10.4, 10.5	6, 15 & 17
u. Renewal	FA §§3.2 ADA §4.2	6
v. Post-termination obligations	FA §§11.2, 11.4, 11.12.B, 15, §2 of Covenant Agreement ADA §11.6	6, 11, 14 & 17
w. Non-competition covenants	FA §§11.7, 11.12 and 14.3, and Covenant Agreement ADA §9	17
x. Dispute Resolution	FA §§19 ADA §13 Accounting: §18	17

Obligation	Section in agreement <sup>(1)</sup>	Disclosure document item
y. Owner's Guaranty/Owner's Acknowledgement	FA §§16.5 ADA §2.3, Exhibit 4 Accounting: Owners' Acknowledgement	1

**Notes:**

- (1) References to the Franchise Agreement are marked "FA", and references to the Area Development Agreement are marked "ADA".

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 10**

**FINANCING**

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

**Item 11**

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

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

**Pre-Opening Site Selection Obligations**

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

**Site Location and Acceptance:** We will provide you with our criteria for your site and location, and its layout. You have to submit a proposed site to us for acceptance within 60 days of signing your Franchise Agreement. We will have 60 days after we receive all required information from you to accept or decline, at our sole discretion, the site as the location for the Franchised Business. (Franchise Agreement, Section 6.1). If you and we have not yet agreed on a general area for your Franchised Business when you and we sign the Franchise Agreement, we will sign a "Site to be determined" addendum to the Franchise Agreement in which we will

together decide the time frame within which you and we must specify the general area in which you must find a site and how long you will have after that to propose a specific site.

Your site and its layout are subject to our acceptance. (Franchise Agreement, Section 6.1). It is your obligation to locate an appropriate site, but we will review it and, if it meets our System standards, accept it. The factors that we will consider in accepting your site include general location and neighborhood, physical characteristics of any existing building, traffic patterns and visibility of the location, parking, size, lease terms and local competition. (Franchise Agreement, Section 5.1). Our acceptance of the site does not in any way guarantee that the site will become a profitable Property.

If we decline your initial proposed site, we will give you the opportunity to submit another site for our consideration. If that site is also not accepted by us, we have the right to terminate the Franchise Agreement. You should also be mindful of the construction-related deadlines in the Franchise Agreement. It contains deadlines for starting and finishing construction that are tied to the effective date of the Franchise Agreement. You must start construction within 120 days of the agreement (or 60 days from when a building permit is ready for issuance, if sooner). You can request up to 2 30-day extensions of the construction commencement deadline for a fee of \$5,000 each. It is in our discretion whether to grant the extension. (Franchise Agreement, Section 5.3). You must complete your conversion or construction work and be opened for business within 270 days of signing your Franchise Agreement. (Franchise Agreement, Section 5.5) If you cannot meet this deadline, you can request up to 4 30-day extensions of time to complete construction. We charge a \$5,000 fee per extension granted. We may grant or reject your request for an extension in our sole discretion.

Though you are not required to do so, we strongly recommend that you use a real estate broker recommended by us to assist you in locating your site.

**Lease Review:** An Addendum to Lease is provided to you as part of the Franchise Agreement (Exhibit H). It includes terms that we require that your lease include. It is up to you though to negotiate the terms of your lease. We do not typically own the site that you will operate your Franchised Business from, but may do so in the future. If you own the land on which the Franchised Business will be located, you do not need to execute the Addendum to Lease.

**Plans and Specifications:** We will provide you with our layout requirements for your Franchised Business, and discuss layout with you. You must submit information to us about your chosen architect and general contractor. You must also submit your architectural plans to us for our review and approval. (Franchise Agreement, Section 5.2) Our approval does not mean that the plans are consistent with local laws and ordinances. You must always make sure that your approved location and the premises of your Franchised Business comply with local ordinances and business codes. You must also ensure that you obtain the required permits for the build-out of your premises. You are responsible for all costs associated with the design of your Franchised Business. We, or an affiliate will provide architectural services to our franchisees. You are not required to use them, but if you do, you will enter into a separate agreement with us or our affiliate and pay a fee agreed upon between you and us or the affiliate.

**Constructing, Remodeling, and Decorating:** We will provide you with our design requirements and build-out specifications for your Franchised Business, and information about any required furniture, fixture and equipment (such as equipment for your entertainment options, signage, millwork, kitchen equipment, menu boards, and lighting). It is up to you to find a



contractor to help you with the construction or remodeling, and decorating of your Franchised Business and you are responsible for the related costs.

**Area Development Agreement:** If you are an area developer, our only obligation is to help you define your Development Area and assign it to you. (Area Development Agreement, Section 7.1.).

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

Before you open your business, we will:

1. Provide you with information about the necessary furniture, fixtures and equipment for Do The Beach Amusement Park locations, required signage, opening inventory and supplies, but it is your responsibility to procure all such items. In some cases, we will provide you the names of approved vendors that you can (or must) purchase these items from, in other instances we will only provide you brand names or required specifications. You will have to make all the purchases yourself, and if installation is required, take care of the installation yourself. We are not required to provide you with equipment, signs, fixtures and opening inventory and we do not deliver or install any of them. (Franchise Agreement – Section 6.1.B).
2. Make available to you the Operations Manual. (Franchise Agreement – Section 6.1.D).
3. Provide a pre-opening training program for your owners and general manager. (Franchise Agreement – Section 6.1.E). A description of our training program appears later in this Item 11 under the caption “Training Programs.” Apart from the pre-opening training program, we are not required to help train your employees and we are not required to help you hire employees.
4. A Do The Beach Amusement Park representative will spend 2 to 4 days assisting you and your staff on-site at your location in connection with the opening of your Franchised Business. (Franchise Agreement, Section 7.3). If you wish for additional support of your management team, you can contract with us for Extended Training. Extended Training is management supervisory services that we will offer you, upon request. We would contract for these services with you in 3 month increments.
5. Approve or disapprove all advertising, signage, written communications, electronic or web-based materials and promotional plans, and other materials displaying our Proprietary Marks that we have not prepared or previously approved. (Franchise Agreement – Section 9.1).
6. Upon reasonable request, we will consult with and advise you at our home office concerning the construction and operation of the Franchised Business. (Franchise Agreement – Section 6.1.C).
7. Approve your insurance certificates with the additional insured parties named per the insurance requirements specified in the Franchise Agreement (Franchise Agreement – Section 12.1).

## **Opening of Your Business**

We are only starting to franchise as of the date of this disclosure document, but we expect that franchisees will typically open their Franchised Businesses within 9 to 12 months after they sign a franchise agreement. The factors that affect this time usually include locating a suitable site, completing the leasehold improvements, satisfactorily completing the training, obtaining all necessary equipment and supplies, and obtaining all necessary licenses or permits.

Your Franchised Business may be open for business when you satisfy our requirements. You will have to comply with the following: (i) install all fixtures, furniture and equipment and obtain all business licenses required to operate a Do The Beach Amusement Park location; (ii) you must have hired qualified staff and you (or one of your owners, if you are an entity) and your general manager must have satisfactorily completed our training program; (iii) you must have paid all sums due us and our affiliates; (iv) you must not be in default under the Franchise Agreement or any other agreement with us or our affiliates; (v) we must have made a satisfactory on-site inspection and investigation as we deem appropriate; and (vi) you must have purchased required insurance. (Franchise Agreement – Section 5.7).

If you sign an Area Development Agreement, you and we will agree on a schedule for opening Franchised Businesses in your development area. The development schedule will set several periods in each of which you have to open a certain number of locations. (Area Development Agreement – Section 3.1 and Exhibit 1).

## **Obligations During Operation of the Franchise**

During the operation of the Franchised Business, we will:

1. Consult with and advise you at our offices, upon reasonable request, concerning the operation of the Franchised Business. (Franchise Agreement – Section 6.1.C).
2. Modify and add to the Manual as we deem appropriate to reflect changes in the business, authorized products or services, or specifications for authorized products and services, equipment requirements, quality standards, and operating procedures. (Franchise Agreement – Section 6.1.D).
3. Provide additional optional or required training programs or seminars as we deem appropriate in consideration of your payment of an additional training fee as described in Item 6. (Franchise Agreement – Section 6.1.E). A description of our additional training appears later in this Item 11 under the caption “Training Programs.” Apart from those training programs, we are not required to help train your employees and we are not required to help you hire employees.
4. Conduct inspections of your Do The Beach Amusement Park location and financial records, conduct evaluations of the products and services provided by your Franchised Business, and conduct interviews with your employees, agents and customers, directly, or through mystery shoppers, all as we may deem advisable. (Franchise Agreement – Section 6.1).

5. Manage the Brand Development Fund. (Franchise Agreement – Section 9.4). A discussion of the marketing, sales and advertising fund appears later in this Item 11 under the caption “Brand Development Fund.”
6. Approve or disapprove all advertising, signage, written communications, and promotional plans and other materials displaying our Proprietary Marks which we have not prepared or previously approved. (Franchise Agreement – Section 9.1).
7. We may, at our sole discretion, from time to time make suggestions regarding your product and services pricing. You may decide whether or not to follow those suggestions, but in most jurisdictions we have the right to set minimum and maximum product and service prices, and, where permitted, you must honor those minimum and maximum prices. You may also not offer coupons, discounts, gift cards, gift certificates, loyalty programs, mobile applications, online ordering capabilities and similar promotions without our prior approval in writing. (Franchise Agreement – Sections 2.4 and 8.8). (Also see Item 16).

We are not required to establish any particular administrative or inventory control procedures, but we may choose to do so.

## **Advertising Program**

While we are not required to do so, we expect to undertake different activities to promote the Do The Beach Amusement Park brand. We may prepare marketing and advertising materials in-house or by outside agencies, both national and regional. We are not required to spend any amount on advertising in the area that your Franchised Business will be located in. We plan to develop both a loyalty program and a gift card program.

### **Local Advertising, Websites and Social Media:**

To facilitate your local marketing and advertising, we plan to prepare pre-approved strategies, including copy and graphic design. All other advertising, marketing, and publicity materials you use must first be approved by us. You must submit to us for our review and approval any materials not already approved by us. This includes all such materials, no matter the medium (e.g. print, digital, social media, and mobile apps). You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use those materials, whether or not we previously prepared or approved the materials. We will try to let you know within 5 business days of when you submit advertising materials whether it has been approved or disapproved, but there is no time limit in the Franchise Agreement for how soon we need to let you know our decision.

Starting 2 weeks prior to and continuing for 4 weeks following the opening of your Franchised Business you must spend at least \$50,000 on initial launch marketing and promotion. During the term of your Franchise Agreement, you are also required to spend at least 3% of your Gross Revenues on local marketing. We will define what types of expenses qualify towards the required spend and have the right to require you to submit reports and receipts showing that you have complied with the minimum spend requirement.

We will maintain a website for the System, and you may not maintain your own website for your Franchised Business. We may, however, provide you with a subpage on the System website. We encourage you to develop a local presence through social media. While we will own

the social media accounts, you will have administrative access to the accounts for your Franchised Business and be able to post to the accounts and manage them. Any online or digital presence, such as social media (for example Facebook, Instagram, Twitter, and YouTube) and mobile applications, is subject to our social media policy and our general requirements about marketing and advertising. The social media policy will include provisions both regarding content and design, but also management of your accounts, and may require that we are either the owners of those accounts, or have co-administrative rights to the accounts. We currently require you to use an approved vendor to assist with your local marketing.

### **Franchisee Advisory Council**

We have not yet established a franchisee advisory council, but may do so in the future. If established, the advisory council is expected to provide support with respect to our advertising policies.

### **Brand Development Fund**

We have not yet done so, but may in the future establish a Brand Development Fund (the “**Brand Development Fund**”). The Brand Development Fund will be accounted for separately from our other funds. We will not use the Brand Development Fund to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Brand Development Fund and all costs of research, development and preparing national, regional, point of sale and local advertising and marketing strategy materials for use within the System. The materials may be disseminated via radio, television, print media, Internet (including social media), or outdoor advertising. We do not plan to use the Brand Development Fund to solicit new franchisees. The Brand Development Fund Fee currently is 0.5% of your Gross Revenues, payable on a monthly basis, but may be increased by us up to 2% of your Gross Revenues. All Do The Beach Amusement Park locations owned by our affiliates will contribute to the Brand Development Fund at the same percentage of Gross Revenues required of Franchisees within the System.

The intention is to spend the entire Brand Development Fund Fee collected, provided that we have the right to carry over fees from year to year, if the entire fee from one year is not spent that year. The Brand Development Fund will be administered by us. When we establish a franchisee advisory council, its board will serve in an advisory capacity to us, but we will have sole discretion over the concepts, materials, and media used in these programs and activities and their placement and allocation. In any calendar year we may spend more or less than the amount of aggregate contributions from all Do The Beach Amusement Park locations to the Brand Development Fund in that year, and the Brand Development Fund may borrow from us or from others to cover deficits or invest any surplus for future use. We will use all interest earned on monies contributed to the Brand Development Fund before we expend other assets of the Brand Development Fund. We will not audit the Brand Development Fund, but Franchisees may, upon written request to us, receive an annual accounting of how advertising fees are spent. Brand Development Fund contributions will not be principally used to sell additional franchises. (Franchise Agreement – Section 9.5).

Expenditures by the Brand Development Fund may not be proportionate or equivalent to contributions to the Brand Development Fund by Do The Beach Amusement Park locations operating in that geographic area. You or your Franchised Business may not benefit directly or in proportion to your contribution to the Brand Development Fund. Neither we nor the Brand

Development Fund would be liable to you for the maintenance, direction or administration of the Brand Development Fund, including for contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. The funds collected by the Brand Development Fund and any earnings thereon, are not and shall not be an asset of ours or of any Franchisee.

In lieu of charging a Brand Development Fund fee, and independent of the establishment of the Brand Development Fund, we may, at our option, charge you a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System.

### **Advertising Cooperatives**

We have not established, but may in the future establish and maintain, local and regional advertising cooperatives for geographic areas (each an **“Advertising Cooperative”**), in which you must participate. We will determine the area for each Advertising Cooperative, but generally the intention would be to set up the area so that franchisees in a region or area can pool advertising funds that benefit the group by undertaking joint advertising and marketing programs. Franchisees and our and our affiliates’ Do The Beach Amusement Park locations who are members of the Advertising Cooperatives will all contribute on the same basis. The Advertising Cooperative fee will be no more than 2% of your Gross Revenues. If you are paying an Advertising Cooperative fee you will be able to off-set the Advertising Cooperative fee against the 2% minimum local marketing spend required under the Franchise Agreement against the Advertising Cooperative fee.

We will determine whether to form any Advertising Cooperatives, and if formed, we will decide if and how to change them, merge them, or dissolve them. We will be responsible for administering the Advertising Cooperative. We are not required to prepare written governing documents for any Advertising Cooperative, but if we do, the members of that Advertising Cooperative will be able to review the governing documents. The Advertising Cooperatives will prepare unaudited annual financial statements and those will be available to review by their members, once finalized.

### **Point of Sales System and Other Computer Systems**

You must obtain and use the computer system which we require. Currently, this includes the point of sale and management system and terminals from an approved supplier. We currently require you to use Roller as your point of sales system. You must use the most current version of that system. The initial cost of the computer system is estimated to be between \$10,000 and \$20,000 depending on the number of terminals, printers, and additional software you choose to purchase. We have no contractual obligation to provide ongoing maintenance and repairs, or to upgrade or update any hardware or software. We expect there to be a monthly fee payable for the use of the point of sale system of between \$1,000 and \$2,000 per month that includes upgrades and updates to the software. You must also have a functioning email address so that we can send you notice and otherwise communicate with you.

We have the right to obtain independent access to all of the data on your computer, including but not limited to sales reports by category, department, menu item, inventory, cashier, lunch, dinner and hour on a daily, weekly and monthly basis. There are no contractual limitations on our right to access the computer.

In the future, we may require you to change, upgrade or modify the type of computer hardware and software at your expense. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We and our affiliates

may condition any license of proprietary software to you or your use of technology that we or our affiliates may require, develop or maintain, on your signing an agreement or similar document that we, our affiliates or the vendor may require to regulate the use of the software. The technology fee you pay may cover some of the computer and software related expenses, but we are not required to use it towards location-specific computer equipment or software. You will have to implement the software, computer, and internet security procedures that are outlined in the Operations Manual from time to time. You may be required to use only approved hardware and software products and services, and to purchase or lease them only from approved vendors.

## **Operations Manual**

If you request, we will give you access to review the contents of the Operations Manual before you buy a franchise from us subject to you signing a Confidentiality Agreement. The Confidentiality Agreement is attached as **Exhibit H**. The manual includes policies, regulations and procedures about the operations of a Do The Beach Adventure Park location that apply to you and all franchisees under the Franchise Agreement. We have the right to add, delete, or change any operating policy or the Operations Manual.

## **Training Program**

### **Training**

We will provide you, your owners, and your general manager with pre-opening training that you must successfully complete before opening your Franchised Business. Some or all of the classroom training may be provided virtually. The training will take approximately 6 days, which includes 2 days of classroom training and 4 days of on-the-job training at a Do The Beach Adventure Park location. The hours of training depend on your previous experience with entertainment options similar to those included in your Franchised Business and your experience with restaurant operations. At least one of your owners and your general manager must complete the pre-opening training. If you want to bring additional persons to training their participation is subject to our approval, and we may limit the number of attendees due to space limitations.

You/your owners must complete the entire training program to our satisfaction before you can open your Franchised Business, and your general manager must complete the Management Training-portion of the training to our satisfaction before opening. If any of your attendees fail those portions of the training, we have the right to terminate the Franchise Agreement. If you already operate one or more Do The Beach Adventure Park locations, we may waive the initial training requirement for one or more of the persons who would normally be required to participate. There is no fee charged by us for the training described in the chart below, but you are responsible for all costs incurred by your attendees, such as travel and accommodation (and for their salaries).

All persons working in the restaurant portion of your Franchised Business must also obtain state sanitation certifications of the level commensurate to their responsibilities and you are responsible for all expenses you may incur in connection with obtaining such certifications.

## TRAINING PROGRAM

Subject	Hours of Classroom Training <sup>(4)</sup>	Hours of On-The-Job Training <sup>(4)</sup>	Location
Orientation/Pre-Opening <sup>(1)</sup>	5 hours	30 hours	Our corporate office in Port Charlotte, Florida, or another designated location
Management Training <sup>(2)</sup>	3 hours	10 hours	Our corporate office in Port Charlotte, Florida, or another designated location
Field Training <sup>(3)</sup>	0 hours	40 hours	Your Do The Beach Adventure Park location
Total	8 hours	80 hours	

(1) **Orientation/Pre-Opening:** Your owners must attend the Do the Beach orientation and pre-opening training program as soon as reasonably possible after signing your Franchise Agreement and before beginning site selection, if possible. This portion of the initial training is designed to introduce you to the Do the Beach model, orient you to the Do the Beach culture, team and business flow, and educate you to efficiently manage your site selection, marketing and pre-opening activities. If you already operate one or more Do The Beach Adventure Park locations, we may waive this part of the training.

(2) **Initial Management Training:** Your owners and managers must attend this training. It is conducted after you complete site selection, and within a reasonable amount of time before your scheduled opening date. All permits must be in place prior to attending the training. The initial management training course may include average 8 hours per day plus additional homework assignments, and will include topics such as advertising and marketing, food preparation, and building the brand in your community. You must attend and complete state sanitation certification training before this training.

(3) **Field Training:** We will send at least one Do the Beach training representative to your Franchised Business location, at no cost to you, for on-site training and assistance when you open the Franchised Business. The length of time the representative(s) will be on-site is expected to be between 2 and 4 days. On-site training and assistance will include additional training of personnel, purchasing and inventory management, POS training, and promotion and merchandising.

(4) If you have significant experience operating family entertainment businesses and restaurants, the training hours would be towards the low end of the range of hours. If you have limited experience operating family entertainment businesses and restaurants, the training hours would be towards the high end of the range of hours.

We will organize the initial training program on an as-needed basis so that you and other new franchisees can complete the training before you open your Do The Beach Adventure Park locations. Training may be conducted just for your team, or may be combined with training for other new franchisees.

We will use various training materials as part of the training, including the Operations Manual and our recipes. The training is led by Courtney Skallerup-Wilde who has been involved in the operation of Do the Beach since before we open our first location, which is anticipated to be in the fall of 2025. She has experience teaching the subjects covered by our initial training program since 2013. Our other trainers all have at least 5 years of experience with the topics taught.

The Initial Management Training must be completed not just by you, but also by your general manager. If the general manager leaves your employment, you must hire and train a new manager within 30 days. Depending on how long you have operated your Franchised Business and your experience we may allow you to train general managers yourself, but we always reserve the right to have the general manager trained by us. All of your restaurant employees must pass the state-approved sanitation certification program within 10 days of their hire.

We may, at our option, provide you with additional onsite training, if you request it. Currently, the charge for additional training and support is \$350 per day, per trainer, plus their cost of travel and accommodation, though we may adjust the fee during the term of your Franchise Agreement. You may also request additional training at our locations. If we approve it, currently the fee will be \$350 per day, and you will be responsible for the travel, accommodation, meals, and salaries for the persons attending.

We also offer our franchisees Extended Training. Extended Training consists of management supervisory services that we will provide to you and your managers. The training is intended for franchisees who want additional training and support of their management team. It is an optional training program. Extended Training is offered in 3-month increments for a fee of \$5,000 per month, plus the cost of travel that we may incur (one 2-day trip per month, typically).

We will offer periodic mandatory and optional additional and refresher training programs for you, your Owners, and Operating Principal. Mandatory refresher training is limited to 2 days per year. Refresher and additional training may be offered at any location designated by us, and may also be held virtually. The training may be offered in-person, at locations designated by us, or virtually. We may charge a reasonable fee for attending these training programs, intended to off-set our cost of the programs. You will also be responsible for all costs incurred by your attendees, such as travel and accommodation.

We also have the right to require that you and your Owners attend a national business meeting or annual convention for our franchisees. We may charge a registration fee for attending. You will also be responsible for all costs incurred by your attendees, such as travel and accommodation.

## **Item 12**

### **TERRITORY**

#### **Franchise Agreement:**

**Protected Area:** You will operate your Franchised Business out of a specific location that must be approved by us. We will grant you a protected area for your Franchised Business (“**Protected Area**”). The Protected Area is defined by a 3-5 mile radius, which be agreed upon. The size of the Protected Area will remain the same throughout the term of your Franchise



Agreement and there are no minimum sales volume, market penetration, or other contingency or conditions that affect its size. The Protected Area excludes certain types of locations (“**Captive Locations**”) even if they are located within the Protected Area. Captive Locations include enclosed hotels and resorts, amusement and theme parks, sport stadiums and arenas, colleges, and government facilities, such as military bases.

**Your Rights in the Protected Area:** There are certain limitations to your Protected Area rights and your rights are not exclusive. 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 we control. Generally, we will not open our own Do The Beach Adventure Park locations, or license our affiliates or any other franchisees to operate Franchised Businesses in your Protected Area. But, this protection excludes Franchised Businesses in Captive Locations, and we and other Do The Beach Adventure Park franchisees have the right to market and advertise in your Protected Area and to sell products and services to customers in the Protected Area. In addition, our affiliate, Galaxy America, Inc. sells equipment similar to the kind that you will use in your Franchised Business to third parties. However the equipment sold to third parties will not have the distinctive Do The Beach Adventure Park branding. Those third parties may operate anywhere, including anywhere in your Protected Area. Also, we and our affiliates may use other channels of distribution (such as wholesale, sales through grocery stores, other retail stores, Internet, catalog sales, telemarketing, other direct marketing sales, and sales at temporary locations and events) to offer Do The Beach Adventure Park services and products in your Protected Area, however given the nature of the Franchised Business, we do not foresee this happening with respect to the core service you will be providing through your Franchised Business. If we develop another brand of family entertainment centers, restaurants, or another type of business, that brand may operate in your Protected Area or distribute products or services in your Protected Area. Neither we, nor our affiliates or other franchisees owe you any compensation for such sales in your Protected Area, but you also do not owe us or other franchisees any compensation if you service customers outside of your Protected Area. Likewise, if you do not wish to service national or regional accounts, or are unable to do so, we may service those accounts ourselves, or assign them to an affiliate or another franchisee to services, even if the account is in your Protected Area.

Though we currently have no plans to do so, we reserve the right to market, sell, and license others to market and sell, similar products and services to those offered by your Franchised Business in your Protected Area, as long as they are offered under a different trademark.

**Relocation, No Right of First Refusal, and How to Obtain Right to Open Additional Locations:** You are not allowed to relocate your Franchised Business or open any additional locations in the Protected Area without first obtaining our written consent, which we may withhold at our discretion. Given the cost we will incur in connection with approving and supporting a relocation, if your relocation is approved, we will charge you a relocation fee of 50% of the then current Initial Franchise Fee, for the relocation. The Franchise Agreement you sign with us is for one Franchised Business only, operated out of the approved location. It doesn't grant you any right of first refusal. If you want to open more than one location, you must apply to us for a franchise agreement for the additional location(s). We will evaluate your application the same as we evaluate all franchise applications at that time.

### **Area Development Agreement:**

Under the Area Development Agreement you will be granted a specific territory (“**Development Area**”) in which to locate a number of Franchised Businesses. The territorial rights of each Franchised Business will be governed by the Franchise Agreement for the location. The size of the Development Area will be agreed upon between you and us before the Area Development Agreement is signed, but generally it will be big enough to allow for the opening of the required number of Franchised Businesses with each such business having a Protected Territory, though some of those Protected Territories may overlap.

There are certain limitations to your Development Area rights and your rights are not exclusive. 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 we control. Specifically, Captive Locations are excluded from the Development Area in the same way as they are excluded from the Protected Area under the Franchise Agreement. We and other Do The Beach Adventure Park franchisees also have the right to market and advertise in your Development Area and to sell products and services to customers in the Development Area. Also, we and our affiliates may use other channels of distribution (such as wholesale, sales through grocery stores, other retail stores, Internet, catalog sales, telemarketing, other direct marketing sales, and sales at temporary locations and events) to offer Do The Beach Adventure Park services and products in your Development Area, and if we develop another brand of family entertainment centers, restaurants, or another type of business, that brand may operate in your Development Area or distribute products or services in your Development Area. Neither we nor our affiliates or other franchisees owe you any compensation for such sales in your Development Area. Once Franchise Agreements for all Franchised Businesses to be opened pursuant to the Area Development Agreement have been signed, the Area Development Agreement will expire and your territorial rights in the Development Area will cease.

Failure to timely develop Franchised Businesses is grounds for termination of the Area Development Agreement, so if you do not develop the Franchised Businesses as agreed on in the Development Schedule to the Area Development Agreement we can terminate the agreement. At our option we may instead reduce the right of the Development Area, reduce the number of Franchised Businesses that can be opened by you, or allow other developers to open Franchised Businesses in the Development Area.

We do not typically allow you to change the Development Area, but if the population density in the Development Area changes, we reserve the right to adjust the size of the Development Area. The Area Development Agreement will allow you to open a certain agreed upon number of Franchised Businesses in the Development Area. If you want to open more Franchised Businesses, you must first apply to us as there are no options, right of first refusal, or similar rights granted under the Area Development Agreement. We will review the application the same way we review applications for new franchisees.

### **No current plans to operate or franchise businesses under other trademarks:**

Neither we, nor our affiliates, have any current plans to operate or franchise a business under a different trademark.

### Item 13

#### TRADEMARKS

During the term of your Franchise Agreement, we grant you the non-exclusive right and license to operate the Franchised Business under the following principal trademarks, service marks, names, logos and commercial symbols for which our affiliate, Winx Innovations, Inc. has applied for registration of the following trademark with the United States Patent and Trademark Office: ("USPTO"):

Mark	Application Number	Application Date	Principal or Supplemental Register of USPTO
DO THE BEACH (WORD MARK)	98141137	August 19, 2023	Principal

We also intend to apply for registration with the USPTO of the following trademark:



We do not have a federal registration for our principal trademarks. Therefore, our trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We claim common law rights to our designs, logos and trade dress items including color schemes, configurations and appearance, including to the marks listed above, but there have not been judicial determinations of the existence, validity, or extent of our rights. We claim and intend to rely on common-law trade secret and unfair competition, and copyright protection of materials and information you are granted the right to use under the Franchise Agreement.

Winx Innovations, Inc. has granted us an exclusive license for the use and sublicensing of the Proprietary Marks under a Trademark License Agreement dated November 3, 2023. The term of the Trademark License Agreement is 25 years.

You must follow our rules when you use these marks, including the guidelines provided in our style guide. You cannot use a name or mark as part of your corporate names or with modifying words, designs or symbols, except for those which we license you to use. You cannot use any mark in connection with the performance or sale of any unauthorized services or products or in any manner we have not expressly authorized in writing.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administration of any state, or of any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the principal trademark.

There are no agreements currently in effect which significantly limit our right to use or license the use of our marks in a manner material to the franchise.

We intend to take reasonable steps to preserve and protect our ownership of the marks and their validity. We are not obligated to protect any rights granted to you to use the trademarks or to protect you against claims of infringement or unfair competition regarding the trademarks. Nevertheless, it may be in our best interest to do so.

You must notify us immediately when you learn about an infringement of, or challenge to, your use of the trademarks. We will take the action we think is appropriate. You must cooperate fully in prosecuting, defending, or settling any litigation involving the trademarks, including being named as a party in the action at our request. We will undertake the defense of the litigation and will bear the costs of the litigation, except for the costs of any legal counsel separately retained by you. If we require you to modify a trademark that we have previously required you to use, we will pay for your direct expenses associated with the removal of the old trademark and its replacement.

We do not know of any infringing uses that could materially affect your use of our principal marks. You must modify or discontinue the use of a trademark if we modify or discontinue the use of a trademark as a result of a proceeding or settlement. You also must not directly or indirectly contest our right to our trademarks, trade secrets, or business techniques that are part of our business. You must maintain the confidentiality of the Operations Manual and any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained in the manuals.

## **Item 14**

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

Our affiliate Winx Innovations LLC owns patent rights that it has licensed to us, that are material to the Do the Beach franchise. In particular the following U.S. patents and patent applications are material:

#### **Issued Patents:**

<b>Serial Number</b>	<b>Patent Number</b>	<b>Issue Date</b>	<b>Duration</b>	<b>Title</b>	<b>Type</b>	<b>Nature/Relationship to the Franchise</b>
29/916,274	D1061776	2/11/2025	2/11/2040	INFLATABLE CHUTE PLATFORM	Design	Plunge Slide
29/713,274	D944350	2/22/2022	2/22/2037	INFLATABLE ATTRACTION	Design	Inflatable Sweeper
29/827,254	D1026150	5/7/2024	5/7/2039	INFLATABLE ATTRACTION	Design	Inflatable Sweeper
18/049,567	11865467	1/9/2024	6/18/2040	INFLATABLE ATTRACTIONS	Utility: Continuation	Inflatable Sweeper
18/517,827	12011672	6/18/2024	6/18/2040	INFLATABLE ATTRACTIONS	Utility: Continuation	Inflatable Sweeper
17/620,299	11511207	11/29/2022	11/8/2038	INFLATABLE ATTACHMENTS FOR AN ATTRACTION	Utility: Non-Provisional	Inflatable Sweeper
29/669,525	D895756	9/8/2020	9/8/2035	INFLATABLE OBSTACLE	Design	Warped Wall
29/749,474	D956159	6/28/2022	6/28/2037	INFLATABLE OBSTACLE	Design	Warped Wall
29/838,819	D1010757	1/9/2024	1/9/2039	INFLATABLE OBSTACLE	Design	Warped Wall

#### **Pending Patent Applications:**

<b>Serial Number</b>	<b>Filing Date</b>	<b>Title</b>	<b>Type</b>	<b>Nature/Relationship to the Franchise</b>
29/973,301	11/15/2024	INFLATABLE CHUTE PLATFORM	Design	Plunge Slide
18/508,485	11/14/2023	HYBRID PLAY SYSTEMS, SKIRTS, AND METHODS	Utility: Non-Provisional	Hybrid Soft Play
29/919,977	12/7/2023	INFLATABLE OBSTACLE	Design	Warped Wall

We claim copyrights in our main logo, listed in Item 13, and also in the component parts of that logo. We have not yet and registered those materials with the United States Copyright Office (“USCO”), but plan to do so. We also claim copyrights in the Operations Manual, advertising material and related items used in operating the franchise. Although we have not filed an application for a copyright registration for those items, we claim a copyright and the information is proprietary. We are not obligated to take any action to protect our copyrighted materials, but will respond to this information as we think appropriate.

The Operations Manual and other materials we provide to you contain our confidential and proprietary information. Certain information about the operation of the Franchised Business including the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information we disclose to you and all that

information is of a proprietary and confidential nature and our trade secret ("**Confidential Information**"). You (if you are an individual) and each of your Owners (if you are an entity), officers, directors, members, partners, manager, employees and agents must maintain the absolute confidentiality of all Confidential Information both during the term of your Franchise Agreement and after its termination or expiration and may use that Confidential Information only to the extent necessary to operate the Franchised Business. You cannot disclose that Confidential Information for any reason, except to your Owners, officers, directors, members, partners, managers, employees and agents only to the extent necessary for the operation of the Franchised Business. You must sign, and shall cause all persons receiving the Confidential Information to sign, the Confidentiality Agreement attached as **Exhibit L**. You cannot use any Confidential Information in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us during the term of your Franchise Agreement or afterwards. You may not use our Confidential Information in an unauthorized manner and must take all reasonable steps to prevent its disclosure to others. You must promptly tell us when you learn about unauthorized use of our confidential and proprietary information.

You must notify us immediately when you learn about an infringement of, or challenge to, your use of the patents, patent applications or any future registered copyrights. We will take the action we think is appropriate. You must cooperate fully in prosecuting, defending, or settling any litigation involving the patents, patent applications or future registered copyrights, including being named as a party in the action at our request. We will undertake the defense of the litigation and will bear the costs of the litigation, except for: the costs of any legal counsel separately retained by you; if you have failed to notify us of any infringement claims in a timely manner; or if you fail to modify or discontinue the use of the subject matter covered by the patent or the copyright. If we require you to stop using, or modify your use of any patent, patent application, or registered copyright that we have previously required you to use, we will pay for your reasonable, direct expenses associated with the modification or discontinuance.

We are not aware of any patent infringement of the patent rights listed above that could materially affect you. There is no current material determination of the USPTO, USCO, or any court regarding the patent or any of our copyrights. There are no agreements that limit our affiliate's use of the patent, patent application, or copyright.

## **Item 15**

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

You are required to participate personally in the direct operation of your Franchised Business and we recommend personal on-site supervision of the Franchised Business. If you have a General Manager, that person must successfully complete our initial training before the Franchised Business opens, or within 30 days of their hire for any General Manager that starts later. The General Manager will be required to sign the Confidentiality Agreement. Other than requiring the General Manager to successfully complete training and signing the Confidentiality Agreement there are no limits to who you may hire as a general manager. The General Manager is not required to have any ownership interest in the Franchised Business.

If you are a legal entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision,

whether containing monetary or non-monetary obligations including the covenant not to compete. The guarantee is included in the Franchise Agreement. We may also require that your spouse signs the guaranty.

#### **Item 16**

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

We require you to offer and sell only those goods and services that we have approve. You must offer all goods and services that we designate as required for all franchisees. All services and food and beverage items, as well as other products offered or sold, must meet and be consistent with the requirements set forth in the Operations Manual or otherwise set by us. All services and products must be offered only at retail. No wholesale of products is permitted by the Franchised Business.

We have the right to add additional goods or services that you are required to offer. There are no limits on our right to do so.

#### **Item 17**

### **RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

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

#### **Franchise Agreement**

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
a. Length of the franchise term	§3.1	10 years
b. Renewal or extension of the term	§3.2	2 terms of 5 years each
c. Requirements for franchisee to renew or extend	§3.2	You must: notify us within 12 months (but not more than 24 months) before the agreement expires of your request for a successor agreement; not be in default under the agreement; be current on all payments to us, our affiliates, and your suppliers; be in compliance

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
		with our training requirements; renovate the Location to our then-current standards; have the right to remain in possession of the Location or have found substitute premises; be able to maintain all licenses and permits, including a liquor license; sign our then current form of franchise agreement for successor franchisees; pay us a successor agreement fee; and you and your guarantors must sign a general release. Further you may be asked to sign a Franchise Agreement with materially different terms and conditions than your original contract.
d. Termination by franchisee	Not Applicable	Franchisee may terminate the Franchise Agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§§14.1.B - D	We can terminate only if you default.
g. Cause defined – curable defaults	§§14.1.D, 8.3	<p>You generally have 10 days to cure nonpayment of fees and 30 days to cure failure to submit reports, provide information, maintain our standards or any other default not specified in Section 14.</p> <p>If you fail an inspection for any health or safety reason, we have the right to require that you temporarily close all or part of your Location until the dangers to health and safety have been remedied.</p>
h. Cause defined – non-curable defaults	§§14.1.B and 14.1.C	Non-curable defaults: failure to timely begin construction of the Location, timely submit a site application, timely complete construction of the Location, timely open the Location, cease operating or abandon the Location, forfeit the right to do business where the Location is located, conviction of felony, unapproved transfers, improper use or disclosure of confidential information, false reporting or submissions to us, under-reporting Gross Revenues, repeated defaults even if cured, entry of judgment against you which remains



Provision	Section in franchise or other agreement	Summary
		unsatisfied for 30 days, levy against your business or Location, action brought to foreclose lien or mortgage against the Location premises or equipment which is not dismissed in 30 days, or you become insolvent, a receiver is appointed to take possession of your business or Location, you make a general assignment for the benefit of your creditors, you engage in public conduct that reflects materially and unfavorably upon the System, or the goodwill associated with the Marks, or you are in default under any other Franchise Agreement or other agreement with us or our affiliates which is not curable, or, if the default is curable, you have not cured the default within the cure period, or bankruptcy, or you are in default in paying any monies to your landlord or to any supplier under the normal payment terms and conditions of the landlord or the supplier and you do not cure such default and satisfy us that such default is cured within 30 days after receiving notice from us to cure the same.
i. Franchisee's obligations on termination/non-renewal	§15.1	Cease operating the Location; discontinue use of the Marks and advertising; complete de-identification as our Franchisee; transfer telephone numbers and social media accounts to us; deliver all materials and documents for the Location to us; modification and alteration of Location; cease using the System and Manual; remove any sign that has our distinctive shape, color and/or design; allow us, at our option, to purge at your cost all your usable materials bearing the marks, and/or your office equipment, furniture, fixtures; sell movable signs to us at their fair market value, promptly pay all amounts due us including the liquidated damages set forth in Section 15; and maintain and preserve your financial and other records and make them available for our inspection. If we give you notice, sell the assets of the Location to us or our assignee. See State Addenda.
j. Assignment of contract by franchisor	§13.1	No restriction on our right to assign.

Provision	Section in franchise or other agreement	Summary
k. "Transfer" by franchisee – defined	§§1.2.SS and 13	Transfer means voluntary or involuntary direct or indirect assignment, sale, gift or other transfer of your Franchise Agreement or any of your rights or obligations as a Franchisee (your "Franchised Interest"), including (i) the transfer of ownership of your stock, partnership or limited liability company ownership interest; (ii) merger, reorganization, consolidation or issuances of additional securities representing a direct or indirect interest in your Franchised Interest of Location; (iii) sale of more than a 50% interest in your Franchised Interest; (iv) transfer of a Franchised Interest in a divorce, insolvency, corporate partnership dissolution or otherwise; (v) transfer of a Franchised Interest by will, trust or intestate succession; (vi) change in ownership or otherwise; (vii) any change in trustee or beneficial owner of a trust (if the trust is a Franchisee or has more than a 50% interest in the Franchised Interest); or (viii) any pledge, hypothecation or encumbrance of any Franchised Interest as security for an obligation.
l. Franchisor approval of transfer by franchisee	§13.9	You may not transfer your Agreement, your franchise, or any ownership interest in the franchise, the Location or a substantial portion of the Location's assets, without our consent.
m. Conditions for franchisor approval of transfer	§§ 13.3, 13.4, 13.6, 13.7, 13.8, 13.9	For most transfers, we require the transferee to meet our criteria for new franchisees, the transferee owners must sign a guarantee, you must pay a transfer fee, all your monetary obligations must be satisfied, you and your owners must release us from claims and you must agree to continue to be liable for the operation of the Franchised Business before the transfer. If the transfer results in a change of control of the franchisee or the Franchised Business the transferee will have to sign our then current form of franchise agreement for the remainder of the term of your Franchise Agreement, the location will have to be upgraded to meet our then current standards for new Franchised Businesses, and that the transferee and at least one of its owners completes those training programs we require to our satisfaction.

Provision	Section in franchise or other agreement	Summary
		<p>For some transfers we do not require the transferees to submit a new franchisee application, even though the other transfer requirements apply. This is the case if (1) you sign the Franchise Agreement as an individual, and wish to transfer it to a corporation, partnership or limited liability company that you maintain your same ownership interest in, (2) you are a corporation, partnership or limited liability company, you may transfer an aggregate of up to 25% of your outstanding voting ownership interests to your employees who are actively engaged in the operations of the Location, or (3) you wish to transfer ownership by public or private offering. We may withhold the consent in our sole discretion in the case of a public offering, and for a private offering will not unreasonably withhold it.</p> <p>For sales of securities or other interests by public or private offering, we may grant or deny approval based on whatever we deem to be in our best interests.</p> <p>The grant of a security interest in any of the assets of the Franchised Business, including the Franchise Agreement, require our consent. We will require your lender to enter into an agreement with us regulating what will happen in the event of a default under the Franchise Agreement.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	§13.5	Any transfer of ownership, other than from you (if you are an individual) to a corporation, partnership or limited liability company owned by you, is subject to our right of first refusal. A sale of your assets is also subject to our right of first refusal. We have the option for 30 days following our receipt of notice of transfer to exercise our right. We can purchase the ownership interest in Franchisee on the same terms as those offered by you to the third party.
o. Franchisor's option to purchase	§§14.3, 15.1.1	Upon termination for any reason of the Franchise Agreement, we have the option for 30 days following the termination or expiration to purchase your assets at a price determined by 1

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
franchisee's business		<p>appraiser selected by us (though you may select a second appraiser at your expense, and if their evaluations are more than 10% apart, you will pay for a third appraiser to determine the final price).</p> <p>We also have the rights within 60 days following our receipt of your inventory list following termination or expiration of the Franchise Agreement, to purchase at fair market value, your supplies, FF&amp;E, signage, and other materials bearing the Proprietary Marks.</p>
p. Death or disability of franchisee	§§13.6, 13.7	<p>If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other legally appointed personal representative must appoint, within 30 days, an approved management company to operate the Location. Pending the appointment and subject to legal formalities, we can manage the Location. Your executor or other legally appointed personal representative must also transfer all your interests to a third party within 1 year. With our consent, your estate or legally appointed personal representative may transfer all your interest to your spouse, parent, sibling, direct descendant or spouse's direct descendant.</p>
q. Non-competition covenants during the term of the franchise	§§7.12, 11.12.A	<p>You cannot use the Location premises for any purpose or activity except to operate the Franchised Business and you cannot use it to promote any competing business. During the term of the Franchise Agreement you may not compete with us by being associated with any business providing both food and entertainment options inside the facility (commonly referred to as "eatertainment") or that is otherwise similar to a System Location, no matter where located.</p>
r. Non-competition covenants after the franchise is terminated or expires	§11.12. B	<p>For 2 years after any transfer, expiration, or termination of the Franchise Agreement, anywhere in your Protected Territory or the Protected Territory of any other System Location. The definition of what is a Competing Business is the same as for the in-term covenant not to compete.</p>

<b>Provision</b>	<b>Section in franchise or other agreement</b>	<b>Summary</b>
s. Modification of the agreement	§20.1	No modifications generally unless in writing signed by you and one of our officers. However, our Manual is subject to change at our discretion.
t. Integration/merger clause	§20.1	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement are not enforceable.
u. Dispute resolution by arbitration or mediation	§19.2	If a dispute cannot be resolved through negotiations between your CEO or president and our management, the dispute will be referred to mediation. The mediation will take place in the county and state where we have our principal place of business, using a mediator agreed upon between us.
v. Choice of forum	§19.4	Subject to applicable state law litigation must be in any state court of general jurisdiction in the county or state, or in the U.S. District Court for the district, in which we have our principal place of business. You will submit to the jurisdiction of those courts. See State Addenda.
w. Choice of law	§20.2	Texas law applies (subject to applicable state law). See State Addenda.

### **Area Development Agreement**

<b>Provision</b>	<b>Section in Agreement<sup>(1)</sup></b>	<b>Summary</b>
a. Length of the franchise term	§4.1	Until the date we accept and execute a Franchise Agreement for the last of the Franchised Businesses you are to establish under your Development Schedule, or on the last date for the opening of the last Franchised Business to be developed pursuant to the Development Schedule, whichever happens first.
b. Renewal or extension of the term	§4.2	There is no renewal right.

<b>Provision</b>	<b>Section in Agreement<sup>(1)</sup></b>	<b>Summary</b>
c. Requirements for franchisee to renew or extend	Not Applicable	
d. Termination by franchisee	§11.1	You can terminate if you have fully complied with your ADA and we have materially failed to comply with it and do not correct the failure within 120 days of our receipt of your written notice.
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§§11.2, 11.3, 11.4	We can only terminate if you are in default under your ADA.
g. Cause defined – curable defaults	§§11.4, 14.4	Curable defaults have a 30 day cure period. If a force majeure continues for over 120 days we can terminate the Agreement.
h. Cause defined – non-curable defaults	§§11.2, 11.3	<p>We can terminate if: you make an assignment for benefit of creditors, you file a petition in bankruptcy or one is filed against you and not dismissed within 60 days, or if you file a petition in bankruptcy or a liquidator, trustee or similar officer is appointed for you, or you commit any act of bankruptcy, or you admit in writing your inability to pay debts as they become due; your assets are seized or you give a security interest without our prior written consent; you willfully or fraudulently misrepresent any factor or condition in any application or report to us; you die or become incapacitated (or if an entity, your principal owner dies or become incapacitated), and a permitted Transfer is not made; or you adversely affect the goodwill associated with the Proprietary Marks or the Franchised Business.</p> <p>If you fail to meet the obligations of your development schedule, you will lose the exclusive rights to your Territory and we can resell that area. We may also reduce the size of your Territory or the</p>

Provision	Section in Agreement <sup>(1)</sup>	Summary
		<p>number of Franchised Businesses to be developed.</p> <p>You can maintain any existing Franchised Businesses that are established by a Franchise Agreement as long as you comply with the terms of that Franchise Agreement.</p>
i. Franchisee's obligations on termination/non-renewal	§11.6	You will have no right to establish or operate a Franchised Business for which a Franchise Agreement has not been executed at time of termination, expect that if you have signed a lease by your expiration date, you can continue to open a Franchised Business within 4 months of a lease signing, if the lease was signed before the expiration of the development year in which the Franchised Business was supposed to have been opened.
j. Assignment of contract by franchisor	§10.1	We can assign, transfer or otherwise dispose of or deal with the ADA to anyone in our discretion. Upon transfer, we will be released from any liability under the ADA.
k. "Transfer" by franchisee – defined	§10.2	"Transfer" means to directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sublicense, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of the rights granted under your ADA, any part of your ADA, any rights or privileges incidental to your ADA, any or all assets of the Franchised Business, or any interest in the franchisee (your owner's ownership interest in you). You may not make a transfer to one of our competitors, or to a person operating a business that is competing with Do the Beach Franchised Businesses under a license or franchise from one of our competitors or otherwise.
l. Franchisor approval of transfer by franchisee	§10.2	Our written approval is required for transfer to a third party.

<b>Provision</b>	<b>Section in Agreement<sup>(1)</sup></b>	<b>Summary</b>
m. Conditions for franchisor approval of transfer	§§10.2, 10.3	<p>We will only approve a transfer to a third party if the proposed transferee is acceptable to us, you are not in default of your ADA or other agreement with us, you have paid all amounts due to us and your trade creditors, you sign a general release, you pay a transfer fee of \$5,000, the transferee assumes all your rights and obligations under your ADA.</p> <p>If the franchisee is an individual, you can transfer to a corporation, limited liability company or other entity if you own 50% of the equity and voting rights.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	§10.4	We have a right of first refusal for 30 days to acquire your business if you get a bona fide written offer from a third party.
o. Franchisor's option to purchase franchisee's business	Not Applicable	
p. Death or disability of franchisee	§10.5	On your death or incapacity (or on the death or incapacity of a principal Owner if you are an entity), your heirs or personal representatives can transfer your rights to a third party acceptable to us within 9 months of your death or incapacity.
q. Non-competition covenants during the term of the franchise	§§9.1, 9.3, 9.4	Neither you or your Owners (if you are an entity) can own or be involved in a Competitive Business that offers entertainment options and activities of the kind that Franchised Businesses may offer under the System. You and your Owners can own up to 5% of the outstanding voting securities in a publicly traded company, even if it is involved in a Competitive Business.



Provision	Section in Agreement <sup>(1)</sup>	Summary
r. Non-competition covenants after the franchise is terminated or expires	§§9.2, 9.3, 9.4	For 2 years after transfer, termination or expiration you and your owners (if an entity) cannot own or be involved in a Competitive Business within your ADA Development Area, or within the Protected Area of any other System location. You will also not solicit business from customers of the Franchised Business, from national accounts. The 2 year period is tolled if you are in breach of the covenant.
s. Modification of the agreement	§14.19	Modifications must be signed by both parties.
t. Integration/merger clause	§14.18	Only the terms of the ADA are binding (subject to state law). Any representations or promises outside the disclosure document and ADA may not be enforceable.
u. Dispute resolution by arbitration or mediation	§13.2	If a dispute cannot be resolved through negotiations between your CEO or president and our management, the dispute will be referred to mediation. The mediation will take place in the county and state where we have our principal place of business, using a mediator agreed upon between us. See State Addenda.
v. Choice of forum	§13.4.1	Subject to applicable state law litigation must be in any state court of general jurisdiction in the county or state, or in the U.S. District Court for the district, in which we have our principal place of business. You will submit to the jurisdiction of those courts. See State Addenda.
w. Choice of law	§14.11	Subject to applicable state law, Texas law applies. See State Addenda.

There are state specific addenda attached as **Exhibits C, E and G** for the states of California, Hawaii, Illinois, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia and Washington, and a Multi-State Addendum California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin. The Michigan Addendum is attached following the state cover page.

## **Item 18**

### **PUBLIC FIGURES**

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

## **Item 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Robin Whincup at 7431 Sawyer Circle, Port Charlotte, Florida 33981 and 941-456-9599, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1

Systemwide Outlet Summary  
For Years 2022 to 2024<sup>(1)</sup>

Column 1  Outlet Type	Column 2  Year	Column 3  Outlets at the Start of the Year	Column 4  Outlets at the End of the Year	Column 5  Net Change
Franchised	2022	0	0	+/-0
	2023	0	0	+/-0
	2024	0	0	+/-0
Company- Owned	2022	0	0	+/-0
	2023	0	0	+/-0
	2024	0	0	+/-0
Total Outlets	2022	0	0	+/-0
	2023	0	0	+/-0
	2024	0	0	+/-0

(1) We only started offering franchises as of November 8, 2023.

Table 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2022 to 2024

Column 1  State	Column 2  Year	Column 3  Number of Transfers
Total	2022	0
	2023	0
	2024	0

**Table 3**

**Status of Franchised Outlets  
For Years 2022 to 2024<sup>(1)</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>	<b>Column 9</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations- Other Reasons</b>	<b>Outlets at End of the Year</b>
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

(1) We only started offering franchises as of November 8, 2023.

**Table 4**

**Status of Company-Owned Outlets  
For Years 2022 to 2024**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>	<b>Column 7</b>	<b>Column 8</b>
<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of the Year</b>
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table 5**

**Projected Openings As Of December 31, 2024**

<b>State</b>	<b>Franchise Agreement Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Project New Company - Owned Outlets In the Next Fiscal Year</b>
Florida	0	0	1
Massachusetts	1	0	0
<b>Total:</b>	<b>1</b>	<b>0</b>	<b>1</b>

Attached as **Exhibit I** is a list of the names of all franchisees and their addresses and telephone number of all their outlets as of the issuance date of this FDD.

Attached as **Exhibit J** is a list of the name, city and state and current business telephone number or last known home telephone of every franchisee who, in our most recent full fiscal year end; had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily closed to do business under the Franchise Agreement; or has not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**Confidentiality Clauses**

We don't have any franchisees who have signed confidentiality agreements prohibiting them from discussing their personal experiences with the franchise system.

**Franchisee Associations**

There is no trademark-specific franchise organization.

**Item 21**

**FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as **Exhibit K**, Part I are our audited balance sheets of as of December 31, 2024 and 2023 and the related statements of income and changes in members' capital and cash flows for the year ending December 31, 2024 and 2023 (from August 18, 2023 (inception)). If required by state law, unaudited financial statements of a more recent date are attached as Exhibit K, Part II The franchisor's fiscal year ends on December 31st. The franchisor has not been in business for three years or more and cannot include all the financial statements required by the Rule for its last three fiscal years.

## ITEM 22

### CONTRACTS

The following agreements are attached to this Franchise Disclosure Document:

- (a) Franchise Agreement - **Exhibit D**
- (b) State specific Amendments to Franchise Agreement for franchisees in Illinois, Maryland, Minnesota, New York, North Dakota and Washington - **Exhibit E**
- (c) Area Development Agreement - **Exhibit F**
- (d) State specific Amendments to Area Development Agreement for franchisees in Illinois, Maryland, Minnesota, New York, North Dakota and Washington – **Exhibit G**
- (e) Confidentiality Agreement (to view Operating Manual) – **Exhibit H**
- (f) Confidentiality Agreement **Exhibit L**
- (g) General Release - **Exhibit M**

## ITEM 23

### RECEIPTS

The last 2 pages of this Disclosure Document are receipt pages (**Exhibit N**). Please date and sign both copies immediately upon receipt. Detach the last page and return to us promptly upon execution. Retain the other copy of the receipt page for your records.

**EXHIBIT A**  
**LIST OF STATE ADMINISTRATORS**

## **State Administrators**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws.

### **California**

Department of Financial Protection and  
Innovation  
State of California  
320 West 4<sup>th</sup> Street  
Suite 750  
Los Angeles, California 90013  
(213) 576-7500  
(866) 275-2677

### **Hawaii**

Hawaii Commissioner of Securities  
State of Hawaii Dept Commerce &  
Consumer Affairs  
Business Registration Division – Securities  
Compliance Branch 335 Merchant Street  
Room 203  
Honolulu, Hawaii 96813

### **Illinois**

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

### **Indiana**

Franchise Section  
Indiana Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

### **Maryland**

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

### **Michigan**

Franchise Unit  
State of Michigan  
Department of Attorney General  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, MI 48909  
(517) 373-7117

### **Minnesota**

Minnesota Department of Commerce  
Franchise Section  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

### **New York**

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



### **North Dakota**

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

### **Virginia**

State Corporation Commission  
Division of Securities & Retail Franchising  
Commonwealth of Virginia  
1300 E. Main Street, Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

### **Oregon**

Department of Consumer and Business  
Services  
Division of Finance and Corporate Securities  
State of Oregon  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4140

### **Washington**

Department of Financial Institutions  
Securities Division  
State of Washington  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8738

### **Rhode Island**

Division of Securities  
State of Rhode Island  
233 Richmond Street, Suite 232  
Providence, Rhode Island 02903  
(401) 222-3048

### **Wisconsin**

Division of Securities  
Department of Financial Institutions  
Wisconsin Commissioner of Securities  
P.O. Box 1768  
Madison, Wisconsin 53701-1768  
(608) 266-8559

### **South Dakota**

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

**EXHIBIT B**  
**AGENTS FOR SERVICE OF PROCESS**

**AGENTS AUTHORIZED TO  
RECEIVE SERVICE OF PROCESS, BY STATE**

**California**

Commissioner of Financial Protection and  
Innovation  
Department of Financial Protection and  
Innovation  
State of California  
Suite 750  
320 West 4th Street  
Los Angeles, CA 90013-2344

**Hawaii**

Hawaii Commissioner of Securities  
State of Hawaii Dept Commerce &  
Consumer Affairs  
Business Registration Division – Securities  
Compliance Branch 335 Merchant Street  
Room 203  
Honolulu, Hawaii 96813

**Illinois**

Office of Attorney General  
State of Illinois  
500 South Second Street  
Springfield, IL 62706

**Indiana**

Secretary of State  
State of Indiana  
201 State House  
200 W. Washington St.  
Indianapolis, IN 46204

**Maryland**

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

**Michigan**

Michigan Department of Commerce  
Corporation & Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48909

**Minnesota**

Commissioner of Commerce  
Minnesota Department of Commerce  
Franchise Section  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101-2198

**New York**

Secretary of State  
State of New York  
41 State Street  
Albany, NY 12231

**North Dakota**

Securities Commissioner  
State of North Dakota  
5<sup>th</sup> Floor  
600 East Boulevard Ave.  
Bismarck, ND 58505-0510

**Oregon**

Department of Consumer and Business  
Services  
Division of Finance and Corporate Securities  
State of Oregon  
350 Winter Street, N.E., Room 21  
Portland, OR 97310

**Rhode Island**

Director of Business Regulation  
Department of Business Regulation  
Division of Securities  
State of Rhode Island  
233 Richmond Street, Suite 232  
Providence, RI 02903

**South Dakota**

Franchise Administration  
Division of Securities  
Department of Revenue and Regulation  
State of South Dakota  
118 West Capitol Avenue  
Pierre, SD 57501-2000

**Virginia**

Clerk of the State Corporation Commission  
Commonwealth of Virginia  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

**Washington**

Director of Financial Institutions  
Securities Division  
State of Washington  
150 Israel Rd., S.W.  
Olympia, WA 98501

**Wisconsin**

Commissioner of Securities  
Wisconsin Securities Commission  
345 W. Washington Ave., 4th Floor  
Madison, WI 53703

**EXHIBIT C**  
**STATE ADDENDA TO FDD**

**MULTI-STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)**

This Addendum pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. For franchises sold in such states, this franchise disclosure document is amended by adding the following section at the end of Item 9:

"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."

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE CALIFORNIA FRANCHISE INVESTMENT LAW**

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, and endorsement by the commissioner.

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.**

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of a franchise. This provision may not be enforceable under California law.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Neither the Franchisor nor any person listed in Item 2 of this franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

Section 19.5 of the Franchise Agreement limits the statute of limitations to the earlier of (i) one year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) two years after the date of the first act or omission giving rise to such alleged liability or obligation. This provision is void to the extent it is inconsistent with the provisions of Corporations Code 31303- 31304. Corporations Code Section 31512 provides that "Any condition, stipulation or

provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order is void.”

OUR WEBSITE IS [WWW.DOTHEBEACH.COM](http://WWW.DOTHEBEACH.COM). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable.

- a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- d) Violations of any provision of this division.



**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE HAWAII FRANCHISE INVESTMENT LAW**

**THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

No release language set forth in the Franchise Agreement shall relieve the franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

## **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Illinois:

1. Illinois law governs the Franchise Agreement and Multi-Unit Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates 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.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. 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

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW**

1. Item 17.c (“Requirements for franchisee to renew or extend”) and Item 17.m (“Conditions for franchisor approval of transfer”) of the Franchise Disclosure Document are amended to provide that “The requirement that you provide a general release of all claims against us in order to renew or transfer your franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

2. Item 17.g (“Cause defined – curable defaults”) of the Franchise Disclosure Document is amended to provide that “Termination upon filing of a bankruptcy petition against you or any shareholder may not be enforceable under federal bankruptcy law.”

3. Item 17.v (“Choice of forum”) in the Franchise Disclosure Document is amended to provide that “Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

4. Nothing in the Franchise Disclosure Document or in the Franchise Agreement, or the Receipt of Franchise Related Documents is intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Act.

5. Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Item 17.t (“Integration/merger clause”), summary column, is amended by deleting the last sentence and substituting the following:

“However, nothing in the Franchise Agreement or any related agreement is intended to disclaim, or require you to waive reliance on, any representations we made in the Franchise Disclosure Documents or its exhibits that we furnished to you.”

## **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MINNESOTA FRANCHISE INVESTMENT LAW**

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document and/or Franchise Agreement, as applicable, the following provisions shall supersede and apply to all franchises offered and sold in the State of Minnesota:

1. The Minnesota cover page is amended to add the following statements:

**“THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE LICENSE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.”**

2. The following language is added to Item 13 of the Franchise Disclosure Document and Section 11 of the Franchise Agreement:

“The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee’s use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

3. Item 17 of the Franchise Disclosure Document and Section 14.1D of the Franchise Agreement are amended as follows:

“With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.”

4. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.

5. Item 17 of the Franchise Disclosure Document is amended to add the following and the following language will appear at the end of Section 19.4A of any Franchise Agreement issued in the State of Minnesota:

“Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction.”

6. Minn. Rule 2860.4400J prohibits waiver of a jury trial. Accordingly, Item 17 of the Franchise Disclosure Document and Section 19.4B of the Franchise Agreement are amended as follows:

“Nothing contained herein shall limited Franchisee’s right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J.”

7. Item 17 of the Franchise Disclosure Document and Section 19.4A of the Franchise Agreement are amended as follows:

“Nothing contained herein shall limited Franchisee’s right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4407J.”

8. These states have statutes which limit the franchisor’s ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan Compiled Laws Section 445.771 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor’s ability to restrict your activity after the Franchise Agreement has ended.

9. A provision in the Franchise Agreement which terminates the franchise upon bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

10. Franchisor will protect the Franchisee's right granted hereby to use the Marks or will indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the Marks.

11. Section 19.5 of the Franchise Agreement is amended by adding the following:

"Any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, subd. 5."

12. The Remarks column of the "Insufficient Funds" row of Item 6 is amended to add the following language:

"Minnesota Statute 604.113 caps the insufficient fee charge at \$30."

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE NEW YORK FRANCHISE LAW**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities

association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the nonwaiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.



## **FRANCHISOR REPRESENTATION**

**THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF MATERIAL FACT.**

## **ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE NORTH DAKOTA FRANCHISE LAW**

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.
- b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.
- d. If the Agreement requires that it be governed by a state's law, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.
- e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law
- g. If the Agreement requires consent to a waiver of trial by jury, such provision may be unenforceable under the North Dakota Franchise Investment Law.
- h. If the Agreement requires consent to a waiver of exemplary and punitive damages, such provision may be unenforceable under the North Dakota Franchise Investment Law.

- i. If the Agreement requires consent to a limitation of claims within one year, such provision may be unenforceable under the North Dakota Franchise Investment Law.
- j. North Dakota prohibits a provision that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the Franchise Agreement. Accordingly, Section 19.7 of the Franchise Agreement is amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE RHODE ISLAND FRANCHISE DISCLOSURE ACT**

Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO  
THE VIRGINIA RETAIL FRANCHISE ACT**

The following paragraph is added at the end of Item 17:

Virginia has a statute which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: Virginia [Code 13.1-557 to 574]. Under §13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause.

## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT and ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.



**EXHIBIT D**

**FRANCHISEE AGREEMENT, INCLUDING OWNER'S GUARANTY**



**Do The Beach Franchising, LLC**

**DO THE BEACH  
FRANCHISE AGREEMENT**

Location # \_\_\_\_\_

**FRANCHISE AGREEMENT  
SUMMARY PAGES**

**EFFECTIVE DATE:** \_\_\_\_\_

**FRANCHISEE(S):** \_\_\_\_\_

**ADDRESS FOR NOTICES:** \_\_\_\_\_

\_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**FRANCHISE LOCATION:** \_\_\_\_\_

**INITIAL FRANCHISE FEE:** \$ \_\_\_\_\_

**BRAND DEVELOPMENT FUND CONTRIBUTION:** Currently, 0% of Gross Revenue. Amount is subject to change, but not to exceed 2% of Gross Revenue.

**GRAND OPENING ADVERTISING PROMOTION SPEND:** \$ \_\_\_\_\_

**ROYALTY FEE:** 7% of Gross Revenue

**TRANSFER FEE:** \$1,500 (From individual Franchisee to an entity)  
50% of initial franchise fee of then current franchise agreement on Change of Control.

**SCHEDULED EXPIRATION DATE:** \_\_\_\_\_

**FRANCHISOR'S ADDRESS FOR NOTICE:** Do The Beach Franchising, LLC  
7431 Sawyer Circle  
Port Charlotte, Florida 33981  
ATTN: President

\_\_\_\_\_  
Franchisor Initial

\_\_\_\_\_  
Franchisee Initial

**Do The Beach Franchising, LLC**

**FRANCHISE AGREEMENT**

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## Exhibits

- A Approved Location
- B Owners of Franchisee
- C Protected Territory Map
- D Site To Be Determined Addendum (if applicable)
- E Authorization Agreement for Prearranged Payments (Direct Debits)
- F Confidentiality Agreement
- G Covenant Agreement
- H Addendum to Lease
- I State Addenda (if applicable)

**Do The Beach Franchising, LLC  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into at Port Charlotte, Florida on \_\_\_\_\_, 202\_\_\_\_ ("Effective Date"), by and between Do The Beach Franchising, LLC, a Florida limited liability company (hereinafter referred to as "**Franchisor**"), and \_\_\_\_\_ (hereinafter referred to as "**Franchisee**"), whose principal business address is \_\_\_\_\_.

**Recitals**

A. Franchisor has developed and owns a concept and distinctive system for the design, decor, establishment, operation, and image of beach-themed inflatable adventure parks under the Proprietary Marks utilizing certain Trade Secrets.

B. Franchisee desires to establish and operate a Do The Beach™ franchised business ("**Franchised Business**") under the System and wishes to obtain a franchise license from Franchisor for that purpose.

C. Franchisee recognizes the benefits to be derived from being identified with and franchised to use the System and Franchisee understands and acknowledges the importance of operating the business franchised hereunder in strict conformity with Franchisor's standards and specifications in order to enhance public acceptance of, and demand for, all System Locations.

D. Franchisor is relying upon the business skill, financial capacity, and character of Franchisee and its principals, and the guarantee of Franchisee's obligations by its principals, if applicable, as attached to this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing and of the promises contained herein, the parties agree as follows:

**Article 1. Acknowledgments and Representations.**

1.1 Franchisee acknowledges and represents to Franchisor, in order to induce Franchisor to enter this Agreement, as follows:

A. Franchisee has read this Agreement and Franchisor's franchise disclosure document and understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's standards of quality and service and the uniformity of those standards at each System Location in order to protect and preserve the goodwill of the Proprietary Marks.

B. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the nature of the business conducted by Franchisor may evolve and change over time; that an investment in a Do The Beach™ Location involves business risks which have been considered by Franchisee; and that the success of the venture depends primarily upon Franchisee's business ability and efforts.

C. Franchisee has not received or relied upon any guarantee, expressed or implied, about the revenues, profits, or success of the business venture contemplated by this Agreement.

D. No representations have been made by Franchisor, its affiliates, or by their respective members, managers, officers, employees, directors, and/or agents, and Franchisee has not relied on any representations that are contrary to or not contained in the terms contained in this Agreement.

E. In all of their dealings with Franchisee, the members, managers, officers, employees, directors, and/or agents of Franchisor act only in a representative capacity, not in an individual capacity, and that this Agreement and all business dealings between Franchisee and such individuals as a result of this Agreement are solely between Franchisee and Franchisor.

F. All information contained in the application made by Franchisee to Franchisor is true, correct, and complete. Franchisee has made no incorrect statement in the application or failed to make any statement that would be necessary to make the statements in the application not misleading.

1.2 The definitions applicable throughout this Agreement are set forth below:

A. **“Affiliate”** means with respect to a person (including any legal person), (i) a person (including any legal person) that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person; and (ii) any parent, spouse, lineal descendant or adopted child of such person, any spouse or adopted child of any such descendant or any child of such spouse, the executors, administrators, conservators or personal representatives of any such person or any person referred to in this clause (ii) and any person which, directly or indirectly, is owned or controlled by one or more of the persons referred to in this clause (ii).

B. **“Agreement”** has the meaning set forth in the introductory paragraph hereof.

C. **“Alternative Products & Services”** has the meaning set forth in Article 8.1.D.

D. **“Alternative Suppliers”** has the meaning set forth in Article 8.1.D.

E. **“Approved Location”** means the street address set forth on **Exhibit A** hereto.

F. **“Approved Products & Services”** has the meaning set forth in Article 8.1.C.

G. **“Approved Suppliers”** has the meaning set forth in Article 8.1.C.

H. **“Brand Development Fund”** means the Brand Development Fund provided for in Article 9.5.

I. **“Brand Development Fund Fee”** means the contribution to the Brand Development Fund set forth in Article 4.1.C.

J. **“Change in Control”** means (i) the acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or affiliated group of the beneficial ownership of an ownership interest in Franchisee representing 50% or more of the equity interest

in the Franchisee, (ii) any merger or consolidation of Franchisee other than a merger or consolidation where fifty one percent (51%) or more of the total combined voting power of all outstanding ownership interest of the surviving entity or the acquiring entity, as the case may be, shall be received by and/or held immediately after the consummation of such transaction by one or more holders of the outstanding ownership interest of Franchisee, immediately prior to such transaction, (iii) the sale, transfer, license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of Franchisee to which this Agreement relates or (iv) any agreement or other arrangement whereby any person or affiliated group other than the holders of the outstanding ownership interest in Franchisee immediately prior to such arrangement obtains control of management or day to day decisions of the Franchised Business..

K. **“Commencement of Construction,” “Commence Construction,” or “Construction Commencement”** means the date that the construction of the Location begins at the Approved Location.

L. **“Competing Business”** means any family entertainment center, trampoline parks, and other companies offering similar services.

M. **“Construction Completion”** has the meaning set forth in Article 5.5.

N. **“Controlling Interest”** means more than 50% of the voting interest in an entity, or such other ownership or voting interest that allows the holder thereof to control significant decisions in such entity.

O. **“Dispute” or “Disputes”** has the meaning set forth in Article 19.1.

P. **“FF&E”** means furniture, fixtures and equipment, attraction equipment, enhanced lighting, furnishings, telephone system, computer systems, reservation system, signs, supplies and other items used in the operation of the Location.

Q. **“Franchised Business”** means the Do The Beach™ Location franchised to, developed and operated by Franchisee under this Agreement.

R. **“Franchisee”** has the meaning set forth in the introductory paragraph of this Agreement.

S. **“Franchised Interests”** has the meaning set forth in Article 13.2.

T. **“Franchisor”** means Do The Beach Franchising, LLC, a Florida limited liability company.

U. **“Gross Revenue”** means revenues attributable to or derived from the operation of the Franchised Business, including, but not limited to, from the sale of all food, beverages, products, merchandise, promotional items, and services related to the Franchised Business, from participation in games and other entertainment offered by the Franchised Business (regardless of whether such food, beverages, games, entertainment, services, or products are partaken in at the Location or elsewhere), and all other income of every kind and nature related to the Franchised Business including, without limitation, catering income, income from gift and loyalty programs, and the proceeds of business interruption insurance, whether for cash, credit, barter, or otherwise, and regardless of collection in the case of credit, less any sales taxes or other taxes collected from your customers for transmittal to the appropriate taxing



authority, and authorized discounts. Income from the sale of gift cards is excluded from Gross Revenue, but the redemption of gift cards is included, however Franchisor reserves the right to change the method of accounting and collection for gift cards and gift certificates upon six (6) months' notice to Franchisee. Gross Revenue shall be accounted for in accordance with the accounting procedures set forth in the Manual from time to time.

V. **"Incapacitated" or "Incapacity"** means, in the reasonable opinion of Franchisor, the inability of Franchisee, or its majority owner if an entity, to operate the Franchised Business in the ordinary course of business for 30 days or more in any consecutive 90-day period.

W. **"Indemnitees"** means collectively Franchisor and its members, shareholders, other equity owners, its affiliated companies, and each of their respective owners, managers, agents, representatives, officers, directors, employees, partners, and other Affiliates.

X. **"Initial Franchise Fee"** means the fee due upon execution and delivery of this Agreement as provided in Article 4.

Y. **"IP Owner"** means Winx Innovations, LLC.

Z. **"Location"** means the Do The Beach™ Location operated by Franchisee under this Agreement. The Location comprises all structures, facilities, appurtenances, FF&E, and entry, exit, parking and other areas located on, or that are part of, the site of the Approved Location, as well as all real property rights thereto.

AA. **"Liquidated Damages"** means the damages to be paid by Franchisee pursuant to Article 15.2 for premature termination of this Agreement.

BB. **"Manual"** means, collectively, the Operations Manual and other System standards, manuals, drawings, and directions (whether in written, machine readable, electronic, or any other form), as they may be modified, amended or supplemented by Franchisor in its sole discretion, setting out the standards, methods, procedures, techniques and specifications of the System.

CC. **"Online Presence"** means the Website, other websites, social media accounts, blogs, vlogs, mobile applications, or other media or online presence (in any form and in any medium now existing or later developed), including any individual franchisee online presence as permitted or required by Franchisor. Franchisor will determine the content and use of its Online Presence including establishing any rules and guidelines under which the Franchisee will participate in such Online Presence, which may be modified by Franchisor from time to time.

DD. **"Opening"** means the date on which the Location first opens for business.

EE. **"Operations Data"** has the meaning set forth in Article 10.6.

FF. **"Owner" or "Owners"** means any direct or indirect member, shareholder, general or limited partner, trustee, or other equity owner of Franchisee.

GG. **"Payment" or "Payments"** has the meaning set forth in Article 4.2.

HH. **"Principal Owner"** means such individual Owner, or the individual who is the authorized representative of an entity Owner, who is identified on **Exhibit B**.

II. **“Products” or “Product”** means any product authorized to be offered and sold through the Franchised Business.

JJ. **“Proprietary Marks”** means the name “Do The Beach™” and such names and any other trade names, service marks, trademarks, logos, emblems, trade dress, or other indication of origin as are now or hereafter designated by Franchisor as part of the System.

KK. **“Protected Territory(s)”** means the specific territory or territories franchised to the Franchisee.

LL. **“Quality Audit Fee”** has the meaning set forth in Article 8.3.

MM. **“Royalty Fee”** means the continuing royalty fee set forth in Article 4.1.B.

NN. **“Services” or “Service”** means any service authorized to be offered and sold through the Franchised Business.

OO. **“System”** means the method of operating a Do The Beach™ entertainment business, including, but not limited to its distinctive entertainment facilities, including inflatable adventure park attractions, its food and beverage options, supplies, and equipment according to special and confidential recipes and formulas, its design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; and advertising, direct sales, and promotional programs developed by Franchisor for the operation of a Do The Beach™ Location under the Proprietary Marks utilizing the Trade Secrets. Franchisor may add, change, modify, withdraw, or otherwise revise any element of the System in its sole discretion.

PP. **“Systems Operations Data”** has the meaning set forth in Article 10.6.

QQ. **“System Locations”** means all Do The Beach™ Locations.

RR. **“Trade Secrets”** means confidential and proprietary information, including, without limitation, (i) recipes, ingredients, proprietary products and services, formulas, customer and supplier lists, product specifications, (ii) methods of service and operations at System Locations, (iii) knowledge of sales and profit performance at any one or more System Locations, (iv) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (v) sources of suppliers of products, services, ingredients, and equipment, (vi) advertising, promotion, and marketing techniques, (vii) methods and information regarding the selection and training of managers and other employees for Franchised Businesses; and (viii) the Manual.

SS. **“Transfer by Franchisee”** means the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee or the Location; (iii) any Change of Control resulting from a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee’s death or the

death of one of its owners with a Controlling Interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a Controlling Interest is a trust, any change in the trustees or the beneficial owners of the trust; or (viii) a pledge, hypothecation, or encumbrance of any Franchised Interest intended as security for an obligation.

TT. **“Website”** means the Franchisor home pages and any other internet and web pages or sites established by Franchisor, including any individual franchisee webpages on such Website permitted or required by Franchisor, and any Online Presence established by Franchisor or its Affiliates for the sale of Products. Such Website(s) may also offer reservations, online and mobile ordering, mobile payments or similar services or sales of items bearing the Proprietary Marks.

## **Article 2. Grant of Franchise License.**

2.1 **Grant.** Subject to the terms and conditions of this Agreement, and to the continuous compliance by Franchisee with the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee the nonexclusive right, and Franchisee undertakes the obligation, to operate a Do The Beach™ Franchised Business in accordance with Franchisor’s standards and specifications, including the operational standards, procedures and techniques as prescribed in the Manual, and to use the System (as it may be changed, improved, and further developed by Franchisor) and the Proprietary Marks in connection therewith.

2.2 **Approved Location.** Franchisee shall operate the Franchised Business at, and only at, the Approved Location specified on **Exhibit A**. If Franchisee’s site application has not been approved at the time of this Agreement, **Exhibit A** shall be automatically amended to list the Approved Location upon the unconditional approval of the site application by Franchisor. Franchisee agrees that Franchisor and Franchisor’s owners and the subsidiaries and Affiliates, and owners of Franchisor, are not restricted from using the System or engaging in or licensing any business activity including System Locations or other family entertainment centers at any other location, except as otherwise set forth in Article 2.

A. **Protected Territory.** During the term of this Agreement, Franchisor will not, without Franchisee’s consent, and provided Franchisee is in full compliance with the terms and conditions of this Agreement, operate itself or through an Affiliate or grant a license or franchise to, or otherwise authorize, any other person or entity to establish a Location using the System within Franchisee’s Protected Territory as set forth in **Exhibit C**, attached hereto, except for in Captive Locations. “Captive Locations” include hotels and resorts (where the System Location is enclosed within the confines of a hotel or resort structure); federal, state, or local government facilities (including military bases); theme and amusement parks; colleges and other academic facilities; shopping malls; casinos; and sporting event arenas and centers. If Franchisee is not in compliance with the terms and conditions of this Agreement, Franchisor shall be free to operate, directly or indirectly, or to authorize or license another person or entity to operate, additional System Locations within the Protected Territory. The territorial protection granted in this Section only applies to the establishment of a Location in the Protected Territory and it does not prevent Franchisor, its Affiliates, or other franchisees from soliciting customers residing in the Protected Territory, or marketing in the Protected Territory. Likewise, Franchisee may solicit customers residing outside the Protected Territory, and market outside the Protected Territory, even if such territory is within the “Protected Territory” of another franchisee.

**2.3 Product and Services Sales.** Franchisee may offer and sell Products only: (a) from the Location; (b) in accordance with the requirements of this Agreement and the procedures set forth in the Manual; and (c) to retail customers for personal consumption at the Location's premises or carry-out consumption, and if expressly permitted, for delivery or catering services. Franchisee agrees not to offer or sell Products through any means other than those provided above, for example, Franchisee agrees not to offer or sell Products from satellite locations, temporary locations, carts or kiosks, by use of catalogs, any Online Presence, or through any other digital format or print media, without Franchisor's prior written approval. Franchisee agrees not to sell Products to retail establishments for re-sale without Franchisor's prior written consent.

**2.4 Delivery and Catering.** As of the Effective Date, delivery and catering activities from the Franchised Business are not permitted, whether directly by Franchisee, or through any third party delivery service or similar business. If, and when, permitted, Franchisee agrees to conduct all delivery activities in accordance with the procedures that Franchisor may specify in the Manual or otherwise in writing, and the revenue from those orders will be considered to be part of the Franchised Business' Gross Revenue. Among other things, Franchisee agrees not to engage in catering or delivery services outside of such delivery area as Franchisor may assign to Franchisee.

**2.5 Franchisor's Reserved Rights.** Except as otherwise expressly provided in this Agreement, Franchisor and all of its Affiliates (and its and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of its and their rights with respect to the Proprietary Marks and the System anywhere in the world, and the right to engage in any business whatsoever, including the right to:

- A. operate, and grant to others the right to operate Franchised Businesses outside the Protected Territory at such locations and on such terms and conditions as we deem appropriate;
- B. operate and grant others the right to operate other businesses, including entertainment centers, under different trademarks and service marks than the Proprietary Marks;
- C. develop, merchandise, offer, sell, and license others to sell products or services under the Proprietary Marks through other channels and methods of distribution including wholesale, retail stores, grocery stores, online, print catalogues, direct marketing media and any other outlets, and promote and sell products bearing the Marks at special events, athletic contests, through temporary locations and mobile units;
- D. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with Do The Beach™ locations located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions; and
- E. sell itself, its assets, the Proprietary Marks, its systems and/or the System to a third party; may go public; may engage in a private placement of some or all of their securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a

refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

**2.6 No Claims for Changes.** With regard to any of the above transactions identified in Article 2.6, Franchisee and its owners expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Marks (or any variation thereof), the System and/or the loss of being identified as a franchisee under this Agreement. If Franchisor assigns its rights in this Agreement, nothing will be deemed to require Franchisor to remain in the family entertainment business or to offer or sell any products or services to Franchisee.

**2.7 Replacement Site.** Should the approved location not be acquired by Franchisee, Franchisee may submit a replacement site application and pay a non-refundable fee of \$5,000 to Franchisor to cover the costs and expenses associated with the review of the alternative proposed site, including, but not limited to, travel expenses to and from such site. Franchisee will have no more than 60 days from the date that Franchisee first communicated to Franchisor its intention to abandon development of the previously approved site to submit a replacement site application. Failure to do so may result in a termination of this Agreement and/or loss of Franchisee's right to develop a Location in the Protected Territory identified in **Exhibit C** hereto. Franchisor shall have 60 days after receipt of the replacement site application and all other such information and materials required by Franchisor to approve or disapprove the replacement site application for any reason. If a replacement site application is submitted, it will be subject to the same terms and conditions stated above and will be approved or disapproved under the same terms and conditions described above. Franchisor shall have no obligation to consider more than 2 site applications under this Agreement.

**2.8 Relocation.** Franchisee may relocate the Franchised Business only with Franchisor's prior written consent. Franchisor will grant its consent if Franchisee's lease expires or terminates through no fault of Franchisee, or if the Location is destroyed or materially damaged by fire, flood, or other natural catastrophe (an **"Innocent Loss or Casualty"**) and Franchisee is not in default under this Agreement or any other agreement between Franchisee and Franchisor. The new Location must be open for business at the new location within one hundred eighty (180) days of closing at the previous location. The selection of the new location, its construction, and opening is subject to the same provisions of this Agreement as the site selection, construction, and opening of Franchisee's original location. Franchisee is solely responsible for all relocation costs and expenses and shall pay Franchisor a fee equal to fifty percent (50%) of the then current initial franchise fee to reimburse Franchisor for its reasonable attorneys' fees and other relocation-related costs and expenses.

### **Article 3. Term.**

**3.1 Initial Term.** Unless sooner terminated or modified as hereinafter provided, the term of this Agreement shall be 10 years from the Effective Date and this Agreement (the **"Term"**), and the Term will expire without notice on such date.

**3.2 Successor Agreement.** Franchisee may be granted successor franchise rights for two (2) consecutive five-year terms if, at the end of each term, each of the following conditions has been satisfied:

A. Franchisee has notified Franchisor of its intent to renew the franchise at least twelve (12) months (but no more than twenty-four (24) months) before the then-current term expires;

B. Franchisee is not in default of any material provision of this Agreement or any successor franchise agreement (as applicable), and Franchisee has complied with the material terms and conditions of this Agreement or any successor franchise agreement (as applicable) throughout the term;

C. all amounts owed to Franchisor and its Affiliates and third party suppliers have been paid;

D. Franchisee and all its employees are in compliance with Franchisor's then current training requirements;

E. the Location has been renovated and refurbished so that it reflects Franchisor's then-current image, trade dress, equipment, and furnishings standards;

F. Franchisee has the right to remain in possession of the Location premises, or has secured substitute premises that Franchisor has approved;

G. Franchisee is able to maintain all licenses and permits necessary to continue operation of the Franchised Business at the Location;

H. Franchisee executes Franchisor's then current form of franchise agreement for successor franchises;

I. Franchisee pays a successor agreement fee of the then current successor agreement; and

J. Franchisee and each person who has guaranteed Franchisee's obligations under this Agreement signs a general release in a form Franchisor prescribes.

**3.3 Hold-Over.** If Franchisee continues to operate the Franchised Business with Franchisor's express or implied consent following the expiration of the term of this Agreement, the continuation will be deemed to be a month-to-month extension of this Agreement, unless otherwise set forth in writing. All provisions of this Agreement will apply while Franchisee continues to operate the Franchised Business, and any guaranty entered into of Franchisor's obligations hereunder will remain in effect. This Agreement will then be terminable by either party on 30 days' written notice to the other party, or such longer notice period as required by applicable law. For the avoidance of doubt, this provision does not apply in the case of your continued operation of the Franchised Business after the Agreement has been terminated.

#### **Article 4. Fees and Royalties.**

4.1 In consideration of the rights and license granted herein, Franchisee shall pay to Franchisor each of the following:

A. **Initial Fee.** Upon the execution and delivery of this Agreement by Franchisee, Franchisee shall pay an Initial Franchise Fee of \$40,000. Franchisee acknowledges and agrees that such Initial Franchise Fee has been fully earned and is nonrefundable in

consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Franchisee.

B. **Royalty Fee.** A continuing Royalty Fee equal to 7% of Franchisee's Gross Revenue. If, due to federal, state or local laws, Franchisor is prohibited from receiving percentage royalty based on alcoholic beverage sales, gambling device revenues or other similar percentage payouts, Franchisee shall pay Franchisor a Royalty Fee on all Gross Revenue except these alcoholic beverage sales, gambling device and/or other revenues in the same dollar amount as would have been paid if Franchisee paid the specified Royalty Fee percentage on all Gross Revenue.

C. **Brand Development Fee.** A Brand Development Fund Fee contribution to the Brand Development Fund of up to 2.0% of Franchisee's Gross Revenue ("**Brand Development Fund Fee**"). In lieu of charging Franchisee a Brand Development Fund Fee, and independent of whether a Brand Development Fund has been established, Franchisor may, at its option, charge Franchisee a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System.

D. **Technology Fund Fee.** A fee to help develop, adapt, implement, administer and maintain some or all of the security, computer, and technology systems, products, and services that are to be provided by Franchisor, its Affiliate, or any third party to Franchisee ("**Technology Fee**"). The Technology Fund Fee of up to \$200/month, provided that upon 30 days' notice Franchisor has the right to increase the Technology Fee by such an amount to reflect increases in the costs of providing the technology services provided, whether due to a change in scope of technology services provided, or the cost of providing existing services. As of the Effective Date, the Technology Fund Fee is \$100/month.

E. **Other Fees.** Such other fees that are set forth in other sections of this Agreement or otherwise imposed. Such fees shall be due as set forth in Section 4.2 of this Agreement, unless different payment terms are expressly stated for such fees at the time they are imposed or thereafter.

F. **Periodic Increase of Fixed Fees.** Notwithstanding anything to the contrary herein, any fee in this Agreement that is set forth as a fixed dollar amount may be adjusted by Franchisor by up to 10% annually to adjust for inflation, the scope of services provided in exchange for the fee, and other cost increases. The annual increase is cumulative, and if Franchisor does not increase a fee in any year, or does not increase it by the full 10%, Franchisor may increase the fee in a subsequent year by up to 10% plus any percentage increase permitted in a prior year that was not exercised. By way of example, if a monthly fee is \$10 in year 1, and remains at \$10 in year 2, then in year 3 Franchisor may increase the fee to \$12.10. For the avoidance of doubt, any increase permitted by this Section does not impact any fees expressed as a percentage, but where fees are expressed as a percentage or a fixed dollar amount, the dollar amount that is part of such fee may be adjusted according to this Section.

4.2 **Payment of Fees and Late Fees.** Unless payment terms to the contrary are expressly stated in this Agreement or otherwise, all payments required by Article 4, and all other payments due to Franchisor on a continuing basis ("**Payments**"), shall be due to Franchisor by the 20<sup>th</sup> day of the calendar month after the end of the calendar month in which such Gross Revenue were received by Franchisee, provided that, Franchisor may, upon notice to Franchisee, collect such payments at a different frequency than monthly. If the 20<sup>th</sup> day of the calendar month when the Payment is due falls on a weekend or a federal holiday, the Payment will be due on the

first weekday that is not a holiday after the 20<sup>th</sup> day of the calendar month. If any payment due Franchisor under this Agreement is overdue, Franchisee shall pay to Franchisor immediately upon demand the overdue amount together with a late charge on such amount from the date it was due until paid, at the rate of 1.5% per month, or the maximum rate permitted by law, whichever is less. All Payments shall be made by electronic funds transfer (EFT), wire transfer, or such other payment method as Franchisor may indicate from time to time. In its sole discretion, Franchisor may collect Payments required by Article 4 by direct debit withdrawal by Franchisor from a designated bank account of Franchisee or by using such other payment technology as is or may become available during the Term. Franchisee will cooperate with Franchisor to set up payment through such methods and channels as may be determined by Franchisor from time to time. If payment is made by direct debit withdrawal, Franchisee must have adequate funds in its account to pay the Payments due. If there are insufficient funds to make Payments for which checks have been submitted to Franchisor, or for EFT payments (including direct debit), Franchisor will charge Franchisee a fee of \$100 per such occurrence to compensate for the additional administrative work required by Franchisor. Franchisee will comply with the procedures specified in the Manual or otherwise communicated by Franchisor for any Payment and will perform the acts and sign the documents, including authorization forms that Franchisor, its bank and Franchisee's bank may require to accomplish such Payments, including authorizations for Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account. In addition, Franchisee will pay all costs associated with utilizing the payment methods designated by Franchisor. Franchisee acknowledges that nothing contained in this Article 4 shall constitute an agreement by Franchisor to accept such payments after the same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Location. Franchisee acknowledges that Franchisee's failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 14 of this Agreement, notwithstanding the provisions of this Article. Such late charges shall be in addition to any other remedies Franchisor may have.

## **Article 5. Site Selection, Location Construction and Opening.**

**5.1 Site Application.** If Franchisee has not yet submitted a site application for an Approved Location at the time this Agreement is executed, Franchisee must submit such application and such information as Franchisor may require within 60 days of the date of this Agreement for review by Franchisor. Franchisee may not commence construction of the Location until Franchisor has unconditionally approved the proposed site in writing. Franchisor has 60 days after all required information is received from Franchisee to approve or disapprove any proposed site. Franchisor may approve or disapprove any site in its sole discretion. Franchisee acknowledges that neither Franchisor's review of the proposed site for the Location nor any assistance that may be provided by Franchisor in the selection or development of the site constitutes a representation, warranty or guaranty by Franchisor regarding the potential financial success of the Location operated at that site, and Franchisee assumes all business and economic risks associated with the site.

**5.2 Pre-Construction Requirements.** Prior to commencing construction of the Location under this Agreement, Franchisee shall have completed or satisfied all of the following:

A. If Franchisee is obtaining the site for the Location by lease or installment land contract, Franchisee shall submit to Franchisor with a request for approval, prior to execution



by Franchisee, a copy of the lease or installment land contract for the proposed site, which must either append **Exhibit H** to this Agreement, or must not contain any provision that is inconsistent with or interferes with the performance of any provision of this Agreement and which lease or installment land contract must include provisions (i) authorizing Franchisor to enter the premises and make any modifications necessary to protect the Proprietary Marks, (ii) granting to Franchisor the right (but not the duty) to assume the lease or installment land contract if Franchisee is in default under its terms and provisions and/or if this Agreement expires or is terminated, (iii) requiring concurrent notice from lessor or vendor to Franchisor of any default or termination, and (iv) in the case of a lease, providing for a term of at least 10 years, which lease or installment land contract, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor. Under no circumstances shall Franchisor have any obligation or liability under such lease or installment land contract. Any review of the lease or installment land contract by Franchisor is solely for the purpose of determining its compliance with this Agreement and is no promise or warranty as to the appropriateness of the lease or installment land contract or any of its terms.

B. Inform Franchisor by written notice, not less than 30 days prior to commencing construction of the Location, of the name of the general contractor to be used for the construction of the Location, and such other information about the general contractor as Franchisor may deem necessary.

C. Submit to Franchisor with a request for approval, prior to preparation of the schematic design development documents for the building, preliminary site plans showing: (i) the dimensions of the site of the Approved Location; (ii) placement of the Location on the site; (iii) proposed drives, parking, and service areas; (v) proposed location of exterior signage, including size, type, height, etc.; and (iv) such other information as may be reasonably required by Franchisor, which preliminary site plans, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor.

D. Submit to Franchisor with a request for approval, prior to the preparation of the final building plans and specifications, the schematic design development documents for the building prepared by a registered architect or engineer in compliance with all applicable laws, regulations, ordinances, and Franchisor standards, which schematic design development documents, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor.

E. Submit to Franchisor with a request for approval, after the schematic design development documents for the building has been approved by Franchisor, final building plans and specifications prepared by a registered architect or engineer in compliance with all applicable laws, regulations, ordinances and Franchisor standards which plans and specifications, when approved by Franchisor, shall not thereafter be materially modified without the prior written consent of Franchisor.

F. Provide to Franchisor satisfactory evidence that all permits, licenses and certifications required for the lawful construction and operation of the proposed Location, including, without limitation, all applicable building permits, zoning, access, sign and fire requirements, have been obtained.

G. Provide to Franchisor insurance certificates satisfying the applicable requirements set forth in Article 12 of this Agreement.

H. Such other information as Franchisor may reasonably request.

**5.3 Commencement of Construction.** Franchisee shall commence construction of the Location (i) within 120 days after the date of this Agreement, or (ii) within sixty (60) days of the point in time when a building permit for the Location is ready for issuance, whichever occurs earlier. A building permit shall be deemed ready for issuance at the point in time when the issuing authority has taken all steps necessary for issuance and would issue the building permit upon the payment of the fee therefor. In Franchisor's discretion, Franchisor may grant Franchisee up to four 30-day extensions for a fee of \$5,000 for each extension. Any such extensions shall be granted only in Franchisor's sole discretion and upon payment of such additional extension fees as Franchisor deems appropriate in its sole discretion. Franchisee shall pay Franchisor a fee of \$5,000 at the time the extension is requested. If the extension is not granted, the fee will be refunded. Once commenced, construction work shall continue uninterrupted (except for interruption by reason of events constituting force majeure) until it is completed. Except for the occurrence of any events constituting force majeure, construction work shall be completed and the Location shall be furnished, equipped, and otherwise be made ready to open in accordance with this Agreement not later than the date specified in Article 5.5. Franchisor shall have the sole right to determine whether the construction work has been completed in accordance with this Agreement, the approved plans, and the Manual.

**5.4 Construction.** Franchisee shall before the Commencement of Construction:

A. Provide evidence of execution of contract for approved exterior signage with an approved vendor within sixty (60) days from the construction start date.

B. Submit to Franchisor, pursuant to Article 8.1.D., a request for approval of any alternate FF&E products, if any, including standards and specifications for FF&E, prepared by a qualified professional, which, if approved by Franchisor, shall not be materially modified without the prior written consent of Franchisor. As used in this Article, the term "materially modified" means any modification that would (a) change the size or dimensions of any public areas, or amenities of the Location, (b) affect the appearance or design of any portion of the Location or the quality of the materials used therein, or (c) constitute a departure from the concept, standards or approved products or services of the System. Unless alternate FF&E products are approved by Franchisor, Franchisee must use only such FF&E products that are specified by Franchisor in the Manual and other documents containing FF&E specifications current at the Commencement of Construction. Notwithstanding the foregoing, upon request, Franchisor may, in its discretion, alter FF&E requirements for the Location due to local market conditions, custom, or practice. Franchisee agrees that Franchisor and its agents shall have the right (without, however, any duty or obligation to do so) to visit and inspect the construction of the Location at all reasonable times.

**5.5 Construction Completion.** Franchisee shall diligently and continuously prosecute the construction, furnishing, and equipping of the Location (including its acquisition and installation of all FF&E, signs, supplies, and other items necessary for completion and opening of the Location) in accordance with the plans previously approved by Franchisor and in accordance with the Manual, but in any event the construction, furnishing, and equipping of the Location shall be completed within 270 days of the date of Commencement of Construction of the Location. Franchisee acknowledges and understands that time is of the essence in the construction and opening of the Location, and except for the occurrence of any events constituting force majeure, the construction shall be completed and the Location shall be furnished, equipped, and otherwise

be made ready to open for business, and all governmental licenses and permits necessary to operate the Location under the System shall have been obtained by Franchisee, at the end of such 270-day period (“**Construction Completion**”). In Franchisor’s discretion, Franchisor may allow Franchisee up to 4 (four) additional 30-day extensions of the construction completion date for a fee of \$5,000 per extension. The fee for each extension shall be payable at the time Franchisee applies for the extension. If the extension is not granted, the fee will be refunded. Any further extensions shall be granted only in Franchisor’s sole discretion and upon payment of such additional extension fees as Franchisor deems appropriate in its sole discretion.

**5.6 Review for System Compliance Only.** Franchisor’s exercise of its rights to approve the plans and specifications and to inspect construction of the Location shall be solely for the purpose of assuring compliance with System standards and with the terms and conditions of this Agreement, and Franchisor shall have no liability or obligation to Franchisee or any other person with respect to construction of the Location.

**5.7 Opening of Franchised Business.** The Location shall be opened for business immediately upon satisfaction of all of the following requirements:

A. All FF&E required for the opening of the Location in accordance with this Agreement and the standards of Franchisor shall have been installed or completed.

B. At least one of Franchisee’s owners and Franchisee’s general manager for the Location shall each have completed to Franchisor’s satisfaction a training program approved or conducted by Franchisor, and Franchisee shall have employed qualified personnel sufficient to operate the Location.

C. Franchisee has obtained all needed health, safety or fire department certificates.

D. Franchisee shall have paid all sums due Franchisor and its affiliated companies.

E. Franchisee is not in default under this Agreement, or any existing Franchise Agreement or other agreement with Franchisor or any of its Affiliated companies.

F. Franchisor shall be satisfied as to Franchisee’s compliance with the requirements necessary for opening the Location by such on-site inspection and investigation as Franchisor deems appropriate. If the Franchisee fails to pass its initial pre-opening inspection, Franchisor reserves the right to charge and collect a re-inspection fee and expenses for each additional inspection required to approve the Location for opening. The re-inspection fee and related expenses shall be due and payable within thirty (30) days of receipt of an invoice therefor, or Franchisor may, in its discretion, collect payment thereof by direct debit withdrawal by Franchisor from a bank account designated by Franchisee. Nothing under this Agreement shall in any manner relieve Franchisee of the obligation of complying with the requirements of the approved plans or the terms of this Agreement.

Franchisee may not open the Location until the above requirements have been satisfied to Franchisor’s satisfaction. The System will be applied to all System Locations, although Franchisor in its business judgment may make exceptions based on local conditions, special circumstances or different contractual provisions.

5.8 **Development and Construction Expenses.** Franchisee acknowledges and understands that Franchisee shall bear the entire cost of the development and construction of the Location, including, without limitation, all costs applicable to design, engineering, and other professional services, contractors, financing, licenses, permits, equipment, furnishings, and supplies.

**Article 6. Duties of Franchisor.**

6.1 In addition to the other obligations and duties set forth in this Agreement, Franchisor agrees as follows:

A. **Providing Site Selection Criteria.** Franchisor shall provide general site selection criteria and guidance in the selection of an acceptable site and review of the lease for the Location. Franchisee acknowledges and agrees that Franchisor providing its site selection criteria, lease review, and guidance will not create any reliance or expectation damages or liability for Franchisor, and such activities will not create any expectation or representation to Franchisee that any proposed site will be accepted by Franchisor.

B. **Providing Architectural Services Prototype Plans.** Franchisor or its affiliate shall, subject to a separate agreement with Franchisee, provide to Franchisee with a set of then-current prototype plans and specifications (not for construction) as determined by Franchisor for a typical System Location and under such agreement the prototype plans will be adapted to Franchisee's site.

C. **Consultation.** Upon reasonable request, Franchisor shall consult with and advise Franchisee at Franchisor's home office concerning the construction and operation of the Location.

D. **Access to Manual.** Franchisor shall provide Franchisee access to the Manual in a format determined by Franchisor, such as via the intranet, loan 1 hard copy of the Manual, or in any such other way as Franchisor determines to be most appropriate, for the term of the Agreement setting forth standards of operation for the System and standards of quality, cleanliness, and service for the Location. Franchisor shall have the right to add to and otherwise modify the Manual to reflect changes in the business, authorized products or services (or specifications therefor), FF&E requirements, quality standards, and operating procedures of the Location as determined by Franchisor. Such additions or modifications may be made through various communications by Franchisor, including policy statements, memoranda, bulletins, directives, instructions, intranet, electronic communications, or other material prepared by or on behalf of Franchisor. The Manual and any additions or modifications may be provided in printed, machine readable, electronic, or any other form chosen by Franchisor.

E. **Training.** Franchisor shall make available to Franchisee, Franchisee's owners and general manager such required and optional training courses, programs, conferences, seminars, and materials, as Franchisor deems appropriate. All training shall be conducted at such physical or virtual locations and at such times as Franchisor may designate and shall be subject to the terms and conditions set forth in this Agreement.

F. **Inspections.** Franchisor shall endeavor to maintain high standards of quality, cleanliness, appearance, and service for the System, and to that end shall conduct inspections of the System Locations, evaluations of the services rendered therein, and interviews

of employees, agents, and customers of System Locations, all as Franchisor deems advisable and appropriate.

G. **Mystery Shoppers.** Franchisor has the right to have “secret shoppers” or “mystery shoppers” inspect the Location from time to time in order to help determine compliance with the terms of this Agreement and charge a reasonable fee intended to off-set Franchisor’s expenses.

6.2 **Obligation to Franchisee Only.** All of the obligations of Franchisor under this Agreement are to Franchisee only, and no other party is entitled to rely on, enforce, or obtain relief for breach of such obligations either directly or by subrogation.

6.3 **Franchisor’s Designees.** Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by a designee, employee, or agent of Franchisor, as Franchisor may direct. Franchisor has the right to delegate the performance of any portion or all of its obligations under this Agreement to third parties, and exercise any of its rights under this Agreement through third parties, whether those third parties are Franchisor’s agents or independent contractors with whom we have contracted to perform these obligations. If Franchisor does so, such third parties will be obligated to perform all functions for Franchisee in compliance with this Agreement and/or a separate signed agreement between Franchisee and such third party as approved by Franchisor.

## **Article 7. General Duties of Franchisee.**

In addition to the other obligations and duties set forth in this Agreement, Franchisee agrees as follows:

7.1 **Construction.** Franchisee covenants and agrees to commence, diligently pursue, and complete construction of the Location and open for business in accordance with Article 5 of this Agreement. Franchisee assumes all costs, liability and expense for constructing the Franchised Business, including the cost of securing all financing required to construct and operate the Franchised Business; obtain and maintain all required building, utility, sign, health, sanitation, business, and other permits and licenses applicable to the Franchised Business.

7.2 **Initial Training.** Franchisee, or if Franchisee is an entity, at least one of its principal owners, shall complete the new franchisee training prior to Opening. Franchisee shall employ or retain qualified management personnel as prescribed in the Manual. All personnel employed or retained by Franchisee in the position of general manager shall attend and successfully complete, to Franchisor’s satisfaction, Franchisor’s training program. The initial general manager shall complete their general manager certification training prior to Opening. All other personnel, including any subsequent general manager, shall sign up for training within fourteen (14) days of employment and complete their general manager certification training within one hundred and twenty (120) days of employment. The 120-day period may be extended if space in the training program is not available to Franchisee’s personnel during the specified periods. Notwithstanding Franchisor’s assistance in training Franchisee’s employees, Franchisee is exclusively responsible for the terms of employment, compensation, scheduling, benefits, disciplining and all other personnel decisions respecting Location employees without any influence or advice from Franchisor. Additionally, any persons working in the Franchised Business involved in food handling must pass and maintain the state-required food handling certifications required under applicable law for the tasks being performed by the person.

**7.3 Opening Assistance.** Franchisor will send one representative to provide on-site assistance at the Location for a period of 2 to 4 days around the time Franchisee opens the Franchised Business for business.

**7.4 Franchisee Meetings.** Franchisee, or if Franchisee is an entity, one or more of Franchisee's principal owners, shall attend Franchisor's annual (or biannual as Franchisor may determine) Franchisee conference and pay the non-refundable conference registration fee as the same may be designated by Franchisor.

**7.5 Ongoing Training and Assistance.** Franchisor may periodically make available other required or optional training courses to Franchisee's personnel and Franchisee's personnel, other than those mentioned, as well as other programs, conferences, seminars, and materials, and Franchisee shall ensure that such personnel, as Franchisor may direct, satisfactorily complete any required training within the time specified. Franchisor may also offer Franchisee optional additional support and assistance in the operation of the Franchised Business. Franchisee and Franchisee's general manager may each be required to participate in up to two (2) days of required training in each calendar year. All training shall be provided at such locations as Franchisor may designate, including virtual locations, and Franchisee shall be responsible for Franchisee's and Franchisee's employees' travel expenses and room, board, and wages during the training. Franchisee will be charged reasonable tuition for training of Franchisee's and Franchisee's personnel and such tuition shall be payable per the terms of the invoice therefor. Franchisee will also be charged a reasonable fee for any additional support and assistance requested by Franchisee. As of the Effective Date, Franchisor charges \$350 per day and trainer for ongoing training and additional support and assistance, plus travel and accommodation expenses for such trainer, provided that the Franchisor reserves the right to adjust such fees throughout the term of this Agreement. Franchisor reserves the right to require, as a condition of providing training, that personnel employed or retained by Franchisee execute confidentiality agreements prepared by Franchisor. Franchisor reserves the right to limit the availability of any optional training programs.

**7.6 Adherence to System Requirements.** Franchisee expressly acknowledges that adherence to each and every provision of the System is reasonable, necessary, and essential to maintain the uniform image and favorable reputation of each Location and the System and the success of Franchisor's franchise program, and not to control the day-to-day operation of the Franchised Business. Accordingly, Franchisee expressly agrees to comply with each and every requirement of the System during the term hereof, as the same may be modified or supplemented by Franchisor in its sole discretion. Such modifications and supplementations may relate to, without limitation, changes in the business, authorized products and services, ingredient requirements, FF&E requirements, quality standards, operating procedures, compliance with any requirements for computer systems or technology programs, and to pay any fees or charges associated with any such System modifications or supplementations and any other changes reflected in the Manual. Franchisee at all times remains responsible for the operation of the Franchised Business and all activities occurring in the Franchised Business, including, but not limited to the hiring, training, discipline, and staffing of the Franchised Business.

**7.7 Quality of Service.** Franchisee shall provide efficient, courteous, and high-quality service to the public and shall operate the Location pursuant to the mandatory terms and provisions outlined in the Manual except as otherwise permitted by Franchisor in writing. Franchisee will not sell any product which is adulterated, contaminated, spoiled, unsafe or otherwise unfit for human consumption and will only use and sell such products, ingredients, materials, supplies, and merchandise as conform to System standards. Franchisee must keep the

Location clean and provide prompt and courteous service to customers. Franchisee agrees to, and will take all steps as are necessary to, ensure that all its employees treat each customer fairly and provide services in an honest, ethical and non-discriminatory manner.

**7.8 Staffing.** Franchisee will maintain a competent, conscientious and trained staff. Franchisee will be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision and discipline of employees. All personnel employed by Franchisee shall maintain such standards of sanitation and cleanliness as set forth in the Manual or specified in writing by Franchisor from time to time. None of Franchisee's employees will be considered to be Franchisor's employees and Franchisee will never contend otherwise. Franchisee expressly agrees, and will never contend otherwise, that Franchisor does not have the direct or indirect power to hire, fire or control any of Franchisee's employees. Neither Franchisee nor any of its employees whose compensation Franchisee pays may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's employees for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's employees.

**7.9 Authorized Menu.** Franchisee must offer and sell all menu items that Franchisor requires, and only those menu items that Franchisor has approved. Menu items may include food and beverage products, activities offerings, merchandising, and other items or services that are part of the System from time to time. Franchisor may add, eliminate and change authorized menu items, in its sole discretion, and Franchisee must comply with all directives (which may require purchasing and installing additional equipment). Franchisee shall prepare, package, serve and offer all consumable menu items in accordance with Franchisor's recipes, standards and procedures for preparation, presentation and service as communicated to Franchisee from time to time via the Manual or other written directives. Such standards and procedures may include, without limitation, following recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Proprietary Marks, packaging procedures, product holding times and other standards for displaying for sale menu items and other merchandise. If Franchisee offers any menu items that are not approved by Franchisor for Franchisee's Location (whether consumables or other menu items), Franchisee will pay Franchisor a fee of \$250/day per unauthorized menu item that such unauthorized menu items are offered for sale at the Location. Franchisee shall participate in all market research programs that Franchisor requires, which include test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. Franchisee shall provide Franchisor with timely reports and test results for all such programs.

**7.10 Credit Cards and Other Non-Cash Systems.** Franchisee shall accept debit cards, credit cards, stored value gift cards or other non-cash systems specified by Franchisor to enable customers to purchase authorized products and services and shall obtain all necessary hardware and/or software used in connection with these non-cash systems, which systems may be subject to Franchisor's specifications and purchase only from approved vendors. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-fund-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has

revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisor may, in its discretion, designate only one provider for such services. Franchisee must comply with Franchisor's credit-card policies as prescribed in the Manual. Franchisee must comply with the Payment Card Industry Data Security Standards as these standards may be revised and modified by the Payment Card Industry Security Standards Council or such successor or replacement organization, and/or in accordance with other standards as Franchisor may specify.

**7.11 Gift Cards and Loyalty Programs.** Franchisor may require that Franchisee, if permitted by applicable law, participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manual or otherwise disclosed to Franchisee. In order to participate, Franchisee may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If Franchisor establishes a gift card or loyalty program, it has the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and Franchisor reserves the right to retain the amount of any unredeemed gift cards.

**7.12 Use of Location.** Franchisee shall use the Location premises solely for the operation of the Franchised Business and shall not use or allow the use of the premises for any other purpose or activity (including, without limitation, the promotion of any competing business) at any time without the prior written consent of Franchisor, which may be granted or withheld in Franchisor's sole discretion. Franchisee shall not sacrifice Gross Revenue to further any other business activity.

**7.13 Location Maintenance.** The Location and everything located on the Location premises shall be maintained by Franchisee in a clean, safe, orderly, and first-class condition in accordance with the standards specified in the Manual, and consistent with the image of a clean, sanitary, attractive, and efficiently operated entertainment center. The Location shall be constructed, maintained, and operated in compliance with all applicable fire, safety, health, and sanitation laws, ordinances, and regulations, and Franchisee shall maintain the highest health standards and ratings applicable to the Location and otherwise maintain high moral and ethical standards at the Location.

**7.14 Upkeep and Maintenance.** Franchisee shall perform such maintenance of the Location as is required by Franchisor to maintain the condition, appearance, and efficient operation of the Location, including, without limitation, (a) continuous and thorough cleaning and sanitation of the interior and exterior of the Location, (b) interior and exterior repair of the Location, (c) maintenance of equipment at peak performance, (d) replacement of worn out or obsolete improvements, fixtures, furnishings, equipment, computer systems, software, and signs with approved improvements, FF&E, computer systems, software, and signs, and (e) periodic painting and decorating. At Franchisor's request, Franchisee shall upgrade the Location within the time specified by Franchisor at Franchisee's expense to conform to the building decor appearance and presentation of Proprietary Marks and trade dress consistent with Franchisor's then-current public image, including, without limitation, such structural changes, remodeling, and redecoration and such modifications to existing improvements as may be deemed necessary by Franchisor, as long as those same upgrading requirements apply to a majority of System Locations operated by franchisees or by Franchisor or its Affiliates, or are necessary to bring the Location into compliance with requirements already adopted or being adopted by a majority of System Locations. Except as described above, Franchisee shall make no additions, alterations, or replacements to the



Location or anything located on the Location premises without the prior written consent of Franchisor.

**7.15 Compliance with Law.** Franchisee shall, at Franchisee's expense, comply with all federal, state, and local laws, rules, ordinances, and regulations, and shall timely obtain, and keep in force as required throughout the term of this Agreement, any and all permits, certificates, licenses, and approvals necessary for the full and proper conduct of the Franchised Business.

**7.16 Notification of Legal Action.** Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, arising out of, concerning, or which may affect the operation or financial condition of the Franchised Business, including, without limitation, any criminal action or proceeding brought by Franchisee against employees, customers, or other persons.

**7.17 Payment of Taxes.** Franchisee shall pay when due all taxes levied or assessed in connection with the possession, ownership, or operation of the Location and all taxes payable on royalties and other payments made to Franchisor or to any of the affiliated companies (excluding income taxes payable by Franchisor or any of its affiliated companies). In the event of any bona fide dispute respecting any tax assessed against Franchisee, the Location, any personal property located therein, or any payments due to Franchisor or any of its Affiliates, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority; provided, however, that Franchisee shall act with all due diligence and shall in no event permit a tax sale or seizure against the Location or any equipment, goods, or property located therein, or any impoundment of payments due to Franchisor. Franchisee must pay to Franchisor the amount of any state or local sales, use, gross receipts, or similar tax that Franchisor may be required to pay on payments which Franchisee make to Franchisor under this Agreement, regardless of whether the state or local tax is imposed directly on Franchisor, is required to be withheld by Franchisee from amounts due to Franchisor under this Agreement, or is otherwise required to be collected by Franchisee from Franchisor. Franchisee's obligations under this Article shall not be reduced or offset by any type of claim, credit or deduction of any kind. This provision does not apply to income taxes or comparable taxes measured by income to which Franchisor may be subject.

**7.18 Timely Payments.** Franchisee recognizes that Franchisee's failure or repeated delays in making prompt payment in accordance with the terms of any agreements, leases, invoices, or statements for purchase or lease of FF&E, inventories, supplies, travel agent services, or other goods and services will be detrimental to the reputation of Franchisee, Franchisor, and other System Franchisees. Franchisee shall timely pay when due all amounts owed by Franchisee in connection with the operation of the Location. In its sole discretion, Franchisor may collect all payments and amounts due or payable under this Article 7 by direct debit withdrawal from a bank account designated by Franchisee.

**7.19 Access to Data.** Franchisor will be given direct, administrative access to the property management systems software used by Franchisee for the purpose of determining compliance with this Agreement and to allow for audits and inspections of Franchisee's financial statements, reports and all other data pertaining to the Location, whether maintained by Franchisee or by third parties.

**7.20 Authority of Franchisee Representatives.** If Franchisee is at any time a corporation, limited liability company, partnership or other business entity, Franchisee agrees and represents that:

A. Franchisee has the authority to execute and deliver this Agreement and to perform its obligations thereunder and is duly organized or formed and validly existing in good standing under the laws of the state of its formation or organization.

B. Franchisee's organizational documents or partnership agreement will at all times state that the issuance and transfer of the ownership interests of Franchisee are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Franchisee will bear a legend referring to the restrictions of this Agreement in form and language satisfactory to Franchisor.

C. **Exhibit B** to this Agreement will at all times completely and accurately describe all of the owners of Franchisee and their beneficial ownership interests in Franchisee, and Franchisee agrees to promptly notify Franchisor of any change to the information included in Exhibit B and seek approval of such changes, as may be required by this Agreement.

D. Franchisee's organizational documents or partnership agreement will at all times state that the issuance and transfer of the ownership interests of Franchisee are restricted by the terms and conditions of this Agreement, and all certificates and other documents representing an ownership interest in Franchisee will bear a legend referring to the restrictions of this Agreement in form and language satisfactory to Franchisor.

E. Franchisee and its owners will sign and deliver to Franchisor such revised Exhibit B as may be necessary to reflect any permitted changes in the information contained therein within five (5) days following the occurrence thereof and to furnish such other information about Franchisee's organization or formation as Franchisor may request.

F. Franchisee shall furnish Franchisor with its articles or certificate of incorporation or organization, bylaws, and partnership or limited liability documentation or similar organization documents, and any other documents Franchisor may reasonably request, and any amendments thereto or restatements thereof.

**7.21 Condemnation of Location.** If the Location (or any of the premises on which the Location is located) is condemned or damaged by casualty, Franchisee agrees as follows:

A. Franchisee shall, within ten (10) days of receipt, provide Franchisor with a copy of any notice of any proposed taking of the Location or surrounding premises by eminent domain or condemnation. Such notice shall be sent by Franchisee to Franchisor by overnight courier service. If the Location is condemned or so taken or such a substantial portion of the Location is condemned or so taken as to render impractical the continued operation of the Location in accordance with System standards, then in such event, (i) this Agreement shall terminate upon notice by Franchisor to Franchisee, and (ii) notwithstanding subsection (i), Franchisor shall be entitled to receive the payments due under Article 4 for as long as the Location remains open for business or for a period of 1 year from the date Franchisee notifies Franchisor of the condemnation, whichever is longer. If the Location ceases business operations prior to 1 year from the date Franchisor receives notice of the condemnation, Franchisor will be entitled to receive a payment from Franchisee for the balance of the one-year period based on the average

monthly fees from the trailing twelve (12) months. If a non-substantial condemnation shall occur, then in such event, Franchisee shall promptly make whatever repairs and restoration may be necessary to make the Location conform substantially to its former character and appearance according to plans and specifications approved by Franchisor, and the resumption of normal operation of the Location shall not be unreasonably delayed by Franchisee.

B. If the Location is damaged or destroyed by fire or other casualty, Franchisee shall repair the damage without delay. If the casualty requires closing the Location, Franchisee shall (i) immediately notify Franchisor, (ii) commence reconstruction and repair as soon as practicable, but in any event within one hundred and eighty (180) days after the closing of the Location, (iii) repair or rebuild the Location in accordance with the then-current System standards and specifications, and (iv) reopen the Location for continuous operations under the System as soon as practicable, but in any event within eighteen (18) months after closing the Location, provided that the Location may reopen only after Franchisor's express written approval of the same for opening. Franchisee shall give Franchisor at least ninety (90) days advance written notice of the date of such reopening.

C. The closing of the Location due to condemnation or casualty shall not extend the term of this Agreement.

**7.22 Use of Customer Data.** Franchisee acknowledges and agrees that, in addition to the rights granted Franchisor under Article 10.6 hereof, Franchisor may use the names of customers of the Franchised Business for any purpose and agrees that Franchisor may have access to Franchisee's sales and customer data base for that purpose. If not independently accessible to the Franchisor, Franchisee will, upon Franchisor's request, provide Franchisor with such customer data as Franchisor may require, including customer names, loyalty program data, and e-mail lists.

**7.23 Website and Online Presence.** Franchisor has established internet Websites that provide information about the System and that facilitates reservations for all System Locations. Franchisor will have sole discretion and control over the Website and any other Online Presence (including timing, design, contents and continuation). Franchisor may use part of the Brand Development Fund Fees collected under Article 4.1.C to pay or reimburse the costs associated with the development, maintenance and update of their Online Presence and Websites. At Franchisee's expense, Franchisor will include a link to the Location-specific pages from its Websites. Franchisor shall have the only Do The Beach™ Website. Franchisee may not have any individual website other than those accessed and linked through Franchisor's primary Website. Franchisor may require Franchisee to prepare all or a portion of such individual pages, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's prior written approval prior to posting. Except for this interior page, Franchisee may not maintain any Online Presence or other website in connection with Franchisee's ownership or operation of the Location, except with Franchisor's prior, express, written consent. If the Franchisee is permitted or required to have an individual Online Presence, Franchisee must provide Franchisor with administrator-level access credentials, usernames, passwords, tokens and all other information and items required for complete access to, and control over, any online presence or social networking activities. If Franchisee fails to comply with the requirements set for Online Presence, Franchisor, or its designees may use the access credentials to access Franchisee's accounts and resources to correct them to comply with Franchisor's requirements, without being guilty of trespass, conversion, infringement, or any similar tort. Franchisee will pay Franchisor, upon demand, all charges Franchisor incurs by taking such corrective action. Franchisor may offer reservations, online and mobile ordering, mobile payments

and similar services or sales of items bearing the Proprietary Marks through its Website and Online Presence, and may restrict reservations, online ordering, and similar services to its Website and Online Presence, and the Online Presence of third parties designated by Franchisor.

**7.24 Inappropriate Online Presence or Content.** Franchisor reserves the right to require Franchisee to remove any content in its individual Online Presence, including videos, advertising or other material or content posted that Franchisor, in its sole discretion, deems inappropriate. Franchisor reserves the right to develop additional profiles or accounts in its Online Presence on websites designated for social networking, social media sites, or on websites otherwise commonly used by entertainment centers, or by the franchise industry in general. Franchisor may, in its sole discretion, require Franchisee to participate in its Online Presence in Franchisee's individual capacity by preparing and maintaining all or a portion of a profile or account for the Franchisee, at Franchisee's expense.

**7.25 Intranet.** Franchisor is developing an Intranet network through which confidential brand standards and other materials may be posted and where Franchisor and its Franchisees can communicate by e-mail, instant messaging, or similar electronic means. Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols and restrictions that Franchisor includes in the Manual (including, without limitation, standards, protocols and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements).

**7.26 Additional Administrative Services.** If Franchisee requests, Franchisor or its Affiliates may provide additional administrative services to Franchisee, including, but not limited to: assistance with closings of financing transactions or other transactions relating to the Location, negotiations of comfort letters, non-disturbance agreements, and other instruments, documents and agreements with Franchisee's lenders or prospective lenders, lender's counsel, Franchisee's counsel, any other Franchisee representative, or third party; conducting research related to the Location and its operation; preparation of documents, instruments or agreements; and other project-based tasks. If any of these administrative services are provided, Franchisee agrees to pay to Franchisor a reasonable fee, as determined by Franchisor, for such services and to reimburse Franchisor and its Affiliates for any costs (including attorney's fees) incurred in connection with the provision of such services.

**7.27 Reimbursements.** Franchisee shall reimburse Franchisor for all costs and expenses (including attorneys' fees), incurred by Franchisor in connection with any legal action (including actions for injunctive relief, litigation, arbitration and mediation) in which Franchisee, its Affiliates, or their respective owners, directors, officers or managers is a named party, including but not limited to, reimbursement for costs and expenses incurred in connection with Franchisor's counsel entering an appearance, responding to discovery requests in such matters, and preparation by Franchisor and its counsel therefor.

**7.28 Co-branding.** Franchisor may determine from time to time to incorporate in the System programs, products or services which Franchisor either develops or otherwise obtains rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which your Franchised Business, along with other businesses, will be required to offer and sell. This activity, referred to as "co-branding," may involve changes to the Proprietary Marks and may require Franchisee to make modifications to fixtures, equipment, signs, and trade dress at the Location. Franchisee agrees to promptly implement such programs at the Franchised Business at the earliest commercially reasonable time and to execute any and all instruments required to do so.

**7.29 Privacy and Data Protection.** Franchisee must: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information Franchisee controls) to identify, locate or contact an individual or pertains in any way to an identified or identifiable individual (“**Personal Information**”) in any way, including, but not limited to, national data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules (“**Privacy Laws**”); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by us that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause Franchisor to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in our business judgment to keep Franchisee in compliance with the Privacy Laws; and (v) immediately report to us the theft or loss of Personal Information (other than the Personal Information of Franchisee’s own officers, directors, owners, employees or service providers). Franchisee must also comply with payment card industry (“PCI”) standards, norms, requirements and protocols, including PCD Data Security Standards.

### **7.30 Computer Systems**

A. Franchisee shall purchase, use and maintain such computer hardware and software as required in the Manual from time to time, including such point of sales system, including all related hardware and software, (“**POS System**”) as is specified in the Manual or otherwise by Franchisor in writing for use in connection with the Franchised Business. The POS System must be connected to the internet at all times (or other communications medium specified by Franchisor) for the purpose of implementing software, transmitting and receiving data, accessing the internet for ordering and maintaining the POS System. Franchisor may require Franchisee to upgrade its computer system, including the POS System hardware and/or software from time to time upon written notice. Franchisee shall accept gift cards, debit cards, credit cards, no contact payment options, such as mobile payment, and other non-cash systems existing or developed in the future to enable customers to purchase authorized products or services via such procedure, as specified by Franchisor, and shall obtain all necessary hardware and/or software used in connection with these systems. Franchisee must maintain, repair, upgrade and updated the computer system, including the POS System as Franchisor may require from time to time.

B. Franchisee must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including without limitation names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”) in accordance with applicable laws and industry best practices. Without limiting the foregoing, Franchisee must comply with the Payment Card Industry Data Security Standard (commonly known as “PCI Compliance” or “PCI-DSS”), and any successor thereto. It is entirely Franchisee’s responsibility (even if Franchisor provides Franchisee any assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, Franchisee will notify Franchisor immediately and specify the extent to which Personal Information was compromised or disclosed.

## **Article 8. Quality Control and Supervision.**

**8.1 System Conformity and Approved Suppliers.** Franchisee agrees that substantial uniformity of quality at all System Locations is necessary and desirable for purposes of establishing and protecting the shared identity, reputation, and goodwill associated with the System and the Proprietary Marks. In order to better accomplish these objectives, Franchisee agrees that:

A. The Franchised Business shall be operated in strict conformity with such mandatory standards, specifications, methods, and techniques as Franchisor may prescribe in the Manual (as opposed to best practices and suggestions), and Franchisee shall refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's rights therein. Franchisee is responsible for the day-to-day operation of the Location. Franchisee at all times remains responsible for the operation of the Franchised Business and all activities occurring in the Franchised Business, including, but not limited to the hiring, training, discipline, and staffing of the Franchised Business. While Franchisor intends to impose the System, and any changes and modifications thereto generally uniformly among all System Locations, complete and detailed uniformity under many varying conditions may not be possible or practical, and Franchisor specifically reserves the right and privilege, in its sole discretion and as it may deem to be in the best interests of the System in any specific instance, to vary standards for any particular franchisee or region based upon the peculiarities of a particular territory, density of population, business potential, business practice, or other condition important to the successful operation of a particular Do The Beach™ Location. Franchisor may grant variations from standard specifications and practices as Franchisor determines in its discretion, and Franchisor will have no obligation to grant Franchisee or any other franchisee like or similar variations and Franchisor's failure to require a change from any particular franchisee will not affect Franchisee's obligations under this paragraph.

B. Franchisee shall, at Franchisee's expense, purchase or lease and install at the Location all FF&E, hardware and software systems, including point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval and transmission, security, and other systems and technology programs specified by Franchisor. Without regard to the actual capabilities of any technology, system or other computer hardware or software that Franchisee installs and that Franchisor has access to directly or indirectly, Franchisor does not have the right to use such technology or tools to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to Franchisor's legitimate interest in protecting the quality of the Do The Beach™ System (brand) or the products or services offered at the Location. Upon request, Franchisee will provide Franchisor independent access at any time to retrieve such data and information from Franchisee's computer system that Franchisor deems necessary or desirable. Franchisee shall refrain from installing at the Location, or permitting to be installed, without Franchisor's prior written consent, any FF&E, electronic or video games, or any other items or services not previously approved by Franchisor. The size, form, color scheme, content (except for prices or charges which are subject to Article 8.8 below), and location of all signs, advertisements and graphic materials displayed at the Location shall be as prescribed in the Manual or otherwise approved in writing by Franchisor. Notwithstanding the foregoing, Franchisor does not have the right to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to Franchisor's legitimate interest in protecting the quality of the Do The Beach™ System (brand) or the products or services offered by the Franchised Business.

C. Franchisee is required to purchase products, services, ingredients, supplies, FF&E items, and materials required for the construction and operation of the Franchised Business, pursuant to specifications set forth in the Manual ("**Approved Products & Services**"). In some cases, Franchisee may be required to buy only specific Approved Products & Services. Franchisor may designate manufacturers, suppliers or distributors who meet Franchisor's specifications or subject to Franchisor's specifications ("**Approved Suppliers**") and if such Approved Suppliers have been designated as the only source for any Approved Products & Services, Franchisee agrees to only purchase such Approved Products & Services from the Approved Suppliers. In some cases, Franchisor or Franchisor's affiliates may be the only Approved Supplier. Specification of a supplier may be conditioned on various requirements, including, but not limited to, those relating to quality and consistency of products, ingredients, and services, frequency of delivery, standards of services, prompt attention to complaints, payments, contributions, or other consideration paid to Franchisor, Franchisor's Affiliates or the Brand Development Fund, and may be temporary. Franchisor may, from time to time withhold, condition and/or revoke Franchisor's approval of particular items or suppliers in Franchisor's reasonable discretion, and Franchisor's approvals may be temporary. Franchisor or Franchisor's Affiliates may receive marketing allowances, rebates, commissions, and other benefits from suppliers in relation to items purchased by Franchisee and other franchisees. Such marketing allowances, rebates, commissions, and other benefits are based on System-wide purchases. Franchisee assigns to Franchisor or its designee all right, title and interest in any such marketing allowances, rebates, commissions, and other benefits and authorizes Franchisor or its designee to collect and retain any such allowances without restriction (unless otherwise instructed by the supplier), provided that Franchisor's current policy is to utilize such funds for purposes Franchisor believes may enhance the System and public awareness of the System. Franchisor has the right to condition or revoke Franchisee's right to participate in any supplier programs if Franchisee is in default under this Agreement.

D. Franchisee may propose alternative manufacturers, suppliers or distributors ("**Alternative Suppliers**") of Approved Products & Services, as well as alternative products, ingredients, services, supplies, suppliers, materials and FF&E items to Approved Products & Services ("**Alternative Products & Services**"). If Franchisee would like to use Alternative Suppliers, or Alternative Products & Services, Franchisee must first request in writing that Franchisor approve the alternative. Franchisee must submit whatever information, specifications, or samples Franchisor requires and must pay to Franchisor a fee of \$500 per product or service when the request is submitted. If the costs of Franchisor for the review and testing of the Alternative Products & Services or reviewing the Alternative Supplier exceed \$500, then Franchisee must reimburse Franchisor for such additional cost per the terms of the invoice therefor. If, based on the review, Franchisor decides to approve the Alternative Products & Services, or Alternative Supplier, as the case may be, for all franchisees in the System, then Franchisor will reimburse Franchisee for the testing fee. Franchisor reserves the right to approve or disapprove proposed Alternative Products & Services or Alternative Supplier, as the case may be, in its sole discretion. Franchisor will notify Franchisee within a reasonable time of its approval or rejection of the Alternative Products & Services or Alternative Supplier. Franchisor may revoke an approval previously given at any time in its discretion, upon notice to the Franchisee. Notice will be given in a manner that Franchisor deems appropriate. Franchisor may require Franchisee's proposed Alternative Supplier to sign a confidentiality agreement acceptable to Franchisor, and Franchisor may require that samples of or from the proposed Alternative Products & Services (or of Approved Products & Services requested to be purchased from an Alternative Supplier) be delivered to Franchisor for testing prior to approval and use. Further, all proposed Alternative Suppliers must agree to permit Franchisor's agents or representatives to inspect their

facilities regularly, both initially and from time to time as may reasonably be required by Franchisor to assure Franchisor of the proper production, processing, packaging, storing and transportation of the products, ingredients, services, supplies or FF&E items and materials to be purchased by Franchisee, and with respect to Alternative Products & Services, that they comply with Franchisor's standards and requirements. The foregoing will not be construed as an attempt to unreasonably limit the sources from which Franchisee may procure products, ingredients, services, supplies and materials. Rather, it is Franchisor's intention that such items conform to Franchisor's strict standards and strict specifications as to consistent quality, uniformity and reliability. Further, Franchisor will not be required to approve an inordinate number of Alternative Suppliers of a given item which in Franchisor's reasonable judgment would prevent Franchisor's effective supervision of suppliers. Notwithstanding the foregoing, Franchisor may designate certain Approved Products & Services as proprietary, and not permit Alternative Suppliers or Alternative Products & Services for such items. Nothing in this Article requires Franchisors to disclose any Trade Secrets to any third party.

E. FRANCHISOR AND ITS AFFILIATES MAKE NO WARRANTY WITH RESPECT TO ANY PRODUCTS, SERVICES, FURNITURE, FIXTURES, AND EQUIPMENT, SUPPLIES OR OTHER ITEMS WE APPROVE AND WE EXPRESSLY DISCLAIM ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SUCH PRODUCTS, EQUIPMENT (INCLUDING, WITHOUT LIMITATION, ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, OR OTHER APPROVED ITEMS.

**8.2 Compliance with Manual.** The Franchised Business shall be conducted in accordance with the mandatory provisions contained in the Manual, as updated, supplemented, and modified. Franchisee further acknowledges that establishing, maintaining, and protecting the goodwill, reputation, and uniformity of the System requires strict adherence to this Agreement and the Manual in all respects, it being agreed that every detail is significant and material. Franchisee shall at all times ensure that Franchisee's copy of the Manual is kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling. Franchisee shall maintain the Manual in a safe and secure location (including with appropriate password protection, if the Manual is kept electronically) and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor.

**8.3 Inspections.** Franchisee hereby grants to Franchisor and its agents the right to enter upon the premises of the Franchised Business at any reasonable time for the purpose of conducting inspections. Franchisee shall cooperate fully with Franchisor's agents during the inspections, and take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of Franchisor or its agents, within such reasonable time as may be specified therein. Franchisee shall provide all information requested by Franchisor for the purpose of Franchisor's conducting customer satisfaction audits and surveys, and permit Franchisor and its agents access to test, sample, inspect and evaluate Franchisee's supplies, ingredients, and products, as well as the storage, preparation, and formulation and conditions of sanitation and cleanliness in the storage, production, handling, and serving. If Franchisor determines that any condition at the Location presents a threat to customers or public health and safety, Franchisor may take whatever measures it deems necessary, including requiring Franchisee to immediately close the Franchised Business until the situation is remedied to Franchisor's satisfaction. Franchisor will charge Franchisee for the actual expense of the audit, which expenses may include the hiring of a third party to perform the audit ("**Quality Audit Fee**").



Franchisee shall pay such Quality Audit Fee within fifteen (15) days of receipt of an invoice therefor. Franchisor may, in its sole discretion, collect any payments or amounts due or payable under this Article by direct debit withdrawal from a bank account designated by Franchisee.

**8.4 Health Inspection Reports and Failure of Inspections.** Franchisee shall promptly provide Franchisor with a copy of any health or safety inspection performed of the Franchised Business. If Franchisee fails an inspection for any health or safety reason that Franchisor, in its discretion, deems to constitute a danger to the health or safety of the public, or employees at the Location, Franchisee shall, immediately upon Franchisor's request, take such action as required by Franchisor, including closing all or part of the Location, until the dangerous conditions have been remedied to Franchisor's satisfaction. Nothing in this Article 8.4 shall limit or restrict Franchisor's rights under Article 14, or any other Article of this Agreement.

**8.5 Franchisee Inventions.** If Franchisee or its affiliates, owners, or employees develop any products, services, procedures, or inventions, or improvements on products, services, or procedures already part of the System, and whether or not protectable intellectual property ("**Inventions**"), such Inventions must be promptly disclosed to Franchisor, and if deemed by Franchisor to be appropriate for use in the Franchised Business and other System Locations, such Inventions will be deemed to be Franchisor's sole and exclusive property, part of the System and works made-for-hire for Franchisor. To the extent any such Invention does not qualify as work-made-for hire, it must be assigned to Franchisor. Franchisee agrees to take, or direct its affiliates, owners, or employees to take, all necessary steps and action such assignment may require.

**8.6 Integrity in Promotion and Business.** All marketing and promotion by Franchisee shall be factual, ethical, and in good taste in the judgment of Franchisor and shall be subject to Franchisor's approval as provided in Article 9.1 of this Agreement. Franchisee shall in all dealings with its customers, suppliers, Franchisor, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which, in the subjective opinion of Franchisor, may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks and other System Locations.

**8.7 Notification of Agency Reports.** Immediately upon receipt by Franchisee of any report from any health department or other comparable agency, Franchisee shall send a complete copy of such report to Franchisor by email or overnight courier service. Franchisee shall notify Franchisor 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 Franchisee or the Location or of any notice of violation of any law, ordinance, or regulation relating to health or sanitation.

**8.8 Product Pricing and Discounts.** Franchisor and Franchisee recognize the value of pricing and marketing programs that facilitate the marketing of the System, the good will, reputation, and uniformity of the System and consumer acceptance and recognition of System Locations. Franchisee and Franchisor agree that, in order to better accomplish these objectives, Franchisor may from time to time in its sole judgment (a) require menu and activity prices start at levels no higher than those determined by Franchisor and (b) otherwise establish rates, prices, and promotions to the extent permitted by applicable law. To the extent permitted by law, Franchisor may require participation in promotional programs, including programs offering

coupons, discounts, gift cards, gift certificates, loyalty programs, and similar promotions. Unless expressly permitted by Franchisor, Franchisee will not offer such promotional programs.

## **Article 9. Advertising.**

Franchisee and Franchisor recognize the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System. In order to better accomplish these objectives, the parties agree as follows:

**9.1 Conformance with System Standards.** All advertising, marketing, and sales materials used by Franchisee in any medium shall be conducted in such manner, and shall conform to such standards and requirements, as Franchisor may specify from time to time. Franchisee must submit to Franchisor for its prior written approval samples of all advertising, marketing, and sales plans and materials and all other materials displaying the Proprietary Marks that Franchisee desires to use which have not been prepared or previously approved by Franchisor; provided, however, that no such deemed approval shall relieve Franchisee from complying with the requirements of Article 8.6 of this Agreement.

**9.2 Pre-Opening and Grand Opening Advertising.** Starting two weeks before the Franchised Business opens, and continuing for four weeks thereafter, Franchisee shall spend at least thirty thousand dollars (\$30,000) on advertising and marketing to promote the Franchised Business. Upon franchisor's request, Franchisee may be required to spend up to fifty thousand dollars (\$50,000) on such advertising and marketing. Upon request, Franchisee must submit its grand opening marketing plan to Franchisor for review and approval.

**9.3 Local Advertising Requirement.** Throughout the term of this Agreement, Franchisee shall spend at least three percent (3%) of its Gross Revenue monthly on such local marketing and advertising in the Protected Area. Franchisor may from time to time specify in the Manual the types of expenses that will be counted towards the required minimum spend and set reporting requirements for the local marketing and advertising requirement. Notwithstanding the foregoing, if Franchisee contributes funds towards an Advertising Cooperative, such funds actually contributed to the Advertising Cooperative will off-set the local advertising expenditures required by this Article for the same time period as for which the Advertising Cooperative contributions were made.

**9.4 Promotional Programs.** In addition to the other advertising described in this Article 9, Franchisor may from time to time develop and administer advertising, marketing and sales promotion programs in which Franchisee, to the extent permitted by law, shall participate upon such terms and conditions as established by Franchisor. All phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement, and choice of media, market areas, promotional programs and advertising agencies, shall be determined by Franchisor.

### **9.5 Brand Development Fund.**

A. Franchisor has established a Brand Development Fund ("**Brand Development Fund**"). The Brand Development Fund will be administered by the Franchisor, provided that Franchisor may, in its sole discretion, consult with the Advisory Franchisee Committee on matters relating to the Brand Development Fund.

B. The Brand Development Fund may be used to meet any and all costs of researching, developing and preparing national, regional, point of sale, and local direct sales

advertising and marketing strategy materials for use within the System, for Franchised Businesses in general, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; conducting marketing research and new product, activities and services development; in-store promotions, point-of-sale advertising, menu and menu boards and other sales aids; maintaining a national sales and marketing staff and related expenses or hiring outside agencies; development, maintenance and updates to the Online Presence; joint promotional programs for all Franchisor brands; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, radio, television, newspaper, magazine and Internet advertising, market surveys, public relations activities, and employment of advertising agencies. Franchisor shall choose and determine the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to franchisees through the Brand Development Fund.

C. All payments to the Brand Development Fund, plus income earned therefrom, shall be used exclusively for the above-stated purposes, shall be maintained in an account separate from Franchisor funds, and shall not be used to defray any of Franchisor's general operating expenses, except for reasonable salaries, administrative costs (including collection costs), travel expenses, overhead, and similar expenses Franchisor may incur in activities related to the administration of the Brand Development Fund and all costs of development and preparing national, regional, point of sale, and local advertising materials for use within the System.

D. Franchisor shall, for each of its company-owned System Locations, make contributions to the Brand Development Fund at the same percentage of Gross Revenue required of Franchisees within the System.

E. Franchisor, or its designee, shall direct all advertising, marketing, and direct sales promotional programs and activities, with sole discretion over the concepts, materials, and media used in such programs and activities and the placement and allocation thereof. Franchisee acknowledges that the intent of the Brand Development Fund shall be to maximize general public recognition, direct sales programs, and acceptance of the Proprietary Marks for the benefit of the System, and Franchisor shall have no obligation in administering the Brand Development Fund to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular Franchisee, any particular franchised location, or any particular Entertainment Option benefits directly or pro rata from advertising or promotion conducted under the Brand Development Fund. The Brand Development Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to franchisees with respect to the Brand Development Fund; provided, however, that Franchisor will make a good faith effort to expend such fees in a manner that Franchisor determines is in the general best interests of the System. In any fiscal year, Franchisor may spend more or less than the aggregate contribution to the Brand Development Fund in such fiscal year. Franchisor has the right to advance monies to the Brand Development Fund and subsequently obtain reimbursement of such advances out of Brand Development Fund fees collected. Except as expressly provided in this Article 9.5, Franchisor does not assume any direct or indirect liability to Franchisee with respect to the maintenance, direction, or administration of the Brand Development Fund.

F. If Franchisor assigns operation of the Brand Development Fund to an affiliate or other designee, such entity will have the same rights and obligations in relation to operation of the Brand Development Fund as Franchisor has under this Article 9.5.

**9.6 Advisory Franchisee Committee.** Once established by Franchisor, Franchisee and all franchisees of the System shall be members of the Advisory Franchisee Committee. As long as this Agreement remains effective, Franchisee shall be a member of Advisory Franchisee Committee or such successor franchise advisory council as may be sanctioned by Franchisor to serve as an advisory council to Franchisor with respect to advertising, marketing, reservations, and other matters relating to System Locations. All franchisees of the System shall be members of the Advisory Franchisee Committee. Franchisee shall pay to the Advisory Franchisee Committee all dues, assessments, and conference fees authorized by the Advisory Franchisee Committee and shall otherwise maintain its membership in the Advisory Franchisee Committee in good standing ("good standing" means the Advisory Franchisee Committee dues and assessments are current and Franchisee has not been given a notice of its default under this Agreement). Such fees shall be consistently applied to all franchisees in the System and Properties owned by Franchisor or its Affiliates. As of the date of this Agreement, no dues have been authorized by the Advisory Franchisee Committee.

**9.7 Location Directory.** Franchisee agrees to list the Location in the Do The Beach™ Location Directory and to furnish to Franchisor such information as Franchisor or its designee may request for that purpose. Franchisee understands and acknowledges that the success and utility of the Do The Beach™ Location Directory may require that it contain information concerning menu and activity prices and special offers; that Franchisee shall have sole discretion in determining any menu and activity prices and special offers for the Franchised Business which appears in each Do The Beach™ Location Directory; and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any failure by Franchisee or Franchisor's other franchisees to honor any Do The Beach™ Location Directory prices for the period during which each Do The Beach™ Location Directory is in effect.

**9.8 Online Ordering.** Should Franchisor elect to create an online ordering system. Franchisee shall participate in the Do The Beach™ online ordering system, and shall observe all terms and conditions of participation specified by Franchisor. Franchisee shall purchase, install, and maintain at the Location all equipment necessary for participation in the online ordering system required by Franchisor, including computer equipment and software and any future enhancements, additions, substitutions, or other modifications specified by Franchisor in the Manual or otherwise in writing. Franchisee shall also be responsible for other communication infrastructure charges for connecting Franchisee's online ordering equipment to the online ordering system and for the cost of supplies used in the operation of the equipment and for all other related expenses.

**9.9 Advertising Cooperative.** Franchisor has the right to establish, maintain, and terminate, local and regional advertising cooperatives for geographic areas (each an "**Advertising Cooperative**"). Each Advertising Cooperative will use the funds it receives only for the purposes set forth in this Agreement and shall operate pursuant to policies and procedures Franchisor establishes. All System Locations in the geographic area of the Advertising Cooperative will participate in the Advertising Cooperatives on the same basis. Franchisor will provide Franchisee written notice of the establishment of any Advertising Cooperative for the geographic area that the Franchised Business is located in, if and when an Advertising Cooperative for the geographic area is established. Franchisee may be required to contribute up to two percent (2%) of its Gross Revenue to the Advertising Cooperative. Franchisee will make those contributions either to Franchisor or directly to Franchisee's Advertising Cooperative, as Franchisor directs from time to time.

## **Article 10. Financial Reporting.**

**10.1 Maintenance of Books and Records.** Franchisee shall, in the manner and form specified by Franchisor in the Manual or otherwise in writing, prepare on a current basis (and preserve for at least five years from the date of preparation) complete and accurate books and records using such charts of accounts as Franchisor may require, and in accordance with generally accepted accounting principles concerning Gross Revenue and all financial, operating, marketing, and other aspects of the Location and the Franchised Business, and maintain an accounting system that fully and accurately reflects all financial aspects of the Location, the Franchised Business, and Franchisee. Such books and records shall include, but not be limited to, books of account, tax returns, governmental reports, daily and other periodic reports, and complete quarterly and annual financial statements (profit and loss statements, balance sheets, and cash flow statements). Franchisee's obligation to preserve such books and records shall survive the termination or expiration of this Agreement.

**10.2 Monthly Income Statement.** Unless automatically generated by the Franchisee's point of sale system, on or before the 20<sup>th</sup> day of the following calendar month, Franchisee shall submit to Franchisor an income statement prepared in accordance with generally accepted accounting principles (in such form and detail as Franchisor may require) that will support the computation of all amounts then due under Article 4.1 of this Agreement, provided that, if fees will become due under this Agreement at a different frequency than monthly, upon notice to Franchisee, Franchisor may require reports to be submitted at such frequency as to coincide with the frequency of the payment due dates. The statement shall include information for the preceding month as to Gross Revenue, other revenues, expenses, and such other information as Franchisor may require. Any report required to be submitted hereunder shall be submitted electronically, unless another format for submission is specified by Franchisor.

**10.3 Annual Reports.** At Franchisor's request, Franchisee shall submit to Franchisor as soon as available but not later than ninety (90) days after the end of Franchisee's fiscal year, at Franchisee's expense, a full and complete reviewed financial statement in writing setting forth the Gross Revenue and the computation of all amounts paid by Franchisee under Article 4.1 of this Agreement for such fiscal year. Such statement shall be prepared in such format and according to such standards as specified by Franchisor, which may include being prepared in accordance with generally accepted accounting principles, consistently applied, and being accompanied by a report from an independent certified public accountant that the statement has been examined in accordance with generally accepted auditing standards. In addition, at Franchisor's request, Franchisee shall submit to Franchisor true copies of all state sales tax returns relating to sales made at the Location at the same time the returns are filed with state authorities, and such other records as Franchisor may reasonably request, including, without limitation, state and federal income tax returns of Franchisee.

**10.4 Audits and Inspections of the Records.** Franchisor or its representatives, at Franchisor's expense, shall at all reasonable times have the right to inspect or audit the books, accounts, records, returns, and statements of Franchisee on the premises of Franchisee, such other location where they are kept, or to have such records sent to a separate location designated by Franchisor. The foregoing records may include, but are not limited to, state and federal income tax returns, credit card or any other third-party charge account statements, and any bank, savings and loan, brokerage, or other financial checking, money market, or savings account used for the Franchised Business. Franchisee shall fully cooperate with Franchisor and its representatives or agents conducting such inspections or audits and, upon request; Franchisee shall submit a written response to any issues raised in connection with said audits. In the event a discrepancy between reported Gross Revenue and actual Gross Revenue is uncovered in any

audit conducted pursuant to this Article for any reporting period (monthly, quarterly, or annually), Franchisee shall promptly pay the amount determined to be owing and, if the discrepancy exceeds 2% of reported Gross Revenue, Franchisee shall reimburse Franchisor for all costs of the audit, including travel, lodging, and wages of personnel of Franchisor or third parties required to conduct such audit. Franchisee shall also promptly reimburse Franchisor for the cost of any audit (including salaries, travel, and living expenses) necessitated by Franchisee's failure to file any financial report due hereunder and any deficiency in royalties or Brand Development Fund contributions disclosed by such audit. At Franchisor's option, Franchisee shall also immediately pay to Franchisor a late charge on the understated amount due from the date such amount was due until paid at the lesser of 1.5% per month or the maximum rate permitted by applicable law. The foregoing remedies shall be in addition to any other remedies Franchisor may have. Submission by Franchisee of more than 2 written statements of Gross Revenue which under-report Gross Revenue for any reporting period by 2% or more (regardless of any subsequent cure) shall constitute a material breach of this Agreement entitling Franchisor, at its option, the right to terminate this Agreement pursuant to Article 14.1.C. of this Agreement.

**10.5 Authorization of Financial Institutions and of Disclosure.** Franchisee hereby authorizes all banks and/or other financial institutions with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to the Location. Franchisee further authorizes Franchisor to disclose such information to prospective franchisees and state regulatory agencies; provided that such information is not identified as relating to the Location unless required by law or regulation and then only if Franchisor requests that such identification be held in confidence.

**10.6 Use of Operations Data.** The Franchisee agrees that Franchisor or its affiliates may disclose to third parties data concerning and relating, directly or indirectly, to the Franchisee, the operations of Franchisee, and Franchisee's customers, including, but not limited to information about Gross Revenue ("**Operations Data**"). Franchisee waives any notice in connection with the disclosure of Operations Data. Franchisor agrees that it, or its affiliates, will from time to time disclose to the Franchisee such operations data as it deems appropriate regarding other franchisees of Franchisor (Operations Data jointly with operations data of other franchisees, "**Systems Operations Data**"). Franchisor may, in its sole discretion, determine when and what System Operations Data will be disclosed, and may, without prior notice to, or consent from Franchisee, change the scope of the Systems Operations Data being disclosed to Franchisee or when it is disclosed. Systems Operations Data disclosed to Franchisee is disclosed solely for Franchisee's internal business purposes and to enable Franchisee to compare its results with those of other franchisees of Franchisor. The disclosed Operations Data and Systems Operations Data remains confidential information of Franchisor. Franchisee may not disclose Systems Operations Data to other franchisees of Franchisor, prospective franchisees of Franchisor, competitors of Franchisor, prospective purchasers of Franchisee or any of the Franchisee's assets, financial institutions, or any other third parties. The Systems Operations Data so disclosed will be based on information provided to Franchisor by its franchisees. Such information will not be verified by Franchisor or any of its affiliates. Franchisor has no obligation to correct Systems Operations Data disclosed after it learns that it was incorrect or incomplete, or to inform Franchisee thereof.

## **Article 11. Proprietary Marks and Trade Secrets; Competition.**

**11.1 Ownership of Proprietary Marks and System.** Franchisor is either the owner or the licensee of all Proprietary Marks. Franchisee acknowledges that ownership of all right, title, and interest in the System and all parts thereof, including, without limitation, the

Proprietary Marks and the design, decor, and image of all System Locations, is and shall remain vested solely in Franchisor and IP Owner. Franchisee expressly disclaims any right, title, or interest therein or in any goodwill derived therefrom.

**11.2 Franchisee's Use of Proprietary Marks and System.** The license granted hereby to use the Proprietary Marks is nonexclusive, and Franchisee agrees that such Proprietary Marks are and shall remain the property of IP Owner and shall not be contested as to ownership or validity by Franchisee. The Franchisor may develop different Proprietary Marks for different geographic markets and for different types of Franchised Businesses, in which case Franchisor may, in its sole discretion, determine which Proprietary Marks Franchisee may use under this Agreement. Franchisee understands and agrees that the grant of the license to use the Proprietary Marks is conditioned upon Franchisee's agreement that: (a) the Proprietary Marks shall be used only in connection with the Franchised Business (including in any of Franchisee's Online Presence) and only in the manner authorized by Franchisor; (b) Franchisee will not use the Proprietary Marks or parts thereof as part of its corporate or other legal name, will identify itself as a Franchisee, and will comply with all fictitious name and other statutes in connection with its use of the Proprietary Marks; (c) Franchisee will cooperate with Franchisor in protecting and defending the Proprietary Marks; and (d) Franchisee will comply with Franchisor's designations of additions, deletions, and changes in the Proprietary Marks. Franchisee's license to use the System, and any part thereof, is personal to Franchisee, and Franchisee shall not license, sublicense, or allow the System, or any part thereof, to be used by any other person, firm, or business association. All uses of the System by Franchisee inure to the benefit of Franchisor and with respect to the Proprietary Marks, to the benefit of IP Owner. Franchisee acknowledges and agrees that for purposes of protecting IP Owner's interest in the Proprietary Marks, IP Owner is a third-party beneficiary to this Agreement.

**11.3 Changes to the Proprietary Marks.** Franchisor reserves the right, in its sole discretion, to designate one or more new, modified or replacement Proprietary Marks for Franchisee's use and to require Franchisee's use of any such new, modified or replacement Proprietary Marks in addition to, or in lieu of any previously designated Proprietary Marks. Franchisee must, at its expense, comply with any such directive within sixty (60) days following its receipt of Franchisor's written notice.**Protection of Proprietary Marks and System.** Franchisee shall not, directly or indirectly, at any time during the term of this Agreement or thereafter, do, cause, or suffer to be done any act or thing disputing, attacking, or in any way impairing or tending to impair the right, title, or interest of Franchisor or IP Owner (to the extent applicable) in the Proprietary Marks or the System. Franchisee shall immediately notify Franchisor in writing of all infringements or imitations of the Proprietary Marks of which Franchisee becomes aware, and Franchisor or IP Owner (to the extent applicable) shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee shall fully cooperate with Franchisor or IP Owner (to the extent applicable) in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Proprietary Marks and agrees to be named as a party in any such action at Franchisor's request. Franchisor or IP Owner, as the case may be, shall bear any and all legal expenses incident to Franchisee's participation, at Franchisor's request, in any action to prevent the infringement or illegal use of the Proprietary Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Article, Franchisor shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities, or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Proprietary Marks.

**11.5 Identification of Franchised Business.** Franchisee shall use the Proprietary Marks as the sole identification of the Location; provided, however, that in all public records and in its relationship with other persons, on stationery, business forms, checks, or as otherwise required by Franchisor, Franchisee shall indicate Franchisee's independent ownership of the Franchised Business. Franchisee shall identify the Franchised Business as being independently operated, such as "Independently owned and operated by [Franchisee] through a Franchise Agreement with Do The Beach Franchising, LLC." Or "This Do The Beach™ Location is independently owned and operated by [Franchisee] through a Franchise Agreement with Do The Beach Franchising, LLC." Franchisee shall file so-called assumed name or doing business certificates with local or state authorities, as required by applicable law, showing its independent ownership of the Franchised Business. In no event shall Franchisee use the Proprietary Marks in connection with the sale of any product or service not authorized for sale by the Franchised Business. Franchisee shall not license, sublicense, or allow the Proprietary Marks to be used by any other person or business entity without Franchisor's prior written approval. In adopting any corporate, limited liability company, proprietorship, or partnership name, Franchisee shall not use the Proprietary Marks or any variation or abbreviation thereof, or any words confusingly similar thereto. Franchisee has no right to register any of the Proprietary Marks and shall not register any Proprietary Mark, or any abbreviation, acronym, or variation of any Proprietary Mark with the U.S. Patent and Trademark Office, the Canadian Intellectual Location Office, or with state, provincial, or other authorities, or to register any URL or other internet address, or Online Presence account or page name including any Proprietary Marks. Franchisee will not use any Proprietary Mark or any abbreviation, acronym, or variation of any Proprietary Mark as, or as part of, any URL, domain name, meta-tag, screen name, or name or identifier used for any purpose in Franchisee's Online Presence. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Franchisee to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade or service Proprietary Marks, Franchisee agrees to comply therewith within a reasonable time after written notice thereof by Franchisor.

**11.6 Trade Secrets.** Franchisee further acknowledges and agrees as follows:

A. Franchisor possesses certain Trade Secrets, and in general, recipes, methods, techniques, formats, specifications, programs, procedures, information systems, and knowledge, in the operation and franchising of family entertainment centers.

B. Franchisor will disclose the Trade Secrets to Franchisee in furnishing Franchisee with standard plans for the Location, in the Manual and any other materials, by providing training to Franchisee hereunder, and in the performance of Franchisor's other obligations and the exercise of its other rights under this Agreement. Franchisee hereby agrees that all materials lent or otherwise made available to Franchisee by Franchisor and all disclosures made to Franchisee hereunder including, without limitation, the Manual and other confidential commercial information identified as such by Franchisor are Trade Secrets of Franchisor and shall be kept confidential and used by Franchisee only in the operation of the Franchised Business. Franchisee will not, nor permit anyone else to, reproduce, copy, access or exhibit any portion of the Manual or any other confidential or proprietary information received from Franchisor. Franchisee shall not divulge any such Trade Secrets to any person other than Franchisee's employees and then only to the extent necessary for the operation of the Franchised Business.

C. Franchisee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the Franchised Business during the term of this Agreement. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed



to Franchisee in confidence and solely on the condition that Franchisee agrees, and Franchisee hereby agrees that Franchisee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any recipes, plans, the Manual, bulletins or supplements, and additions thereto; and (iv) will operate and implement all reasonable procedures prescribed by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets. Franchisee shall immediately notify Franchisor of any unauthorized use or disclosure of the Manual or any of the Trade Secrets or if the Manual or any other materials containing any Trade Secrets are lost or stolen.

D. The foregoing restrictions on Franchisee's disclosure and use of Trade Secrets shall not apply to information, processes, or techniques that are or become generally known and used by other similar family entertainment center concepts, other than through disclosure (whether deliberate or inadvertent) by Franchisee, and disclosure of Trade Secrets in judicial or administrative proceedings to the extent that Franchisee is legally compelled to disclose such information, provided, Franchisee shall have used Franchisee's best efforts, and shall have afforded Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

**11.7 Owners and Others Covered by Article 11.** Unless the context otherwise requires, the term "Franchisee" as used in this Article 11 shall include, individually and collectively, all partners, officers, directors, and managers of Franchisee, and owners or holders, directly or indirectly (and any partners, officers, directors, and managers of any such holder), of 5% or more of the beneficial interest in Franchisee.

**11.8 Confidentiality Agreements.** At Franchisor's request, Franchisee shall require and obtain execution of a Confidentiality Agreement in a form acceptable to Franchisor, (including a Confidentiality Agreement applicable upon the termination of a person's relationship with Franchisee) from any or all of the following persons: (a) all officers, directors, and holders of a beneficial interest of 5% or more of the securities of (i) Franchisee and (ii) any corporation directly or indirectly controlling Franchisee, if Franchisee is a corporation; (b) the general partners and any limited partners (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of such corporation or other entity which controls, directly or indirectly, any general or limited partner), if Franchisee is a partnership; (c) the managers and members (including any corporation or other entity, and the officers, directors, and holders of a beneficial interest of 5% or more of the securities of any corporation or other entity which controls, directly or indirectly, any member or manager), if Franchisee is a limited liability company; and (d) all of Franchisee's employees. Failure by Franchisee to obtain execution of the Confidentiality Agreement required by this Article, or to deliver such Confidentiality Agreement to Franchisor, shall constitute a material breach of this Agreement.

**11.9 General Manager Confidentiality Obligations.** Franchisee shall require every person employed as general manager of the Franchised Business to devote full time to such employment and to agree in writing to be bound by the restrictions set forth in this Article. Franchisee shall also take all reasonable steps to require other employees to be bound by the confidentiality provisions of this Article. Upon Franchisor's request, Franchisee shall promptly provide copies of all such agreements to Franchisor.

**11.10 Proprietary Marks in Electronic Commerce.** All use of the Proprietary Marks in electronic commerce, which includes all forms of electronic or computer communication,

including all Online Presence, must comply with the requirements set forth in the Manual. Franchisor may require that various types of marketing or advertising utilize a specific template or format. Franchisee must provide Franchisor with copies of all proposed applications for registrations of any of the Proprietary Marks or any variation thereof for use in and for electronic commerce, including Franchisee's website address, domain name and any other individual franchisee Online Presence. Franchisee must obtain Franchisor's prior written approval to file any such application, which Franchisor may withhold in its sole discretion. Upon expiration or termination of this Agreement, Franchisee agrees to transfer its website addresses and domain names to Franchisor upon Franchisor's written request. Franchisee will not receive any compensation for such transfer.

**11.11 Revisions of Article 11 and Injunctive Relief.** In the event any provision of this Article is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, then Franchisee agrees that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Franchisee agrees that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Article and agrees to the enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

**11.12 Covenant Not to Compete.** Franchisee acknowledges the uniqueness of the System and that Franchisor is making its knowledge, know-how, and expertise available to Franchisee for the purpose of operating the Franchised Business only at the Approved Location in the Protected Area. Franchisee agrees that it would be an unfair method of competition for Franchisee to duplicate, or to allow others to use or duplicate, any of the knowledge, know-how, or expertise for any reason other than the operation of the Franchised Business under this Agreement. Franchisee further recognizes the importance of devoting substantial time and energy to the Franchised Business. Therefore, Franchisee agrees that:

A. During the term of this Agreement, Franchisee shall not compete with Franchisor and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager, or otherwise, in any Competing Business (except another System Location); provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article.

B. For a period of two (2) years following the transfer (by Franchisee or by an owner signing an Owner's Acknowledgement to this Agreement), expiration, or termination of this Agreement for any reason, Franchisee shall not compete with Franchisor and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager or otherwise, in any Competing Business (except a System Location) anywhere in the Franchisee's Protected Area or the Protected Area of any other System Location; provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article. If Franchisee is in breach of this Article following the transfer, expiration or termination of this Agreement (including by continuing to operate the Location as a System Location after the Agreement has expired or terminated), the period of duration for the obligation set forth herein will be tolled until the resolution of any enforcement action taken by Franchisor against Franchisee to enforce this Article. The Franchisee covenants that it will not, for a period of two (2) years after the expiration,

non-renewal or termination of this agreement, regardless of the cause of termination, or within two (2) years of the sale of the Location or any interest in the Franchisee, solicit business from customers of the Franchisee's former Franchised Business or from any national accounts, or contact any of Franchisor suppliers or vendors for any competitive business purpose, or solicit any of its former Franchised Business' key or executive-level employees, or the key or executive-level employees of any franchised business operated by another franchisee, Franchisor or its affiliates to discontinue employment.

## **Article 12. Insurance and Indemnity.**

**12.1 Insurance.** During the term of this Agreement, Franchisee shall comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Franchised Business as well as all insurance requirements of Franchisor as set forth in the Manual or as otherwise communicated by Franchisor from time to time. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto, but in no event later than the Opening, and shall be written by insurance companies with an A.M. Best rating of A-VI or greater. As of the Effective Date, at a minimum, Franchisee shall maintain the following:

- (a) Commercial property insurance on the Location and all boilers, machinery, improvements, and/or betterments in, on, or to the Location. Coverage shall be provided on a "Special Cause of Loss" form, not be subject to any coinsurance provisions, and be in an amount not less than the full replacement cost of the Location. Such coverage shall also include the following:
  - i. Electronic and data processing with a sublimit no less than \$25,000 each occurrence;
  - ii. Equipment Breakdown, including spoilage damage coverage;
  - iii. Business Income/Extra Expense coverage for loss of profits and necessary continuing expenses, including coverage for payments of royalty fees and contributions to the Brand Development Fund, for any interruption in Franchisee's business operations, as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild;
  - iv. If the Location is located in an "earthquake prone zone" as determined by the U.S. Geological Survey, earthquake coverage with a limit equal to the full replacement cost of the Location or with a sublimit no less than \$ such amount as agreed upon between Franchisor and Franchisee, or if not specified by the parties, as may be required by the Manual; and
  - v. If the Location is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood coverage with a limit equal to the full replacement cost of the Location or with a sublimit no less than \$such amount as agreed upon between Franchisor and Franchisee, or if not specified by the parties, as may be required by the Manual.
- (b) Commercial General Liability (CGL) insurance with coverage for bodily injury, personal injury, property damage, contractual liability, products liability, completed operations, and independent contractors, written on the latest ISO CG 00 01 occurrence form or equivalent. The policy shall have minimum limits of (i) \$1,000,000 each occurrence for bodily injury and property damage, (ii) \$1,000,000 each occurrence for personal and advertising injury, (iii) \$2,000,000 general

aggregate, and (iv) \$2,000,000 products-completed operations aggregate. The general aggregate limit shall apply separately to the Location.

- (c) Business Automobile Liability insurance covering all of Franchisee's owned, non-owned, and hired automobiles with a minimum combined single limit of \$1,000,000 per accident for bodily injury and property damage.
- (d) Workers' Compensation and Employer's Liability insurance for all employees that work at the Location, regardless of whether Franchisee is able to exempt itself under applicable state law from the Workers' Compensation requirement, or whether the employees are full-time, part-time, temporary, seasonal, leased, or borrowed. The Workers' Compensation coverage provided shall be in accordance with the laws of the state where the Location is located, and the Employer's Liability coverage shall have limits of \$1,000,000 each accident for bodily injury by disease; \$1,000,000 each employee for bodily injury by disease; and \$1,000,000 policy limit for bodily injury by disease.
- (e) Excess or Umbrella Liability insurance which provides excess coverage over the underlying CGL policy with minimum limits of \$1,000,000 each occurrence and \$1,000,000 general aggregate.
- (f) Commercial Crime insurance for losses arising out of or in connection with any fraudulent or dishonest act committed by employees of Franchisee.

During any construction work at the Location, Franchisee shall maintain or cause its general contractor or design-builder to maintain Builder's Risk insurance or equivalent property insurance to cover that portion of the work to be constructed, installed, altered, or repaired. Such coverage shall include the interests of Franchisor, Franchisee, any mortgagee, the general contractor or design-builder, any subcontractors, and any other party having an interest in the work. Franchisee shall also flow down the requirements of this Article 12.1 to all contractors or design-builders performing such work, to the extent applicable.

**12.2 Waiver of Subrogation and Additional Insureds.** All policies of insurance specified herein shall contain a provision or endorsement whereby the insurers waive any rights of subrogation against the Indemnitees. The insurance policies required by subparts (b), and (c) of Article 12.1 shall name the Indemnitees as additional insureds and such policies shall apply on a primary and non-contributory basis to any insurance maintained by the Indemnitees. Upon execution of this Agreement, Franchisee shall deliver Certificates of Insurance to Franchisor evidencing Franchisee's compliance with the insurance requirements herein. An updated Certificate of Insurance shall be provided any time a policy required herein is renewed or a carrier is changed. Franchisee shall provide Franchisor with notice of cancellation of any insurance policy required herein promptly after receiving such notice from its respective insurance carrier(s). Franchisor shall have the option, at any time during the term of this Agreement, to request and examine complete policies of insurance from Franchisee.

**12.3 Sufficiency of Insurance Not Guaranteed.** Franchisee acknowledges and understands that Franchisor makes no representation or warranty with respect to the adequacy or sufficiency of the insurance required under this Article, and that Franchisee shall have the sole responsibility to determine whether additional insurance or higher limits are appropriate. Franchisee should consult with its own insurance agents, brokers, attorneys or other insurance

advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required herein. Franchisor's review and verification of certain elements of the franchisee's insurance does not in any way reduce or eliminate Franchisee's obligations to fully comply with all insurance requirements. It is Franchisee's sole obligation to fully comply with these insurance requirements and it is Franchisee's sole obligation to confirm with its insurance providers that its policies are in compliance.

**12.4 Franchisor's Right to Obtain Insurance.** If Franchisee does not obtain and maintain the insurance coverage required by this Agreement, as revised by the Manual or otherwise in writing, Franchisor may, but shall not be obligated to, procure such insurance, and the cost or expense thereof, together with a reasonable fee for Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon demand.

**12.5 Indemnity.** Franchisee shall release, defend, indemnify, and hold the Indemnitees harmless from and against any and all fines, damages, legal fees, costs, expenses, and other liabilities suffered or incurred by the Indemnitees by reason of any actual or threatened claim, demand, lawsuit, tax, penalty, investigation, or other proceeding ("**Claim**") (even where Indemnitee's negligence or other wrongful conduct is alleged) arising directly or indirectly from, as a result of, or in connection with (a) any application submitted to Franchisor, (b) the development, construction, operation, condition, use, occupancy, or sale of the Franchised Business, (c) the operation of the Franchised Business, (d) any occurrence at or on the Location premises or any other place where the Franchised Business is operated, permanently or temporarily, (e) any unauthorized use of any customer data, (f) any breach of any terms or provisions of this Agreement by Franchisee, and/or (g) any offering of securities, units, or other ownership interests of Franchisee, including, without limitation, the violation of any federal and/or state securities laws. Notwithstanding the foregoing, Franchisor shall have the right, through counsel of its choice, to control the defense of any matter to the extent Franchisor reasonably determines that such matter may have a significantly adverse effect on any of the Indemnitees. Franchisee's indemnity obligations under this Agreement shall survive the expiration or other termination of this Agreement and shall be in addition to all other rights and remedies of Franchisor. Franchisee's obligations to indemnify Franchisor under this Article shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of its obligation to maintain insurance relieve Franchisee of liability under this indemnity provision or be construed to be a limitation on the amount of Franchisee's indemnity obligations. The right of the Indemnitees to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on the Indemnitees by statute, ordinance, regulation, or other law; provided, however, that Franchisee shall not be required to indemnify the Indemnitees from any Claim to the extent proven or agreed between the parties to have been caused by the sole or gross negligence or willful misconduct of the Indemnitees.

### **Article 13. Transfer of Interest or Management.**

**13.1 Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of this Agreement, or all or any of its rights or obligations herein to any person or legal entity and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

**13.2 Transfer by Franchisee.** This Agreement is not transferable by Franchisee except as permitted herein. The rights and duties set forth in this Agreement are personal to Franchisee and are granted in reliance on the individual and collective business skill, financial capacity, and personal character of Franchisee and its owners. Accordingly, neither this

Agreement or the license granted hereunder, any part or all of any owner's direct or indirect ownership interest in Franchisee, the Franchised Business, the Location, nor a substantial portion of the Franchised Business' assets (collectively, the "**Franchised Interests**"), may be transferred by Franchisee without Franchisor's prior written approval, and then only in accordance with the provisions of this Agreement. Any purported Transfer by Franchisee, by operation of law or otherwise, which is not permitted hereunder, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate in accordance with Article 14.1.C. without opportunity to cure.

**13.3 Grant of Security Interest.** Franchisee shall grant no security interest, lien, mortgage, or deed of trust, in this Agreement, in any or all of the real estate or fixtures of the Location or other assets of the Franchised Business, without the prior written consent of Franchisor and then only if the secured party, lien holder, mortgagee or beneficiary of the deed of trust provides Franchisor with a non-disturbance agreement or comfort letter as to such assets in form and substance reasonably acceptable to Franchisor.

**13.4 Transfer from Individual Franchisee to Entity.** In the event that Franchisee is an individual and proposes, subsequent to the execution of this Agreement, to transfer this Agreement to a corporation, partnership, or limited liability company formed by Franchisee, Franchisor's consent to such transfer shall be conditioned upon satisfaction of and compliance with Article 7.20 of this Agreement and to the following additional requirements:

A. Franchisee shall be the owner of all of the voting stock, interests, or units of the corporation, partnership, or limited liability company; and, if Franchisee is more than 1 individual, each individual shall have the same proportionate ownership interest in the corporation, partnership, or limited liability company as he or she had in Franchisee prior to the transfer.

B. All transferors shall execute a release of claims and a written agreement personally guaranteeing the full payment and performance of Franchisee's obligations to Franchisor from the date of transfer and agreeing to be bound by all the terms and conditions of this Agreement.

**13.5 Right of First Refusal.** Any transfer of any or all ownership interest, control, or voting rights in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, except for a transfer made under Article 13.4, shall be subject to Franchisor's right of first refusal to such interest or assets (each a "**Right of First Refusal Transfer**"). Except in the event of a transfer pursuant to Article 13.4, if Franchisee or any of its owners receive a bona fide offer for the sale of any or all ownership interest in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, they shall notify Franchisor of the offer. If the transfer is a Right of First Refusal Transfer, Franchisor shall have the right for a period of thirty (30) days after: (i) the notice is submitted; and (ii) all other information requested by Franchisor has been received by Franchisor; to exercise a right of first refusal and substitute itself for the proposed transferee in the transaction. If Franchisor declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify Franchisor, and Franchisor shall have the further right to exercise its right of first refusal over the revised transaction for a period of thirty (30) days from the date of receipt from Franchisee of written notice of the change in terms and conditions. Should Franchisor exercise its right of first refusal, Franchisor shall have not less than an additional sixty (60) days from any closing date specified in the third party offer to close the transaction, and Franchisor shall have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. If Franchisor does not exercise its right of first refusal,

Franchisee or the transferring owners may make a transfer on the terms and conditions of the offer considered by Franchisor, if Franchisee and its owners have complied with all of the provisions of this Article.

**13.6 Death or Incapacity.** Upon Franchisee's death or Incapacity, or, if Franchisee is a corporation, partnership, or limited liability company, upon the death of an owner of a Controlling Interest or upon the determination by Franchisor that the owner of a Controlling Interest is Incapacitated, Franchisee's or such owner's executor, administrator, conservator, guardian, or other legally appointed personal representative must transfer Franchisee's interest in this Agreement or the owner's interest in Franchisee to a third party. Such disposition of this Agreement or the interest in Franchisee of an owner of a Controlling Interest (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 1 year from the date of death or Incapacity, and will be subject to all of the terms and conditions applicable to transfers contained in this Article 13. A failure to transfer Franchisee's interest in this Agreement or the interest of an owner of a Controlling Interest in Franchisee within this period of time constitutes a breach of this Agreement. Franchisee's interest in this Agreement or any owner's interest in Franchisee which is an entity may, with Franchisor's consent, which will not be unreasonably withheld, be transferred to the decedent's spouse, parent, sibling, or direct descendant or to spouse's direct descendant. Adequate provision must be made, in the sole discretion of Franchisor, for management of the Location during such period. Franchisee hereby authorizes Franchisor or its agents and Affiliates to operate the Location for so long as Franchisor deems necessary during such period to avoid disruption in the operation of the Location. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability.

**13.7 Public and Private Offerings.** Securities, units, or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of Franchisor (whether or not Franchisor's consent is required under Article 13.2 of this Agreement). If Franchisee requests consent for a public offering, Franchisor may grant or withhold its consent in its sole discretion based solely upon what Franchisor deems to be in its best interests. If Franchisee requests consent for a private offering, Franchisor will not unreasonably withhold its consent. All materials required for such offerings by federal or state law shall be submitted to Franchisor for review prior to their being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No Franchisee offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of Franchisee or Franchisor securities, and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed public offering, Franchisee shall pay to Franchisor a fee of \$25,000, or such higher amount that covers Franchisor's reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisor at its discretion may refund any unused portion of such fee. For each private offering of securities, Franchisee shall pay to Franchisor a fee of \$10,000 or such higher amount that covers Franchisor's reasonable costs and expenses associated with reviewing the proposed private offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least ninety (90) days prior to the date of commencement of any public offering and at least thirty (30) business days

prior to the date of commencement of any private offering or other transaction covered by this Article.

**13.8 Minority Transfers to Employees.** Notwithstanding any provision to the contrary contained in this Article, Franchisee may transfer not more than an aggregate of 25% of the outstanding voting shares, units, or ownership interests of a Franchisee operating as a corporation, partnership, or limited liability company to employees of Franchisee who are actively engaged in the Location operations, if such transfers, alone or together with other previous, simultaneous, or proposed transfers, do not have the effect of transferring a Controlling Interest in Franchisee. The ownership of such shares, units, or ownership interests by such employees will be subject to all of the terms and conditions of this Agreement, including, without limitation, Article 11 and Article 13 of this Agreement. Franchisee shall provide Franchisor with written notice of any such proposed transfer and all pertinent information regarding the same not later than 30 days prior to the proposed date of transfer.

**13.9 Conditions to Transfers.** Franchisor shall not unreasonably withhold any consent required under this Article 13; provided, that Franchisor shall have the right to require any or all of the following as conditions of its approval of a Transfer:

A. except for a Transfer pursuant to Articles 13.3, 13.4, 13.7, and 13.8, that each proposed transferee shall be required to submit an application for a new franchise. Franchisor will process such application in accordance with Franchisor's then-current procedures, criteria, and requirements regarding fees, upgrading of the Location, credit, operational abilities and capabilities, prior business dealings, and other factors Franchisor deems reasonable.

B. that each transferor and its owners shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates, successors, and assigns, including, without limitation, claims arising under this Agreement, and any other agreement between Franchisee and Franchisor or its Affiliates;

C. that the transferee owners shall guarantee, in a form satisfactory to Franchisor, the performance of all obligations of the Franchisee from the date of Transfer;

D. if the proposed Transfer would result in a Change in Control of Franchisee, that the transferee shall execute the then-current form of Franchise Agreement being offered to new Franchisees for the remainder of the term of this Agreement. The transferee shall execute such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and/or advertising fee.

E. if the proposed Transfer does not result in a Change of Control of Franchisee and does not have the effect of transferring a Controlling Interest in Franchisee, Franchisee will pay a transfer fee of \$1,500; if the Transfer results in a Change of Control of Franchisee, Franchisee will pay a transfer fee of \$5,000 or the actual costs, including legal fees, incurred by Franchisor in connection with the evaluation and approval of such transfer. Such fee is in lieu of any application fee or Initial Franchise Fee normally required under a new Franchise Agreement, and is intended to reimburse Franchisor for reasonable fees and expenses incurred by Franchisor in facilitating the proposed Transfer.



F. that all monetary obligations of Franchisee hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of its obligations hereunder including, without limitation, its reporting obligations;

G. if a proposed Transfer would result in a Change in Control of Franchisee, and if so requested by Franchisor, transferor, at its expense, shall upgrade the Location to conform to the then current standards and specifications of new Properties then-being established in the System, and shall complete the upgrading and other requirements set forth in this section within the time specified by Franchisor;

H. that the transferor shall continue to be bound by, and remain liable for all of the obligations to Franchisor in connection with the Franchised Business that arose prior to the effective date of the Transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

I. if a proposed Transfer would result in a Change in Control of Franchisee, at Franchisee's expense, the transferee, or, if the transferee is a business entity, one of its owners, shall complete to Franchisor's satisfaction all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require, including the payment of a fee for attendance at such training programs (the transferee shall be responsible for the salary and all expenses of the person who attends training);

If the proposed Transfer is not approved by Franchisor and Franchisee proceeds to transfer the Franchised Business or securities, units, or other ownership interests in Franchisee to any proposed new owner, then this Agreement shall terminate pursuant to Article 14 hereof and Franchisor will be entitled to all of its remedies. Neither the Agreement nor any rights hereunder shall be transferable in the event that the Franchisee is in default under the Agreement.

**13.10 No Waiver of Claims.** Franchisor's consent to a Transfer by Franchisee of any interest in the license granted herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

#### **Article 14. Default and Termination.**

**14.1** This Agreement may not be terminated prior to the expiration of its term except as provided in this Article. Termination of this Agreement shall not relieve Franchisee of any unfulfilled obligations to Franchisor created hereunder unless it is so agreed by Franchisor in writing. This Agreement may be terminated as follows:

A. Upon the mutual agreement of the parties in writing to a termination.

B. At Franchisor's option, effective immediately upon the giving of written notice to Franchisee, in the case of a condemnation of a substantial portion of the Location in accordance with Article 7.23 of this Agreement, or if Franchisee (i) fails to submit a site application, commence construction of the Location, complete construction of the Location, or open the franchised Location and commence operations within the time schedule established under Article 5 of this Agreement; (ii) ceases to operate the Franchised Business or otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction where the Location is located; (iii) is convicted of a felony or other crime involving moral turpitude, consumer fraud, or crime or

offense Franchisor believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the System and the goodwill associated therewith; (iv) transfers (including transfers following death or Incapacity) of any rights or obligations in violation of the terms of Article 13 of this Agreement; (v) misuses or discloses confidential information in violation of Article 11 of this Agreement; (vi) knowingly makes any false statements in any report or document submitted to Franchisor; (vii) submits more than two written statements of Gross Revenue which under-report Gross Revenue for any reporting period by 2% or more; (viii) suffers a final judgment to remain unsatisfied or of record for thirty (30) days or longer (unless superseded as bond is filed), or has execution levied against Franchisee's business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within thirty (30) days; (ix) becomes insolvent or has a receiver appointed to take possession of Franchisee's business or property or any part thereof or makes a general assignment for benefit of creditors; (x) is in default in paying any monies to Franchisee's landlord or to any supplier under the normal payment terms and conditions of the landlord or such supplier and fails to cure such default and satisfy Franchisor that such default has been cured within thirty (30) days after receiving notice from Franchisor to cure the same; (xi) engages in public conduct that reflects materially and unfavorably upon the operation of the System, the reputation of the System, or the goodwill associated with the Proprietary Marks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination; (xii) is in default under any other franchise agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or, if such default is curable, has not cured such default within the applicable cure period; or (xiii) or any Affiliate defaults under any franchise agreement or other agreement with Franchisor or any of its Affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period.

C. At Franchisor's option, without notice, in the event Franchisee shall become bankrupt or become subject to a proceeding under any chapter of the United States Bankruptcy Code, unless Franchisee shall: (i) timely undertake to reaffirm the obligations under the Agreement, (ii) timely comply with all conditions as legally may be imposed by Franchisor upon such an undertaking to reaffirm the Agreement, and (iii) timely comply with such other conditions and provide such assurance as may be legally required in or under relevant provisions of the United States Bankruptcy Code; provided, however, that the parties acknowledge that this Agreement constitutes a personal services contract made in reliance on the qualifications and personal characteristics of Franchisee and its directors, officers, managers, shareholders, members, or partners, as the case may be, and in the expectation of a material degree of personal involvement in the management and operation of the Franchised Business, and consequently, the parties agree that any attempt by any other party, including a trustee in bankruptcy or any other third party, to assume or accept a transfer or assignment of this Agreement shall be void, and that in no event shall this Agreement or any rights or duties of Franchisee hereunder, be transferred to any individual or entity who does not comply with all requirements for transfer specified in this Agreement.

D. At the election of Franchisor, effective upon the expiration of thirty (30) days after giving of written notice (ten (10) days in the case of non-payment of any Payment or other financial obligation), in the event Franchisee defaults, and does not cure to Franchisor's reasonable satisfaction within the thirty (30) day (or ten (10) day) notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures

prescribed for the Franchised Business in this Agreement, the Manual, or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any 6-month period, and any subsequent occurrence of the same or substantially similar default within such 6-month period shall entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.

**14.2 Forbearance is Not Waiver.** No forbearance of Franchisor from asserting any default or giving any permitted notice of termination shall constitute a waiver of such default or right to terminate or an estoppel against such right as to any continuing default or subsequent occurrence of a default, whether similar or dissimilar in nature to the prior default. The rights of Franchisor to terminate this Agreement are in addition to, and not in lieu of, other remedies available at law or equity for defaults by Franchisee in the payment and performance of its obligations hereunder.

**14.3 Purchase Option.** Upon termination or expiration of this Agreement for any reason after Opening, Franchisor will have the option, exercisable by giving written notice to Franchisee within thirty (30) days from the effective date of termination or expiration, to purchase the Franchised Business and assume any or all of Franchisee's agreements relating to the Franchised Business. Assets of the Franchised Business will include without limitation, site agreements, leasehold improvements, equipment, fixtures, furniture, furnishings, signs, inventory and assignable licenses. Franchisor will have the right to assign this option. Franchisor or its assignee will be entitled to all customary warranties, representations and pro rata in connection with its asset purchase. Franchisee shall cooperate with Franchisor in obtaining any necessary lessor or other consents.

(i) Once Franchisor gives notice that it will purchase the assets of the Franchised Business, it shall have the right immediately to take over the operation of the Franchised Business. From the date Franchisor takes over the Franchised Business to the date of closing the purchase of such assets, Franchisor shall be entitled to use revenues of the Franchised Business to operate the Franchised Business and to retain as its management fee 5% of the balance of such gross sales.

(ii) The purchase price for the assets of the Franchised Business shall be determined by an appraiser appointed by Franchisor. At Franchisee's option and expense, Franchisee may appoint a separate appraiser to also determine the purchase price. If the higher of the two prices does not exceed the lower by more than 10% of the lower price, the purchase price shall be 105% of the lower purchase price. If the higher of the two prices exceeds the lower by more than 10% of the lower price, the two appraisers shall select a third appraiser, to be paid for by Franchisee, who shall determine the purchase price. Each appraiser shall determine the purchase price within thirty (30) days of his or her appointment. All the appraisers must be members of the Appraisal Institute. If the purchase price is not acceptable to Franchisor, it may withdraw its offer to purchase by written notice to the Franchisee. Franchisor shall have ten (10) days from the determination of the final purchase price, to determine whether to purchase the Franchised Business assets.

(iii) The purchase price shall be paid in cash at the closing of the purchase, by means of check, wire transfer or electronic funds transfer, which shall take place no later than ninety (90) days after Franchisee's receipt of notice of Franchisor's exercise of the option to purchase, at which time Franchisee must deliver instruments transferring to Franchisor or its assignee: (1) good and marketable title to the assets purchased, free and clear of all

liens and encumbrances (other than liens and security interests acceptable to Franchisor or its assignee), with all sales and other transfer taxes paid by Franchisee; and (2) all licenses to the Franchised Business and/or permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. Franchisor will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to Franchisor, the amount of any encumbrances or liens against the assets, and any liability of Franchisee assumed or paid for by Franchisor.

#### **14.4 Franchisor's Alternative Remedies Upon Franchisee's Default.**

A. In addition to, and without limiting Franchisor's other rights and remedies under this Agreement, any other agreement or applicable law, if Franchisee's default is such that, in Franchisor's sole judgment, the Franchised Business does not fairly represent the quality and standards of the System, Franchisor may, temporarily in lieu of termination, either upon the occurrence of any default or upon Franchisee's failure to cure such default elect, in its sole discretion and upon written notice to Franchisee, take any or all of the following actions without terminating this Agreement until such time as Franchisor confirms in writing that such default has been cured: (1) temporarily remove information concerning the Franchised Business from any Online Presence for the Do The Beach™ network, other marketing channels, and/or restrict Franchisee's participation in other programs or benefits offered on or through any such Online Presence; (2) temporarily suspend Franchisee's right to participate in any advertising, marketing, promotional, or public relations programs that Franchisor or the Brand Marketing Fund provides, authorizes, or administers; (3) withhold the provision of any services required to be performed by Franchisor under this Agreement for a period of time determined by Franchisor in its sole discretion; (4) assess a non-compliance fee in the amount of 1% of the Gross Revenue of the Franchised Business for each month in which that non-compliance has occurred or continued for one or more days, in order to compensate Franchisor for damage to the reputation of Proprietary Marks and the entire System; and (5) at Franchisee's expense, require Franchisee, Franchisee's owners and/or general manager to attend and successfully complete System training designated by Franchisor.

B. Because fees charged by Franchisor for access to any Online Presence and other marketing channels are generally set to cover the cost of the channels and charged on a pro rata basis, Franchisee shall continue to pay such fees, so that Franchisee's default does not negatively impact other Franchisor franchisees. Franchisor's exercise of any of the alternatives to termination set forth in this Article will not constitute a waiver of Franchisor's right to terminate this Agreement due to the underlying default and Franchisor may at any point exercise such right, in spite of having exercised its rights under this Article.

**14.5 Temporary Management by Franchisor.** In the event of any default under this Agreement, in order to prevent any interruption of the Franchised Business, which Franchisee agrees would cause harm to the Location and the System, Franchisee authorizes Franchisor or its agents and Affiliates to operate the Location for so long as Franchisor deems necessary and practical in its sole discretion. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability, and

the rights described in this Article may be exercised or not exercised in Franchisor's sole and absolute discretion.

**Article 15. Obligations Upon Termination.**

15.1 Upon expiration or termination of this Agreement for any reason:

A. All rights granted hereunder to Franchisee shall terminate;

B. Franchisee shall immediately and permanently cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a Franchisee of Franchisor;

C. Franchisee shall immediately and permanently discontinue the use of all Proprietary Marks, all similar names and marks, or any other designation or mark indicating or tending to indicate that Franchisee is or was a Franchisee of Franchisor. Franchisee shall promptly amend or terminate any filings or registrations with any governmental authorities containing or pertaining to the use of Franchisor's name and Proprietary Marks. Franchisee shall not promote or advertise the fact that it was formerly a Franchisee of Franchisor;

D. Franchisee shall surrender and transfer to Franchisor or its designee any and all rights to use the telephone numbers, other business listings, and social media accounts and all other accounts and pages in any form of Online Presence used by Franchisee for the Franchised Business. Franchisee agrees to cooperate and execute any and all documents required to affect transfer of the telephone numbers and other business listings from Franchisee to Franchisor or its designee.

E. Franchisee shall immediately turn over to Franchisor all materials, including, without limitation, the Manual (in whatever form Franchisee may have) and all other manuals, all customer and supplier lists, marketing materials, recipes, instructions, any Online Presence references and brochures, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, custody, or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law;

F. Franchisee shall immediately and permanently discontinue all advertising as a Franchisee of Franchisor, including but not limited to removal of all signs and other identifying marks and colors, and shall destroy or surrender to Franchisor any letterheads, forms, printed matter, and advertising containing Franchisor's Proprietary Marks and any similar or related names marks or designations tending to indicate that Franchisee is or was an authorized Franchisee of Franchisor;

G. Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Location so clearly from its former appearance and from other System Locations as to prevent any possibility of confusion therewith by the public, and to prevent the operation of any business at the location of the Location by Franchisee or others in derogation of this Article (including, without limitation, removal of all distinctive physical and structural features identifying Location in the System including, without limitation, removal of all signs and emblems, and changing of telephone numbers and other directory listings).

Franchisee shall, at Franchisee's expense, immediately make such specific additional changes as Franchisor may reasonably request for this purpose. Franchisee agrees that for ninety (90) days following termination or expiration, Franchisor or its designated agents may enter the Location and adjacent areas, and hereby grants Franchisor an irrevocable license and permit to go upon the Location premises for such purposes, at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others. Franchisee acknowledges that such actions by Franchisor are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Franchisee or others. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order;

H. Franchisee shall immediately and permanently cease using Franchisor's System, including, but not limited to the Manual, any other operating or training manuals or aids, intranet, advertising and promotional materials, and all confidential material delivered to Franchisee pursuant to this Agreement;

I. Within ten (10) days following termination or expiration, Franchisee shall provide Franchisor with an inventory of all items in the Location. Franchisor shall have the right, at its sole option, for a period of sixty (60) days following receipt of such inventory list, to purchase at fair market value all usable materials owned by Franchisee bearing the Proprietary Marks, and/or to purchase Franchisee's supplies, FF&E and signage used in the Location or at the Approved Location at their fair market value. Franchisee shall not during such sixty (60) day period remove from the Location or the Approved Location, transfer, assign, hypothecate, pledge, or otherwise encumber such FF&E or moveable signs;

J. Franchisee shall within ten (10) days from termination or expiration pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include payment of all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property (including, without limitation, signage, equipment, furnishings, furniture, and supplies) owned and used by Franchisee in connection with the Location at the time of default; and

K. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

L. In order to prevent any interruption of the franchise business, which Franchisee agrees would cause harm to the Location and the System, if Franchisee is unable to operate the business for any reason whatsoever, Franchisee authorizes Franchisor or its agents and Affiliates to operate the Location for so long as Franchisor deems necessary and practical in its sole discretion. All income from the operation of the business will be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses of Franchisor and its agents, in an amount equal to ten percent (10%) of Franchisee's Gross Revenue, will be charged to this separate account. Nothing in this Article is intended to require Franchisor to operate the business in the event of Franchisee's inability, and the rights described in this Article may be exercised or not exercised in Franchisor's sole and absolute discretion.

**15.2 Liquidated Damages.** The parties recognize the difficulty of ascertaining damages to Franchisor resulting from premature termination of this Agreement and have provided for Liquidated Damages, which Liquidated Damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided and which are the only damages for the premature termination of this Agreement and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment. Accordingly, if this Agreement is terminated pursuant to Articles 14.1.B or 14.1.D, or by Franchisee without cause, Franchisee shall pay to Franchisor within ten (10) days of termination a lump sum payment (as Liquidated Damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the total of all amounts required under Article 4 of this Agreement (including Royalty Fees and Brand Development Fund Fees, Web Strategy, Technology and Intranet Fee, pro-rata marketing and advertising fees) for the twenty-four (24) calendar months of operation of the Location under the System immediately preceding Franchisee's default, or if there have not been twenty-four (24) full calendar months of actual operation under the System, then for the period of time the Location has been in actual operation under the System projected over a twenty-four (24) calendar months basis.

**15.3 Obligation to Preserve Records.** Termination of this Agreement shall not relieve Franchisee of the obligations under Article 10 hereof to maintain and preserve financial and other records and to make them available for inspection and audit by Franchisor.

**15.4 Survival of Certain Provisions.** All covenants, obligations, and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of the term of this Agreement, including, without limitation, those set forth Article 11.12.B and in Articles 14 and 15 of this Agreement shall survive such termination or expiration.

## **Article 16. Additional Covenants.**

**16.1 Responsibility for Operation of Franchised Business.** Franchisee agrees and acknowledges that, prior to executing this Agreement, Franchisee has made such investigation of Franchisor and the System as Franchisee deems necessary, that Franchisee understands that the results of operations of the Franchised Business are dependent upon the efforts and management of Franchisee, and Franchisee hereby assumes full responsibility for such operations.

**16.2 No Fiduciary Relationship.** It is understood and agreed by all parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name or on Franchisor's behalf, and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business, or any claim or judgment arising therefrom against Franchisor. Franchisee agrees that Franchisor is not in a position to, and does not undertake to, exercise control over the employment, supervision, or discharge of Franchised Business employees and except as is necessary to protect the quality of the System (brand) and of the products and services rendered at the Franchised Business has no right to do so; Franchised Business maintenance; customer safety and health; or other matters arising out of or affecting Franchised Business operations, which are part of the day-to-day

operation of the Franchised Business and within the responsibility of Franchisee as a qualified independent business operator. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the premises of the Franchised Business, and, as directed by Franchisor, in Franchisee's advertising and on Franchisee's agreements, forms, stationery, and promotional materials.

**16.3 Method and Application of Payments.** All payments to Franchisor hereunder shall be made payable to Do The Beach Franchising, LLC and, except as provided in the next sentence, shall be tendered to Franchisor in person at the address set forth in Article 18 below, or by making such Payment by mail, postage prepaid, to that address. At Franchisor's option, Franchisee shall make payments to Franchisor hereunder by wire transfer, electronic funds transfer, or such other payment method as directed by Franchisor, to an account or accounts specified by Franchisor. All Payments received by Franchisor from Franchisee shall be applied to the oldest obligation, regardless of any contrary designation by Franchisee. Franchisee agrees that Franchisee will not, on grounds of the alleged non-performance by Franchisor of any of its obligations hereunder, withhold payment of any royalties, marketing and advertising contributions, amounts due to Franchisor for purchases by Franchisee, or any other amounts due Franchisor.

**16.4 Economic Sanctions and Anti-Terrorism Laws.** Franchisee and its owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. Franchisee represents and warrants that neither it nor any of its direct or indirect owners, directors, officers, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Location and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("**Anti-Terrorism Laws**"). Franchisee and its owners may not engage in any activity that would expose Franchisor to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

**16.5 Owner's Guaranty/Owner's Acknowledgment.** If Franchisee is an entity, each of its owners must execute an Owner's Guaranty in Franchisor's favor and deliver the executed Owner's Guaranty to Franchisor concurrently with execution of this Agreement, or if such ownership interest is acquired later, within ten (10) days after obtaining the interest as an owner. All owners must also sign the Owner's Acknowledgment which follows the signature block of this Agreement.

## **Article 17. Approvals and Waivers.**

**17.1 Requests for Approval.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent shall be obtained in writing. Except as otherwise expressly provided herein, Franchisor may withhold any consent or approval herein at its discretion.

**17.2 Franchisor's Discretion.** Franchisor shall have no liability for withholding any consent or approval or for any delay or inaction in connection therewith, and the granting of



any approval or consent shall not imply or constitute any representation, warranty, guaranty, or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

17.3 **No Waiver.** No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, or any other Franchisee, of any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any obligations due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

## **Article 18. Notices.**

Unless otherwise specifically stated elsewhere in this Agreement, any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, mailed by certified or registered mail, postage prepaid, return receipt requested, or sent via a nationally recognized overnight delivery service, or sent by facsimile (with a confirming copy mailed) to the respective parties at the following addresses or facsimile unless and until a different address or facsimile number has been designated by written notice to the other party:

NOTICES TO  
Franchisor:

Do The Beach, LLC  
7431 Sawyer Circle,  
Port Charlotte, Florida 33981  
ATTN: \_\_\_\_\_

NOTICES TO  
FRANCHISEE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
ATTN: \_\_\_\_\_

Any notice shall be deemed to have been given at the earlier of actual receipt or three business days after mailing by certified or registered mail, or one business day after sending by facsimile or overnight delivery service.

## **Article 19. Dispute Resolution.**

19.1 **Negotiations.** In the event of any unsettled claims, disputes, or controversies between Franchisor and Franchisee, and other matters arising between them relating to this Agreement, the dealings or relationship between them, or Franchisee's development or operation of the Franchised Business ("**Dispute**"), a party shall send written notice to the other party of any Dispute ("**Dispute Notice**"). The parties shall first attempt in good faith to resolve any Dispute set forth in the Dispute Notice by negotiation and consultation between themselves, including not fewer than two (2) negotiation sessions attended by the chief executive officer or president of Franchisee, and the chief executive officer, president, or other executive of Franchisor. In the event that such Dispute is not resolved on an informal basis within thirty (30) Business Days after one party delivers the Dispute Notice to the other

party, whether the negotiation sessions take place or not, either party may initiate mediation under Article 19.2.

**19.2 Mediation.** If a Dispute is not resolved following negotiations as set forth in Article 19.1, either party has the option of initiating a mediation procedure by submitting a written request for mediation to a mediator mutually agreed upon between Franchisor and Franchisee, and if the parties cannot agree, to the American Arbitration Association (in accordance with the Commercial Mediation Rules).

A. The mediation process shall begin promptly, but in no event later than thirty (30) days after cessation of negotiations between the parties, and shall be concluded within thirty (30) days of the day the request for mediation is made, unless the parties mutually agree otherwise.

B. Mediation shall be private, voluntary, and nonbinding. The mediator shall be neutral and impartial. The mediator's fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.

C. Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

D. All mediation proceedings shall take place in the city where Franchisor maintains its principal place of business at the time of the mediation.

**19.3 Temporary Restraining Orders and Injunctive Relief.** Notwithstanding anything to the contrary contained in this Article, Franchisee and Franchisor each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. Franchisee and franchisor are not required to engage in negotiation regarding the Dispute pursuant to Article 19.1, or in mediation pursuant to Article 19.2 before instituting action pursuant to this Article. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

A. Any Dispute involving actual or threatened disclosure or misuse of the contents of the Manual or any other confidential information or Trade Secrets of Franchisor;

B. Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks;

C. Any action by Franchisor to enforce the covenants set forth in Article 11 and Article 13 of this Agreement; and

D. Any action by Franchisor to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Location. The provisions of this Article are intended to benefit and bind certain third-party non-signatories and

will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**19.4 Litigation.** If a Dispute is not resolved following negotiations as set forth in Article 19.1, or mediation as set forth in Article 19.2 party has the option of initiating litigation to resolve the Dispute. The parties acknowledge that Franchisor operates, or intends to operate, a nationwide franchise system, with franchisees located in numerous different states and in numerous counties and cities within such states. Accordingly, the parties hereby agree that in view of the fact that the books, records, and business personnel of Franchisor are located, for the most part, in Franchisor's principal place of business, and in order to minimize disruption or interference with operation of the franchise system as a whole, the parties agree as follows:

A. Any and all court proceedings arising from or relating in any manner to any dispute between Franchisor and Franchisee arising out of, relating to or referencing this Franchise Agreement or its breach in any way, shall be brought in, and only in, a state court of general jurisdiction sitting in the county and state, or in the United States District Court for the District for the location where Franchisor has its principal place of business at the time any such action is instituted, and Franchisee irrevocably submits to the jurisdiction of such courts and waive any objection Franchisee may have to either the jurisdiction or venue of such court. No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law.

B. THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

C. EXCEPT WITH RESPECT TO FRANCHISEE'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO ARTICLE 12.5 AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR FRANCHISEE'S UNAUTHORIZED USE OF THE PROPRIETARY MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISEE AND FRANCHISOR AND FRANCHISEE'S OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND/OR TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**19.5 Statute of Limitations.** Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless the proceeding is brought before the expiration of the earlier of (i) one year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) two years after the date of the first act or omission giving rise to such alleged liability or obligation. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (i) or (ii) above.

**19.6 Franchisor's Business Judgment.** The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its discretion

based on its assessment of the overall best interest of the network and/or franchise program. Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

**19.7 Legal Fees.** In the event Franchisor incurs legal fees or costs or other expenses to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform or observe any obligation imposed upon Franchisee by this Agreement, then Franchisor shall be entitled to recover from Franchisee the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Franchisee hereunder or thereafter or otherwise.

**19.8 No Class Actions.** Any disagreement between Franchisee and Franchisor (and Franchisor's affiliates) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against Franchisor (and Franchisor's affiliates, owners, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action.

## **Article 20. Construction and Modification.**

**20.1 Entire Agreement and Amendment.** Franchisor and Franchisee each acknowledge and warrant to each other that they wish to have all terms of their business relationship defined in this written Agreement. Neither Franchisor nor Franchisee wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree that this Agreement, together with any other documents or agreement executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as presentations, inducements, promises, agreements, or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on his or her behalf, which might be taken to constitute agreements, representations, inducements, promises, or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and Franchisor and Franchisee each agree that they have placed, and will place, no reliance on any such discussions, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights, and obligations of the parties with respect to any aspect of the relationship between the parties. No future franchise license rights or offer of franchise license rights have been promised to Franchisee and no such franchise license rights or offer of franchise license rights shall come into existence, except by means of a separate writing, executed by an officer of Franchisor or such other entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto, and signed by the party to be charged.

**20.2 Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between Franchisor and Franchisee will be interpreted and construed in accordance with the substantive laws of the State of Florida, without giving effect to its conflicts of law provisions, provided that nothing in this Article is intended by the parties to subject this Agreement to any franchise, business opportunity, or similar law, rule or regulation of such state unless the jurisdictional requirements of such law are met, independent of this provision or this Agreement. Notwithstanding the foregoing, if the covenants in Article 11 of this Agreement would not be enforceable under the laws of Florida, and the Franchised Business is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. If applicable law provides Franchisee with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor will comply with the requirements of such laws to the extent they exceed Franchisor's obligations under this Agreement.

**20.3 Survival.** Should any one or more parts of this Agreement be declared invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of any remaining portions of the Agreement, which shall remain in full force and effect as if the Agreement had been executed without such invalid parts, except to the extent the absence of the provisions invalidated would frustrate or make it impossible to achieve the purposes for which the Agreement was made. Should the requirements of any applicable law or regulation change or modify the terms of this Agreement or conflict with its provisions, such change or modification shall not be applicable to this Agreement unless such change is lawfully mandated by the authority making the same, in which case only the provisions affected by such law or regulation shall be affected, and the Agreement shall otherwise remain in full force and effect, as modified to be consistent with such law or regulation.

**20.4 Third-Party Beneficiaries.** This Agreement is made solely for the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein shall create any right to rely upon the terms hereof in favor of any third party nor confer any right or remedy upon any third party, except as specifically provided in Article 11.2 of this Agreement.

**20.5 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 provisions hereof.

**20.6 Gender.** All terms and words used in this Agreement, regardless of numbers and genders in which they are used, shall be deemed to include singular or plural and all genders as the context or sense of this Agreement or any paragraph or clause herein may require.

**20.7 Joint and Several.** All acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

**20.8 Time is of the Essence.** Time is of the essence of this Agreement and all provisions hereof shall be so interpreted. Any provision of this Agreement which imposes an obligation after termination or expiration of this Agreement shall survive such termination or expiration.

**20.9 Remedies Not Exclusive.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive

of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

20.10 **Force Majeure.** Neither party shall be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority, strikes, lock-outs, embargoes, insurrections or acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds seventy-five (75) days, we have the right to terminate this Agreement or to require you to move to a new location approved by us within an additional period of one hundred twenty (120) days.

## **Article 21. Execution of Agreement.**

21.1 **Multiple Counterparts.** This Agreement may be executed in counterparts, which together shall constitute one agreement of the parties.

21.2 **Timely Receipt and No Inconsistent Warranties or Representations.** By signing this Agreement, Franchisee acknowledges that it has received a complete copy of this Agreement, with any Exhibits referred to herein attached, at least seven (7) calendar days prior to the date on which this Agreement was executed, and further acknowledges that it has received Franchisor's franchise disclosure document at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any money paid, or by such earlier date as may be required by state law. Franchisee further acknowledges that no agent or employee of Franchisor is authorized to make any representation or warranty inconsistent with or in addition to the terms of this Agreement. By signing this Agreement, Franchisee represents and warrants to Franchisor that no such representation or warranty, including specifically any representation as to the potential success or profitability of the Franchised Business, has been made or relied upon.

**[Remainder of page intentionally left blank. Signature page follows]**

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

**“Franchisor”**

**Do The Beach Franchising, LLC,**  
A Florida limited liability company

**“Franchisee”**

**[FRANCHISEE],**  
A \_\_\_\_\_

\_\_\_\_\_

BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

\_\_\_\_\_

BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

## OWNERS' ACKNOWLEDGEMENT

Each following party is an owner of Franchisee. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an owner of Franchisee mentioned in this Agreement, including rights and obligations relating to confidentiality, competition, and transfers.

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

Print name: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

Print name: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an entity*

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_

*sign here if the owner is an individual*

\_\_\_\_\_

Print name: \_\_\_\_\_

Percentage Ownership:\_\_\_\_\_



## FRANCHISEE GUARANTY

In consideration of, and as an inducement to Do The Beach Franchising, LLC ("Franchisor"), to enter into the foregoing Franchise Agreement with \_\_\_\_\_ ("Franchisee") dated \_\_\_\_\_, 20\_\_ ("Franchise Agreement"), the undersigned individually and, if more than one Guarantor, jointly and severally, guarantee the punctual payment and performance of all obligations of the Franchisee under the Franchise Agreement. This shall be an unconditional, irrevocable, and continuing guaranty for the entire term of this Guaranty and the Franchise Agreement (including any hold-over term).

The undersigned agree that they are willing to remain fully bound by this Guaranty notwithstanding any action or inaction of Franchisor and Franchisee in connection with the Franchise Agreement, and that their obligation shall not be modified, waived, or released by any modification, amendment, or departure from the terms of the Franchise Agreement, or by any forbearance, extension of time, waiver, or release granted by Franchisor to Franchisee or any Guarantor or with respect to any security held by Franchisor. The undersigned expressly waive any notice of all such matters (including, without limitation, notice of amendment or modification of the Franchise Agreement, notice of demand for payment or performance by Franchisee, notice of default or termination, and any other notices required by the Franchise Agreement) and agree to pay and perform the obligations of Franchisee without notice or demand from Franchisor and without any requirement that Franchisor first proceed against Franchisee or any other Guarantor.

This Agreement is governed by and shall be interpreted and construed in accordance with the substantive laws of the State of Florida, without giving effect to its conflicts of law provisions.

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

GUARANTOR:

\_\_\_\_\_

PRINT NAME: \_\_\_\_\_

GUARANTOR:

\_\_\_\_\_

PRINT NAME: \_\_\_\_\_

## SPOUSAL CONSENT

The undersigned spouse of Guarantor hereby consents to the execution of the foregoing Guaranty by their spouse and agrees to be bound thereby to the extent of their interest in any assets or property of Guarantor and further agrees that their community assets shall be bound thereby. This consent shall not be construed as an agreement by the undersigned spouse that such spouse's separate property is subject to the claims of Franchisor arising out of enforcement of this Guaranty.

---

Print or Type Name

---

Signature

**Exhibit A**

**Do The Beach Franchising, LLC**

**FRANCHISE AGREEMENT**

**Approved Location**

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

## Exhibit B

### Do The Beach Franchising, LLC

#### FRANCHISE AGREEMENT

Exhibit B Effective Date: \_\_\_\_\_

#### Form of Ownership

Franchisee is a \_\_\_\_\_ incorporated, organized or formed on \_\_\_\_\_, under the laws of the State / Commonwealth of \_\_\_\_\_. Franchisee has not conducted business under any name other than its legal entity name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee's partners, directors, officers, members, settlor, trustee, or beneficiary as of the effective date shown above:

Name of Each Director/Officer/Member/ Manager /Settlor/Trustee/ Beneficiary	Position(s) Held

#### Owners of Franchisee

Name of Owner	Voting Rights in Franchisee	Beneficial Interest in Franchisee
<b><u>TOTAL</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

#### **PRINCIPAL OWNER**

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

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

E-mail: \_\_\_\_\_

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

LARKS Franchise Agreement 2022  
(Construction Services Agreement – Ex. C)  
LARKS Franchise Agreement 2022  
(Franchise Agreement – Ex. B)

**Exhibit C**

**Do The Beach Franchising, LLC**

**FRANCHISE AGREEMENT**

**Protected Territory Map**

**[Insert Map Here]**

## Exhibit D

### Do The Beach Franchising, LLC

#### SITE TO BE DETERMINED ADDENDUM

THIS SITE TO BE DETERMINED ADDENDUM TO FRANCHISE AGREEMENT ("Addendum") is made and entered into at [City, State] this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Do The Beach Franchising, LLC, a Florida limited liability company (hereinafter referred to as "Franchisor"), and \_\_\_\_\_ (hereinafter referred to as "Franchisee") whose \_\_\_\_\_ principal \_\_\_\_\_ business \_\_\_\_\_ address \_\_\_\_\_ is \_\_\_\_\_.

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Franchise Agreement") of even date hereof; and

WHEREAS, the location where Franchisee shall construct a Location under the Franchise Agreement has not yet been identified;

NOW, THEREFORE, the parties agree as follows:

The following provisions shall amend and be incorporated into the Franchise Agreement. In the event of any conflict between the terms of the Franchise Agreement and the terms of the Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Franchise Agreement.

1. Notwithstanding anything to the contrary in the Franchise Agreement, the parties agree, that Franchisee shall select an approved Trade Area or market for approval by Franchisor no later than \_\_\_\_\_, and that Franchisee shall submit a completed Site Application for a location located within such Trade Area to Franchisor on or before \_\_\_\_\_. Such Trade Area or market must be in a state where Franchisor is registered to offer and sell franchises. Franchisee's failure to meet either one of these deadlines shall constitute a default under the Franchise Agreement allowing Franchisor to terminate the Franchise Agreement effective immediately upon notice of termination.

2. Notwithstanding anything to the contrary set forth in Article 5.3 of the Franchise Agreement, Franchisee shall Commence Construction no later than 60 days after the proposed site is approved by Franchisor.

3. To the extent not amended herein, all other terms and conditions of the Franchise Agreement shall remain in full force and effect. No references to the amendments contained herein need be made in any instrument or document at any time referring to the Franchise Agreement and any such reference is deemed to be a reference to the Franchise Agreement as amended by this Addendum.

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

**“Franchisor”**

**Do The Beach Franchising, LLC,**  
A Florida limited liability company

**“Franchisee”**

**[FRANCHISEE],**  
**A** \_\_\_\_\_

\_\_\_\_\_  
BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

\_\_\_\_\_  
BY: \_\_\_\_\_  
ITS: \_\_\_\_\_



**Exhibit E**

**Do The Beach Franchising, LLC  
FRANCHISE AGREEMENT**

**DIRECT DEBIT AUTHORIZATION AGREEMENT**

\_\_\_\_\_(Name of Person or Legal Entity)  
\_\_\_\_\_(ID Number)

The undersigned depositor ("**Depositor**") ("**Franchisee**") hereby authorizes Do The Beach Franchising, LLC ("Franchisor") or any of its affiliates to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("Depository") ("Bank") to debit or credit such account(s) pursuant to Franchisor's instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authority is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

_____ Depositor	_____ Depository
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

## Exhibit F

### Do The Beach Franchising, LLC CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (the "Agreement") is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ ("Recipient"), and Do The Beach Franchising, LLC, a Florida limited liability company ("Franchisor").

**A.** Recipient desires to review certain confidential and proprietary information regarding Franchisor, its affiliates, and/or its franchisees (collectively the "Disclosing Parties"), for the purpose of evaluating whether to directly or indirectly enter into a business relationship with Franchisor (the "Contemplated Relationship"); and

**B.** Franchisor desires to disclose certain confidential and proprietary information to Recipient, but only pursuant to the terms of this Agreement.

In consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

1. Recipient acknowledges and agrees that all Covered Information (defined below) it receives from Franchisor, its affiliates, or franchisees is confidential and proprietary information. For purposes of this Agreement, "Covered Information" includes, by way of example, but without limitation, data, know-how, processes, designs, sketches, photographs, plans, drawings, specifications, reports, financial information, customer lists, pricing information, other information about advertising, marketing, designs and methods of operation, studies, findings, inventions, and ideas. Recipient agrees that any information received from Franchisor, its subsidiaries, affiliates, or franchisees (a) shall only be used for purposes of evaluating whether Recipient desires to directly or indirectly enter into a business relationship with Franchisor, and (b) shall not be disclosed to any third party without the prior written consent of Franchisor. Recipient agrees to use reasonable care to prevent the disclosure of the Covered Information to any third party, and further agrees to limit the dissemination of the Covered Information within its own organization to individuals whose duties justify the need to know such information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Covered Information and to restrict its use solely to the purposes specified herein.
2. All Covered Information remains the exclusive property of Franchisor or the Disclosing Parties, and nothing contained in this Agreement may be construed as a grant, express or implied or by estoppel, of a transfer, assignment, license, or lease of any right, title, or interest in the Covered Information, other than as the limited right of use stated herein. Recipient agrees that the amount of Covered Information to be disclosed to Recipient is completely within the discretion of Franchisor. Nothing in this Agreement requires either party or its owners to enter into the Contemplated Relationship or to negotiate a Contemplated Relationship for any specified period of time or otherwise.
3. The Parties agree that notwithstanding the termination of this Agreement, the Recipient's obligations hereunder will survive for five (5) years after the Effective Date. If either party determines that it does not wish to proceed with a Contemplated Relationship or if either party notifies the other party of a termination of this Agreement, then Recipient will destroy or return

all written materials, documents, or other Covered Information received from Franchisor, its affiliates, subsidiaries, or franchisees, or any notes, photos, or derivatives works thereof. Additionally, the Recipient will certify to Franchisor in writing that it has complied with the obligations of this Article.

4. Recipient shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt.
5. The definition in Article 1 of Covered Information is for illustrative purposes only. The Recipient of the Cover Information must perform its own due diligence when evaluating the Contemplated Relationship, and Franchisor or other Disclosing Parties will not be liable for the Recipient's failure to do so. Recipient must rely solely on its own investigation and not on information provided by Franchisor.
6. Franchisor does not guarantee or warranty the accuracy or completeness of the Covered Information. Some Covered Information may have been obtained or gathered by third parties and Franchisor has not performed any independent investigation or verification of such Covered Information. The Covered Information is being provided on an "AS IS" "WHERE IS" basis and Franchisor does not make and specifically disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, including, without limitation, warranties of merchantability, fitness for a particular purpose, non-infringement or intellectual property rights or other warranties, conditions, guarantees or representations, whether express or implied.

Any financial information included in the Covered Information is not a guarantee or otherwise indicative of potential success, profitability, or any particular level of return from the Contemplated Relationship, if consummated. Many factors would impact the success and profitability of the Contemplated Relationship, including without limitation site selection, local economic conditions (which conditions may change over time), and the Recipient's business acumen, management skill, and experience.

The Covered Information does not constitute an offer to become a franchisee or to sign any agreement or an offer to enter the Contemplated Relationship. Entering the Contemplated Relationship will be subject to, among other things, the execution of a franchise agreement and certain other collateral agreements and the payment of certain fees. Franchisor's provision of the Covered Information, and the Recipient's acceptance of it, does not obligate either party to enter into the Contemplated Relationship.

7. This Agreement will be governed and construed in accordance with the laws of the State of Florida, excluding its conflicts of law principles. Any legal action or proceeding arising out of or related to this Agreement must be brought in a state or federal court in the county where Franchisor has its principal place of business. Each party submits itself to the jurisdiction of such courts. However, a party may seek to enforce an order or judgment of any such court in any other court of competent jurisdiction.
8. This Agreement constitutes the entire agreement and understanding among the parties hereto and shall not be amended except pursuant to a written agreement executed by each of the parties hereto. This agreement shall be binding upon the parties hereto and their respective

heirs, administrators, successors, and assigns. This Agreement may be signed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day, month, and year first above written.

**“Franchisor”**

**“Recipient”**

**Do The Beach Franchising, LLC,**  
A Florida limited liability company

\_\_\_\_\_  
BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

\_\_\_\_\_  
NAME: \_\_\_\_\_  
\_\_\_\_\_

## Exhibit G

### COVENANT AGREEMENT

THIS COVENANT AGREEMENT (this "Agreement") is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and among Do The Beach Franchising, LLC ("Franchisor") and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ (whether one or more "Covenantors").

#### WITNESSETH:

WHEREAS, Covenantors have agreed to enter into this Agreement to induce Franchisor to enter into that certain Franchise Agreement ("Franchise Agreement") dated \_\_\_\_\_, 20\_\_, between Franchisor and \_\_\_\_\_ ("Franchisee"); and

WHEREAS, Covenantors and its Affiliates have entered into, or may in the future enter into other franchise agreements with Franchisor ("Other Agreements");

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Covenantors covenant and agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the same meaning as defined in the Franchise Agreement.
2. The Covenantors shall not, either directly or indirectly, individually, or through, or on behalf of, or in conjunction with any person, persons, or entity:
  - a. During the term of the Franchise Agreement, the Other Agreements and thereafter, except as otherwise approved in writing by Franchisor, copy or disclose to any person other than Franchisee's employees (and then only to employees who have a need to know) (i) any Trade Secrets, (ii) any knowledge, information or know-how concerning the System, or (iii) all or any portion of the Manual or any other confidential materials, including without limitation, the design of the System Locations, methods of operation and service at System Locations, intranet, knowledge of sales and profit performance at any one or more System Locations, and advertising and promotional programs, advertising, promotion and marketing techniques, the selection and training of Location managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Locations, or other materials deemed confidential by Franchisor. Covenantors shall at all times treat the Trade Secrets and Manual and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential and shall use the same only in the operation of the Location. The Trade Secrets and Manual shall at all times remain the sole property of Franchisor, and shall be returned to Franchisor immediately upon expiration or termination of this Agreement. Any and all information, knowledge, know-how, and other data, that Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Covenantors can demonstrate came to their attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Covenantors, had become a part of the public domain, through publication or communication by others.

- b. During the term of the Franchise Agreement or any Other Agreement, compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business, and, for a period of two (2) years after any transfer or termination of any Franchise Agreement or any Other Agreement for any reason, Covenantors shall not compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within the continental United States. For purpose of this Article 2, the term "Competitive Business" means any entertainment facility (other than a System Location) offering one or more of the same type of entertainment as is offered by the Franchised Business; provided, however, that passive ownership of less than 2% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article.
- c. During the term of the Franchise Agreement or any Other Agreement, employ or seek to employ any person who is or was within the immediate past six (6) months employed in a management capacity by Franchisor, any other System franchisee (except for System franchisees who are Affiliates of any Covenantor, or induce or seek to induce any such person to leave his or her employment. Franchisor shall not employ or seek to employ any person who is or was within the immediate past six (6) months employed by Franchisee or induce or seek to induce any such person to leave his or her employment. Any party violating the provisions of this Article 2.c shall pay to the former employer as liquidated damages (which the parties agree are difficult of ascertainment) an amount equal to two (2) times the annual salary of the employee involved, plus all costs and attorneys' fees incurred by the former employer in connection with such default. The parties hereto agree that each current and future Franchisee in the System shall be a third-party beneficiary of the provisions of this Article 2.c, and shall be entitled to enforce the provisions hereof. Franchisor shall have no obligation to enforce the provisions of this Article 2.c for the benefit of any current or future franchisee in the System.

3. In the event any provision of this Agreement is deemed by a court of competent jurisdiction to be more restrictive than permissible at law or equity, the Covenantors agree that the provisions hereof may be reformed and modified and enforced by such court to the maximum extent permissible under applicable law and principles of equity. Covenantors agree that specific performance and injunctive relief are necessary and appropriate remedies for violations of this Agreement and agrees to enforcement of such remedies, but without prejudice to the right of Franchisor to recover money damages, which are in no event a full and adequate remedy for such violations.

4. The Covenantors agree that the existence of any claim that any of them may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of this Agreement or the covenants contained in Article 11 of the Franchise Agreement. In the event that Covenantors commence any action against Franchisor arising out of or related to this Agreement, or the dealings or relationship of the parties hereunder or otherwise, such action shall be brought only in any state court of general jurisdiction sitting in the county and state, or in the United States District Court for the district, in which Franchisor has its principal place of business at the time any such action is instituted. Covenantors consent to the exercise of jurisdiction by such courts over any claims or counterclaims against Covenantors. In the event Franchisor incurs legal fees

or costs or other expenses to enforce any obligation of Covenantors hereunder, or to defend against any claim, demand, action or proceeding by reason of Covenantors' failure to perform or observe any obligation imposed upon Covenantors by this Agreement, then Franchisor shall be entitled to recover from Covenantors the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Covenantors hereunder or thereafter or otherwise.

5. This Agreement and the documents provided for herein contain the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, agreements, and understandings with respect thereto, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee. This Agreement may only be amended by a written document duly executed by all parties hereto. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without reference to the rules governing conflicts of law. This Agreement shall inure to the benefit of and shall be binding upon the respective successors, heirs, administrators, executors, personal representatives, trustees, and assigns of the parties hereto. This Agreement may be executed in multiple counterparts, each considered an original, but all of which shall constitute but one Agreement. Capitalized used herein but not defined shall have the meaning set forth in the Franchise Agreement between Franchisor and Franchisee.

IN WITNESS WHEREOF, the undersigned have executed this Agreement.

**"Franchisor"**

**Do The Beach Franchising, LLC,**  
A Florida limited liability company

**"Covenantors"** (each in their individual capacity)

\_\_\_\_\_  
BY: \_\_\_\_\_  
ITS: \_\_\_\_\_

\_\_\_\_\_  
NAME: \_\_\_\_\_

\_\_\_\_\_  
NAME: \_\_\_\_\_

\_\_\_\_\_  
NAME: \_\_\_\_\_

## Exhibit H

### ADDENDUM TO LEASE

This Addendum to Lease ("Addendum") entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Landlord") for the premises located at \_\_\_\_\_;

WHEREAS, Franchisee has executed a Franchise Agreement ("Franchise Agreement") with Do The Beach Franchising, LLC ("Franchisor"), and as part of said Franchise Agreement, the lease ("Lease") for the franchised Do The Beach family entertainment center ("Center") must contain certain provisions; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein will be applicable to the Lease, notwithstanding anything contained in the Lease to the contrary;

NOW, therefore, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Addendum, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees that Franchisee will not otherwise assign the Lease or renew, amend or extend the term of the Lease without the prior written consent of Franchisor.
2. Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the Lease at the same time that such letters and notices are sent to Franchisee. Landlord further agrees that, if it intends to terminate the Lease, the Landlord will give Franchisor 30 days' advance written notice of such intent, specifying in such notice all defaults that are the case of the proposed termination. Franchisor will have after the expiration of the period during which Franchisee may cure such default, an additional 15 days (or if there is no cure period, at least 15 days) to cure, at its sole option, any such defaults. Franchisor, or an affiliate of Franchisor, will have the right, but not obligation, upon giving written notice of its election to Franchisee and Landlord, to cure the breach and succeed to Franchisee's rights under the Lease, and any renewals or extensions thereof.
3. Upon default, expiration or termination of the Franchise Agreement or the Lease, and upon notice to Landlord, Franchisor or its designee will have the option, without however any obligation, to assume the Franchisee's obligations under the Lease, on the same terms and conditions available to the Franchisee. Further, if Franchisee or any other party with an interest in Franchisee transfers to Franchisor or another party all of its or their interest in the Franchise Agreement, the Franchisee or the Centre, the transferee will have the right to assume the Lease on the same terms and conditions as are contained in the Lease.
4. Franchisor will have the right to enter the premises to make any reasonable modification or reasonable alteration necessary to protect Franchisor's interest in its proprietary marks. Landlord agrees that in such event Franchisor will not be liable for trespass or any other crime or tort. Further, Franchisor or its designated agents will be permitted to enter the leased premises for purposes of making inspections in accordance with the terms of the Franchise Agreement.
5. Franchisee may assign to Franchisor all of its rights of further assignment at any time if the Landlord is given reasonable notice thereof. Such an assignment will be effective only if accepted in writing by Franchisor.



6. Upon request of Franchisor, the Landlord will provide Franchisor with copies of all reports, information, or data in Landlord's possession with respect to sales made from the leased premises.

7. Copies of any and all notices pertaining to the Lease will also be sent to Franchisor at the following address, or at such other address as may be designated by Franchisor in writing:

[insert Franchisor's address]

8. Franchisor will be a third-party beneficiary of this Addendum and has the right independently of Franchisee to enforce all of its rights hereunder.

9. To the extent of any conflict between the terms and conditions of this Addendum to Lease and the Lease, this Addendum will govern.

FRANCHISEE:

LANDLORD

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

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

**Exhibit I**  
**STATE ADDENDUM**

[Insert State Addendum if applicable]

**EXHIBIT E**

**STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT**

**MULTI-STATE AMENDMENT  
TO FRANCHISE AGREEMENT  
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)**

This Amendment pertains to franchises sold in the states that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not subject the parties to the provisions of the SOP. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The following language is added immediately before the signature block of the Franchise Agreement:

"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."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date of signature: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date of signature: \_\_\_\_\_

## CALIFORNIA AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of California that are subject to the California Franchise Investment Law (the "Act") and is for the purpose of complying with California statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act, as set forth in this Amendment, or otherwise. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, will be amended as follows:

1. The following language is added as new Section \_\_\_\_\_ of the Franchise Agreement:

"No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise, except for the "Entire Agreement" provision in Section \_\_\_\_\_ of the Franchise Agreement."

Notwithstanding anything to the contrary in this Agreement, and to the extent required by California Corporations Code Section 31512.1, any provision in this Agreement, the franchise disclosure document, and any other acknowledgement, questionnaire, or other writing, disclaiming or denying: (a) representations made by Franchisor or its personnel or agents to Franchisee before entering into the Franchise Agreement; (b) reliance by Franchisee on any representations made by Franchisor, or its personnel or agents; (c) reliance by Franchisee on the franchise disclosure document; or (d) violations of any other provision of the Act [that will be a reference to the California franchise law]; is void and will not be enforced by Franchisor."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

\_\_\_\_\_  
By:  
Its:  
Date of signature: \_\_\_\_\_

\_\_\_\_\_  
By:  
\_\_\_\_\_  
Its:  
\_\_\_\_\_  
Date of signature: \_\_\_\_\_

\_\_\_\_\_  
By:  
Its:  
Date of signature: \_\_\_\_\_

## ILLINOIS AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the "Act") and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Illinois law governs the Franchise Agreement and Multi-Unit Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates 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.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. 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
6. Section 19.4A of the Franchise Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

Dated: \_\_\_\_\_

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the "Act") and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The following language is added to Section 3.2 of the Franchise Agreement:  
" , except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."
2. The following language is added to Section 13.9B of the Franchise Agreement:  
" , except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."
3. The following language is added to the end of Section 19.4A of the Franchise Agreement:  
"Franchisee may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law."
4. The following language is added to the end of Section 19.5 of the Franchise Agreement:  
"all claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise."
5. The following language is added to Sections 3.2 and 13.9B of the Franchise Agreement:  
"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."
6. Section 1.1 A-D from the Franchise Agreement is hereby deleted.



IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **MINNESOTA AMENDMENT TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

8. Section 11.4 of the Franchise Agreement is amended to add the following language.

“The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee’s use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

9. Section 14.1D of the Franchise Agreement is amended to read as follows:

“At the election of Franchisor, Franchisor may terminate the Agreement effective upon the expiration of 90 days after giving of written notice in the event Franchisee defaults, and does not cure to Franchisor’s reasonable satisfaction within the 60-day notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Manual or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any six month period, and any subsequent occurrence of the same or substantially similar default within such six month period shall entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.”

10. Franchisor will protect the Franchisee's right granted hereby to use the Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

11. Section 14.1D of the Franchise Agreement is amended as follows:

"With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement."

5. Section 19.4A of the Franchise Agreement is amended as follows:

"Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction."

6. Minn. Rule 2860.4400J. prohibits waiver of a jury trial. Accordingly, Section 19.4B of the Franchise Agreement is amended as follows:

"Nothing contained herein shall limit Franchisee's right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J."

7. Minn. Rule 2860.4400J. prohibits requiring a franchisee to consent to liquidated damages.

8. Section 19.5 of the Franchise Agreement is amended to add the following:

"Any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, subd. 5."

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

Franchisor:

\_\_\_\_\_

DATED: \_\_\_\_\_

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

Its: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

DATED: \_\_\_\_\_

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

Its: \_\_\_\_\_

**NEW YORK AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the "Act") and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Franchisor and Franchisee are parties to that certain \_\_\_\_\_ Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ that has been signed concurrently with the signing of this Amendment. This Amendment is annexed to and forms part of the Franchise Agreement. This Amendment is being signed because: (a) you are a resident of the State of New York and your Franchise will operate in New York; and/or (b) the offer or sale of the license occurred in New York.

2. The following is added as a new Section 14.6 of the Franchise Agreement:

"Franchisee may terminate this Agreement upon any grounds available at law."

3. The following is added to Section 3.2J of the Franchise Agreement:

"This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the day and year first above written.

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## NORTH DAKOTA AMENDMENT TO FRANCHISE AGREEMENT

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 4.1.A of the Franchise Agreement is amended by adding the following:

“Payment of all initial fees is postponed until after all of franchisor’s initial obligations owed to franchisee under the Franchise Agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the Franchise Agreement.”
2. Section 19.4.B of the Franchise Agreement is deleted.
3. Section 15.1.J of the Franchise Agreement is amended by adding the following:

“Remedies Upon Termination. If the Franchise is terminated, and in addition to the obligations of the Franchisee as otherwise provided herein, Franchisor shall retain the full amount of any fees heretofore paid to Franchisor and Franchisee shall continue to remain liable to Franchisor for any and all damages which Franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the Franchisee for the unexpired Term of the Franchise Agreement.”
4. Section 15.2 of the Franchise Agreement is deleted to the extent that it requires the franchisee to consent to termination or liquidated damages.
5. Section 19.2 D of the Franchise Agreement is amended to state the following:

“All mediation proceedings shall take place either in a location mutually agreed upon prior the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.”
6. Section 19.4.C of the Franchise Agreement is deleted to the extent it includes a waiver of exemplary and punitive damages.
7. Section 19.4 A of the Franchise Agreement is deleted.

8. Section 19.5 of the Franchise Agreement is deleted to the extent that it is unfair, unjust, and inequitable under North Dakota Franchise Investment law.

9. Section 19.7 of the Franchise Agreement is amended as follows:

“In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party’s failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

10. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or the State of Texas law if such provisions are in conflict with North Dakota law.

11. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a forum outside of North Dakota, is deleted from any Franchise Agreement issued in the State of North Dakota.

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth below.

Dated: \_\_\_\_\_

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the "Act") and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth below.

Dated: \_\_\_\_\_, \_\_\_\_\_.

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**VIRGINIA AMENDMENT  
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the "Act") and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, \_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 14.1 of the Franchise Agreement is amended by adding the following language:

"§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause."

Dated: \_\_\_\_\_

Franchisor:

\_\_\_\_\_

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

Its: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

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

Its: \_\_\_\_\_

## WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason

during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. Section 7.21 A. is hereby deleted in its entirety and replaced by the following:

“Franchisee shall, within ten (10) days of receipt, provide Franchisor with a copy of any notice of any proposed taking of the Location or surrounding premises by eminent domain or condemnation. Such notice shall be sent by Franchisee to Franchisor by overnight courier service. If the Location is condemned or so taken or such a substantial portion of the Location is condemned or so taken as to render impractical the continued operation of the Location in accordance with System standards, then in such event, (i) this Agreement shall terminate upon notice by Franchisor to Franchisee, and (ii) notwithstanding subsection (i), Franchisor shall be entitled to receive the payments due under Article 4 for as long as the Location remains open for business. If a non-substantial condemnation shall occur, then in such event, Franchisee shall promptly make whatever repairs and restoration may be necessary to make the Location conform substantially to its former character and appearance according to plans and specifications approved by Franchisor, and the resumption of normal operation of the Location shall not be unreasonably delayed by Franchisee.”

20. The last sentence of Section 12.5 of the Franchise Agreement is hereby deleted in its entirety and replaced by the following:

“The right of the Indemnitees to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on the Indemnitees by statute, ordinance, regulation, or other law; provided, however, that Franchisee shall not be required to indemnify the Indemnitees from any Claim to the extent proven or agreed between the parties to have been caused by the strict liability, fraud, sole or gross negligence, or willful misconduct of the Indemnitees.”

21. Section 17.2 of the Franchise Agreement is hereby amended by adding at the beginning of the Section:

“Except where it would be inconsistent with Section 19.100.180(1) of the Washington Franchise Investment Protection Act”

22. The undersigned hereby acknowledges receipt of this amendment.

Dated: \_\_\_\_\_, \_\_\_\_.

Franchisor:

Franchisee:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT F**  
**AREA DEVELOPMENT AGREEMENT**



**AREA DEVELOPMENT AGREEMENT  
for  
DO THE BEACH LOCATIONS**

Agreement #: \_\_\_\_\_

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## AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT, dated \_\_\_\_\_, 20\_\_\_\_, is made by and between DO THE BEACH FRANCHISING, LLC, a Florida limited liability company (“we”, “us” or “our”), located at 7431 Sawyer Circle, Port Charlotte, Florida 33981, and \_\_\_\_\_, a \_\_\_\_\_ (“you” or “your”), located at \_\_\_\_\_, (this “**Agreement**”) who in consideration of the mutual promises set forth below agree as follows:

### 1. Nature and Scope of Agreement

1.1 **The Franchisor.** We have developed and own a distinctive System designed to offer and operate beach-themed inflatable adventure parks under the service mark DO THE BEACH™ and associated marks, logos and designs (the “**Proprietary Marks**”). We offer franchises to operate a family entertainment center using the Proprietary Marks and the System.

1.2 **The System.** The “**System**” is used beach-themed inflatable adventure parks under the Proprietary Marks (a “**Franchised Business**”). The System presently includes the method of operating DO THE BEACH™ entertainment and restaurant business, including, but not limited to its distinctive entertainment facilities, including inflatable adventure park attractions, its food and beverage options, supplies, and equipment according to special and confidential recipes and formulas, its design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; and advertising, direct sales, and promotional programs developed by us for the operation of a DO THE BEACH™ Location under the Proprietary Marks utilizing the Trade Secrets and other methods, procedures, standards, specifications and other requirements stated or referred to in the Operations Manual from time to time, or otherwise in writing by us and designated as part of standards for the System. The System will be applied to all Franchised Businesses, although we in our business judgment may make exceptions based on local conditions, special circumstances or different contractual provisions, and the System may be applied differently depending on which entertainment options are available at each Franchised Business. We may change or modify the System, from time to time, in our sole discretion, and you agree to comply with the mandatory System standards as they may exist from time to time (including all mandatory operational policies, procedures, programs and plans set forth in the Operations Manual or otherwise in writing), all of which shall constitute provisions of this Agreement as if fully set forth herein.

1.3 **The Area Developer.** You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. Aware of the relevant facts, you desire to enter into this Agreement to obtain rights to develop Franchised Businesses under the System and the Proprietary Marks in accordance with the attached development schedule.

### 2. Definitions, Representations and Owner’s Guaranty

2.1 **Definitions.** The capitalized terms used in this Agreement shall have the following meanings:

2.1.1 “**Anti-Terrorism Laws**” is defined in Section 14.1.

2.1.2 **“Approved Location”** is defined in Section 6.1.

2.1.3 **“Area Developer”** means the person or business entity referred to in the opening paragraph of this Agreement as “you” or “your”.

2.1.4 **“Area Development Schedule”** is defined in Section 3.1.

2.1.5 **“Claims”** is defined in Section 12.4.

2.1.6 **“Competing Business”** is defined in Section 9.1.

2.1.7 **“Confidential Information”** is defined in Section 8.1.

2.1.8 **“Confidentiality Agreement”** means the confidentiality agreement that we will prescribe from time to time to be signed by each of your Owners, officers, directors, members or partners, and your managers and employees who receive Confidential Information as required by Section 8.1.

2.1.9 **“Development Area”** is defined in **Exhibit 2**.

2.1.10 **“Development Schedule”** is that schedule of Franchised Businesses to be opened as set forth in **Exhibit 1**.

2.1.11 **“Franchise Agreement”** is defined in Section 3.1.2.

2.1.12 **“Franchised Business”** is defined in Section 3.1.

2.1.13 **“Franchisor”** means DO THE BEACH FRANCHISING, LLC.

2.1.14 **“Indemnified Parties”** is defined in Section 12.4.

2.1.15 **“Initial Fee”** is defined in Section 5.1.

2.1.16 **“Notice”** is defined in Section 14.7.

2.1.17 **“Owner(s)”** is defined in Section 7.3.

2.1.18 **“Owner’s Guaranty”** means the Owner’s Guaranty attached to this Agreement as **Exhibit 4**.

2.1.19 **“Proprietary Marks”** is defined in Section 1.1.

2.1.20 **“System”** means the specified business format and system and related standards, specifications and procedures prescribed by us for operating a Franchised Business, including but not limited to the Operations Manual and is more fully described in Section 1.2.

2.1.21 **“Term”** is defined in Section 4.1.

2.1.22 **“Territory”** is defined in Section 6.1.

2.1.23 **“Transfer”** is defined in Section 10.2.

2.2 ***Representations and Warranties.*** You hereby represent and warrant to us as follows:

2.2.1 You are acquiring these area development rights for your own account to develop and operate Franchised Businesses, and not for the purpose of resale or redistribution or other speculative matter;

2.2.2 All information provided to us in your application and other documents to induce us to grant these area development rights was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information;

2.2.3 Your execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment you have;

2.2.4 If you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement; and

2.2.5 This Agreement represents a valid, binding obligation of you and each of your Owners. Each Owner has fully read this Agreement and our Franchise Disclosure Document, and each Owner represents that he/she is capable of complying with all of the terms of this Agreement and the Owner's Guaranty.

2.3 ***Owner's Guaranty/Owner's Acknowledgment.*** If you are an entity, each of your Owners must execute an Owner's Guaranty in our favor and deliver the executed Owner's Guaranty to us concurrently with execution of this Agreement, or if such ownership interest is acquired later, within ten (10) days after obtaining the interest as an Owner. All Owners must also sign the Owner's Acknowledgment which follows the signature block of this Agreement.

### 3. **Scope of License**

3.1 ***Grant of Area Development Rights.*** Subject to the terms of this Agreement, we hereby grant to you the exclusive right, and you hereby accept the obligation, to develop the number of Franchised Businesses which will use the System and the Proprietary Marks (each a "**Franchised Business**") in the Development Area in **Exhibit 2**, within the time periods described in the area development schedule set forth in **Exhibit 1** attached hereto (the "**Area Development Schedule**"). Each Franchised Business must offer one or more of the Entertainment Options set forth in **Exhibit 1**. In this regard, the parties further agree that:

3.1.1 If at any time during the term of this Agreement you fail to satisfy the Area Development Schedule, we will have the right, but not the obligation, to exercise our termination rights or modification of your rights pursuant to Section 11.3 hereof.

3.1.2 Each Franchised Business developed under this Agreement will be established and operated pursuant to a separate Franchise Agreement as provided in Section 6.1 below.

3.1.3 Each Franchised Business developed under this Agreement must be located within the Development Area that is specified in **Exhibit 2** attached hereto.

3.1.4 If, during the term of this Agreement, any one of the Franchised Businesses permanently closes for any reason after having been opened, and as a result of such closure you fall below the development quota applicable at the time of closure pursuant to the Area Development Schedule, you will have six (6) months from the closing date in which to open a substitute Franchised Business within the Development Area in its place. Such substitute Franchised Business shall not decrease the number of Franchised Businesses to be opened pursuant to the Development Schedule.

3.1.5 If, during the term of this Agreement, you wish to relocate any one of the Franchised Businesses, the new site for the Franchised Business must be approved by us, pursuant to Section 6.1 of this Agreement. A relocated Franchised Business will not decrease the number of Franchised Businesses to be opened pursuant to the Development Schedule.

3.1.6 This Agreement does not give you any right to license or franchise others to operate any Franchised Businesses. Except as provided in Section 7.2, only you may open and operate Franchised Businesses pursuant to this Agreement and only under Franchise Agreements with us.

3.2 **Development Area.** During the term of this Agreement, for as long as you are in full compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any of your affiliates) and us, neither we nor any of our affiliates will operate Franchised Businesses, or grant a franchise to any third party to operate another Franchised Business, in the Development Area, except for: (i) Captive Locations; and (ii) as otherwise provided under Section 3.3. "Captive Locations" include hotels and resorts (where the System Location is enclosed within the confines of a hotel or resort structure); airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; colleges and other academic facilities; shopping malls; theaters; train stations; casinos; and sporting event arenas and centers. Once a Franchised Business has been established in the Development Area, your exclusivity rights with respect to that particular Franchised Business will be defined in the applicable Franchise Agreement.

3.3 **Reserved Rights.** We reserve all rights not specifically granted to you in this Agreement. Among other things, this Agreement does not limit our right or the right of any of our affiliates to use or license the System or to engage in or license any business activity, including, without limitation, the operation or franchising of family entertainment centers under the Proprietary Marks at any location outside the Development Area, and/or under any other trade name, trademark or service mark now or hereafter owned by or licensed to us or our affiliates at any location inside or outside the Development Area, or the sale, distribution or marketing of products identified by the Proprietary Marks inside or outside of the Development Area. We also reserve the right to: (i) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with DO THE BEACH™ locations located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions; and (ii) selling the equity in us, our assets, the Proprietary Marks, our systems and/or the System to a third party; going public; engaging in a private placement of some or all of our securities; merging, acquiring other corporations or entities, or being acquired by another corporation or entity; and/or undertaking a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. You acknowledge that our rights to use and/or license the System pre-date this Agreement and are not limited or changed by the terms of this Agreement. You agree that by acknowledging those rights, the parties do not intend to make our exercise of such rights subject

to rules applicable to contractual performance or the exercise of contractual discretion under this Agreement.

#### 4. Term

4.1 **Term.** Unless terminated earlier pursuant to Section 11, the term of this Agreement shall expire on the date of our acceptance and execution of a Franchise Agreement for the last of the Franchised Businesses to be established pursuant to the Development Schedule, or on the last date for the opening of such Franchised Business described in the Development Schedule, whichever first occurs.

4.2 **No Renewal Rights.** There is no renewal right.

#### 5. Initial Fee

5.1 **Payment of Initial Franchise Fee.** There is no separate fee payable in consideration of the development rights we have granted to you, provided you will pay to us on or before the date of this Agreement the full initial franchise fee for the first Franchised Business to be developed and fifty percent (50%) of the initial franchise fee for each additional Franchised Business required to be established pursuant to the Development Schedule (the “**Initial Fee**”). For example, if the Development Schedule requires you to establish ten (10) Franchised Businesses during the term of this Agreement, you must pay to us, on or before the date of this Agreement, an Initial Fee in the amount of Two Hundred Twenty Thousand Dollars (\$220,000) (The full initial franchise fee for the first location being \$40,000, and 50% of the initial franchise fee for the remaining 9 locations being \$20,000x9).

5.2 **Initial Fee is Non-Refundable.** The Initial Fee will be fully earned when received by us and will be non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein.

5.3 **Off-Set of Initial Fee against Initial Franchise Fees.** The Initial Fee is off-set against the initial franchise fees for each Franchise Agreement entered into for the establishment of Franchised Businesses pursuant to the Development Schedule as follows: Forty Thousand Dollars (\$40,000) is off-set against the initial franchise fee for the first Franchised Business to be established pursuant to the Development Schedule. Twenty Thousand Dollars (\$20,000) is off-set against the initial franchise fee for each subsequent Franchised Business to be established pursuant to the Development Schedule until the Initial Fee has been off-set in full.

#### 6. Your Area Development Obligations

6.1 **Franchise Agreements.** You must execute a separate franchise agreement (“**Franchise Agreement**”) for each Franchised Business. Each Franchised Business must be located at a site approved by us, within the Development Area, as provided below (the “**Approved Location**”). The Franchise Agreement for each Franchised Business developed hereunder shall be the form of Franchise Agreement being offered generally by us at the time each such Franchise Agreement is executed, except that the “Royalty Fee” percentage and “Fees and Royalties” will not exceed the “Royalty Fee” percentage and “Fees and Royalties” in effect in our Franchise Agreement being offered on the date this Agreement is executed. The current form of our Franchise Agreement is attached hereto as **Exhibit 5**. If you pay the Initial Fee, you will not pay the Initial Franchise Fee required under the Franchise Agreement for the first Franchised

Business to be developed pursuant to the Development Schedule and you will pay fifty percent (50%) of the Initial Franchise Fee under each subsequent Franchise Agreement for Franchised Businesses developed pursuant to the Development Schedule, until the Initial Fee has been off-set in full.

6.2 **Area Development Obligations.** You have the following area development obligations:

6.2.1 Recognizing that time is of the essence, you agree to develop by the end of each Development Year the number of Franchised Business set forth in **Exhibit 1** (the “**Area Development Schedule**”) and to maintain the number of open Franchised Businesses required by the end of each Development Year.

6.2.2 Any failure by you to develop and open the Franchised Businesses in the numbers and within the times specified in the Development Schedule and Section 3.1.1 will constitute a material default under this Agreement allowing us to terminate or reduce your rights under this Agreement under Section 11.3, as determined by us in our sole business judgment.

6.2.3 In order for you to develop a Franchised Business in the Development Area, you must submit to us for our written approval a site proposal for the proposed site and such other information or materials as we may reasonably require, including, but not limited to, a copy of a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have sixty (60) days after receipt of the site proposal and all other such information and materials required by us to approve or disapprove in writing the site proposal, which approval shall not be unreasonably withheld. Any disapproval will set forth our reasons for disapproving a site proposal.

6.2.4 Provided you are in full compliance with the terms and conditions contained in this Agreement, and with all of your obligations under each existing Franchise Agreement, franchises will be granted to you upon your obtaining our written approval of a site for the proposed Franchised Business. The granting of any such franchise is expressly conditioned on you and us entering into a Franchise Agreement for the approved site.

6.2.5 You acknowledge that our approval of a site proposal submitted by you does not in any way guarantee that the site will become a profitable Franchised Business. You expressly acknowledge that our approval of a site proposal submitted by you will not be deemed to be or construed as a warranty or guarantee, express or implied, as to the potential volume, profits or success of the Franchised Business to be located on the site.

## 7. Other Responsibilities of the Parties

7.1 **Our Other Obligations.** Our only initial obligation to you is to help you define your Development Area and assign it to you. Any other obligations we have to you are included in the individual Franchise Agreements that you will sign for each Franchised Business.

7.2 **Other Investors in Individual Franchised Businesses.** You may have other investors involved in the ownership of an individual Franchised Business as long as you advise us of those investors as provided in Section 7.3 and maintain majority ownership and voting control throughout the term of the Franchise Agreement. Each such investor must execute the

Owner's Guaranty attached to the Franchise Agreement as an exhibit and the Owners' Acknowledgment. You may create a special purpose entity for each Franchised Business and its related Franchise Agreement provided that (i) you retain fifty-one percent (51%) or more of the equity in the Franchisee entity, (ii) the direct and indirect owners of the Franchisee entity are approved by us pursuant this Section 7.2, and (iii) the owners of the Franchisee entity each execute the Owner's Guaranty and Owner's Acknowledgement.

7.3 **Your Owners. Exhibit 3** to this Agreement will at all times completely and accurately describe all of your owners and their beneficial ownership interests ("**Owner(s)**"). You and your Owners must sign and deliver to us such revised **Exhibit 3** as may be necessary to reflect any permitted changes in the information contained therein within five (5) business days following the occurrence thereof and to furnish such other information about your organization or formation as we may request.

## 8. Confidentiality

8.1 **Confidential Information.** You acknowledge that certain information relating to the development and operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including the contents of the Operations Manual, is derived from information disclosed to you by us and that all such information is of a proprietary and confidential nature and our trade secret ("**Confidential Information**").

8.2 **Use of Confidential Information.** You will not acquire any interest in the Confidential Information other than the right to use the Confidential Information in connection with the development of the Franchised Business during the Term of this Agreement, and acknowledge that use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with us, our affiliates and our other area developers and franchises.

You acknowledge that we are disclosing the Confidential Information to you solely on the condition that you agree, and you hereby agree, that any Confidential Information received from us (a) shall only be used by you for purposes of performing its obligations under this Agreement, (b) will not be used by you in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by you both during and after the Term of this Agreement and any renewal term, (d) will not be copied by you without our written authorization, and (e) will not be disclosed by you to any third party without our prior written consent. You must use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further shall limit the dissemination of the Confidential Information within your own organization to those individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. You must cause each person receiving the Confidential Information to sign a copy of a confidentiality agreement if requested by us.

You acknowledge that no other right or license to use the Confidential Information is granted by this Agreement, and agree that the amount of the Confidential Information to be disclosed to you is completely within our discretion.

## 9. Non-Competition

9.1 **Non-Competition During the Term.** During the term of this Agreement you (if you are an individual) or your Owners (if you are an entity) cannot compete with us and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager, or otherwise, in any business that offers one or more of the same entertainment options as Franchised Businesses may offer under the System (“**Competing Business**”) (except another System Location); provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section.

9.2 **Post-Term Non-Competition.** For a period of two (2) years following the transfer (by you or by an owner signing an Owner’s Acknowledgement to the Franchise Agreement), expiration, or termination of this Agreement for any reason, you (if an individual) and your Owners (if an entity) agree not to compete with us and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager or otherwise, in any Competing Business (except a System Property) anywhere in the Development Area or the Protected Area of any other System Location; provided, passive ownership of less than 5% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section. If you (if an individual) and your Owners (if an entity) is in breach of this Section following the transfer, expiration or termination of this Agreement (including by continuing to operate the Location as a System Location after the Agreement has expired or terminated), the period of duration for the obligation set forth herein will be tolled until the resolution of any enforcement action taken by Franchisor against Franchisee to enforce this Section. Franchisee covenants that it will not, for a period of two (2) years after the expiration, non-renewal or termination of this agreement, regardless of the cause of termination, or within two (2) years of the sale of the Location or any interest in the Franchisee, solicit business from customers of the Franchisee’s former Franchised Business or from any national accounts, or contact any of Franchisor suppliers or vendors for any competitive business purpose.

9.3 **Severability of Restrictive Covenants.** You acknowledge that the invalidity or unenforceability of any portion of Section 9.1 or Section 9.2 shall not affect the validity or enforceability of any other portion of Section 9.1 or Section 9.2 or any other section of this Agreement and any invalid or unenforceable portion of Section 9.1 or Section 9.2 shall be deemed to be severable.

9.4 **Amendment of Restrictive Covenants.** You acknowledge that the provisions of this Article 9 have been inserted for our sole benefit and that we have the right, in our sole discretion, to waive in whole or in part or otherwise reduce the scope of any covenant set forth in this Article 9 or any portion of this Agreement without your consent effective upon our giving Notice to you.

## 10. Transfer

10.1 **Transfer by Us.** We have the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of or deal with this Agreement, or any or all of our rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, limited liability company or other person or entity as we may in our sole discretion



deem appropriate. In the event of any such transfer, we shall be released from any liability under this Agreement for the obligations transferred.

**10.2 Transfer by You.** You acknowledge that the granting of the rights hereunder is based upon our investigation of your qualifications and that such rights are personal to you. Except as hereinafter provided, you and your Owner(s) may not directly or indirectly sell, divide, encumber, assign, hypothecate, mortgage, sub-license, transfer through bequest, inheritance, transfer in trust, divorce or operation of law or by any other means, or otherwise dispose of: the rights granted hereunder; any part of this Agreement; any rights or privileges incidental to this Agreement; any or all assets of you; or any interest in you (such as shares or membership interest) (herein collectively referred to as a “**Transfer**”), to any individual or legal entity, including any limited liability company, corporation, partnership, association, trust, bank, lending institution, or other third party without our prior written consent. We will not unreasonably withhold our consent to such Transfer having regard to factors which may include, without limitation, the viability of the investment by the transferee based on, for example, the price for the Area Development business payable by the transferee, except that a Transfer may not be made to one of our competitors or to a person operating a Competitive Business under a license or franchise from one of our competitors or otherwise. Any actual, attempted or purported Transfer occurring without our prior written consent shall constitute a default of this Agreement and shall be null and void. In no event will we be willing to provide our consent to any Transfer, unless:

10.2.1 The proposed transferee is acceptable to us based upon standards for new area developers used by us at such time;

10.2.2 You are not in default in the performance or observance of any of your obligations under this Agreement (including, without limitation, timely development of Franchised Businesses pursuant to the Development Schedule and making all payments in full when due), and any other agreement between you and us or between you or one of our affiliates, relating to the development or operation of Franchised Businesses or any other agreement between you and us or one of our affiliates;

10.2.3 You have settled and paid, or made satisfactory arrangements to pay, all outstanding accounts with and amounts owed to us and all your trade creditors;

10.2.4 You have delivered to us a general release, in form satisfactory to us, of all claims you may have against us and our members, officers, directors, owners, managers, employees, affiliates, successors and assigns;

10.2.5 Except in the case of a Transfer pursuant to Section 10.3 or a Transfer to us pursuant to Section 10.4, you have paid our transfer fee of \$5,000, or our total cost and expenses we incur in connection with the transfer, if they exceed the transfer fee; and

10.2.6 The proposed transferee assumes all of your rights and obligations under this Agreement.

It is understood and agreed that upon satisfaction of all the foregoing conditions and upon payment of all amounts which are owed by you, you will be released from any further liability under this Agreement with respect to matters or periods subsequent to the date of Transfer.

**10.3 Transfer to a Corporation, Limited Liability Company or Other Entity.** If you are an individual, you may, coincident with or at any time after execution of this Agreement, after

obtaining our written consent and provided all of your obligations to us have been satisfied, transfer and assign all of your rights and obligations hereunder to a corporation, limited liability company or other entity, provided you are and throughout the Term of this Agreement remain a principal executive officer of the corporation, limited liability company or other entity and the beneficial and registered owner of greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in such corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests), and further provided that you:

10.3.1 Cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to acknowledge this Agreement and to agree in writing to be bound by the provisions of this Agreement; execute and cause the corporation and its directors and shareholders or, if a limited liability company or other entity, its owners or members, to execute any agreement as may be specified by us relating to the assumption by the corporation, limited liability company or other entity, of any rights and obligations under this Agreement; cause the corporation in its articles of incorporation or, if a limited liability company or other entity in its operating agreement, to provide in effect that its object or business is confined exclusively to the development and operation of Franchised Businesses as provided in this Agreement; cause the corporation, limited liability company or other entity, to restrict the issue of, and its directors and shareholders to restrict the transfer of, shares of the corporation or ownership or membership interests in a limited liability company or other entity, so that you continuously own greater than fifty per cent (50%) of the issued and outstanding voting and equity rights and interests in the corporation, limited liability company or other entity (and any rights or options convertible into such voting or equity rights or interests) and to have such restrictions noted on all share certificates of the corporation or the owner's or members' ownership certificates; and cause the corporation, limited liability company or other entity to inform us and to keep us informed as to the names and addresses of the then current directors and shareholders or members of, and those persons who have a financial interest in, the corporation, limited liability company or other entity from time to time;

10.3.2 Execute such documents in respect of the transfer and assignment as we may direct, including the attached Owner's Guaranty; and

10.3.3 Pay to us all of our reasonable costs (including, without limitation, legal costs and fees) for the administration of the Transfer and the preparation, execution and filing of all documentation required by us in connection with the Transfer.

10.4 ***Right of First Refusal.*** If you or one or more of your Owners proposes to make a Transfer to any individual or entity (other than a corporation, partnership or other entity wholly owned by you or your Owners) that has provided a bona fide written offer, we will have the right for a period of thirty (30) days after you or such Owners have submitted all information requested by us, including a copy of the bona fide written offer, to exercise a right of first refusal and substitute ourselves for the proposed transferee in the transaction. If we decline to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, you must promptly notify us, and we will have the further right to exercise our right of first refusal over the revised transaction for a period of thirty (30) days. If we exercise our right of first refusal, we will have not less than sixty (60) days to close the transaction, and we will have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction. You and your Owners agree to make all customary representations and warranties that we may require in connection with the proposed transaction. If we do not exercise our right

of first refusal, or we revoke our right of first refusal, you or your transferring Owners may make a transfer on the terms and conditions of the offer considered by us if you and your Owners have complied with all of the provisions of Section 10.

**10.5 *Death or Incapacity.*** If you die or become incapacitated, or if you are a corporation, limited liability company, partnership or other entity, a principal Owner dies or becomes incapacitated, so that you or, in the case of your Incapacity, a qualified manager appointed or employed by you, is not able to devote full time and attention to the operation of the Area Development business, then your heirs or personal representatives must transfer the rights granted hereunder to a third party acceptable to us within a reasonable time, not to exceed nine (9) months from the date of death or Incapacity. In no event will we be willing to provide our consent to such transfer unless all of the conditions set out in Section 10.2 of this Agreement are satisfied. In the event that any of the conditions set forth in Section 10.2 of this Agreement are not satisfied, we will have the right in our sole discretion to terminate this Agreement by Notice, in the case of death, sent to your estate and, in the case of your Incapacity or your Principal Owner's Incapacity, to you. For purposes of this Section 10.5, "**Incapacity**" means in our reasonable opinion, your inability or the inability of your principal Owner to operate the area development business in the ordinary course for a period of thirty (30) days or more in any consecutive ninety (90) day period.

## **11. Termination and Expiration**

**11.1 *Termination by You.*** If you have fully complied with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within one hundred twenty (120) days after receipt of Notice thereof, you may terminate this Agreement effective one hundred twenty (120) days after giving Notice of such termination to us. Your termination of this Agreement for any other reason or without such notice will be deemed a termination without cause.

**11.2 *Termination by Us Without Opportunity to Cure.*** You will be deemed to be in default under this Agreement, and we may, at our option, terminate this Agreement and all rights granted herein effective immediately, without giving you Notice of, or the opportunity to cure, the default, if you either:

11.2.1 Make or are deemed to have made a general assignment for the benefit of creditors, or if a petition is filed against you under the Bankruptcy Code and not dismissed within sixty (60) days of filing, or if a petition is filed by you under the Bankruptcy Code, or if you are declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed for you, or if you commit any act of bankruptcy or institute proceedings to be adjudged bankrupt or insolvent or consent to the institution of such appointment or proceedings, or if you admit in writing your inability to pay debts generally as they become due;

11.2.2 At any time have any of the assets of your business seized or taken in execution or in attachment by one of your creditors, or a writ of execution issues against such assets, or if you without our prior written consent give any security interest in any of such assets or sell any of such assets except in the normal course of business, such that the foregoing materially impairs the operation of the business or any security interest which we may have in respect of this Agreement;

11.2.3 Willfully or fraudulently misrepresented any fact or condition made in any application or report provided to us or required to be made by this Agreement;

11.2.4 Die or become incapacitated (or if you are an entity, your principal Owner dies or becomes incapacitated) and a Transfer is not consummated as described in Section 10.5; or

11.2.5 By your actions, or your failure to take an action that it is required to take, you adversely affect the goodwill associated with the Proprietary Marks or Franchised Business.

**11.3 Termination for Failure to Meet Area Development Schedule.** If you fail to meet your development obligations under the Area Development Schedule, such action shall constitute a default under this Agreement, upon which we, in our discretion, may by written notice to you therein (i) terminate this Agreement and all rights granted hereunder without affording you any opportunity to cure the default; (ii) reduce the number of Franchised Businesses to be developed; (iii) reduce the size of the Development Area; or (iv) terminate the Development Area exclusivity and make such rights non-exclusive. If we elect to terminate this Agreement, we can resell your Development Area, but you can maintain any Franchised Business established pursuant to a Franchise Agreement already executed by us as long as you continue to comply with the terms of that Franchise Agreement.

**11.4 Termination by Us After Opportunity to Cure.** Except as otherwise provided in Sections 11.2 and 11.3, above, if you fail to comply with any material term and condition of this Agreement, or fail to comply with the terms and conditions of any Franchise Agreement or other area development agreement between you (or a person or entity affiliated with or controlled by you) and us, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, we may terminate this Agreement by giving you written notice of termination stating the nature of such default at least thirty (30) days prior to the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty (30) day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Franchised Businesses) will terminate without further notice to you, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

**11.5 Modification of Rights Not Waiver of Termination Rights.** In lieu of termination, we have the right to modify your rights under this Agreement as provided in Section 11.3; and if we exercise that right, we will not have waived our right, in the case of future defaults, to exercise all other rights, and invoke all other provisions, that are provided in law and/or set out under this Agreement.

**11.6 Your Obligations on Termination or Expiration.** Upon termination or expiration of this Agreement, you will have no right to establish or operate any Franchised Business for which a Franchise Agreement has not been executed by us at the time of termination or expiration, except that with respect to expiration at the end of the last development year, if you have signed a lease by the expiration date, you may continue to open a Franchised Business within four (4) months of the lease signing, if the lease is signed before the expiration of that development year. Thereafter, we will be entitled to establish, and to franchise others to establish, Franchised

Businesses in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between you and us).

11.7 **Effect of Default on Franchise Agreements.** No default under this Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

11.8 **Remedy Is Not Exclusive.** No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

## 12. Relationship and Indemnification

12.1 **Independent Parties.** You are and will at all times remain an independent contractor, and you may not and will not represent yourself to be our agent, joint venturer, partner or employee, or to be related to us other than as our independent developer. You may not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with us, and we will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by you to any other person nor with respect to any other action of you. You may not establish any bank account, make any purchase, apply for any loan or credit, or incur or permit any obligation to be incurred in our name or on our credit. No acts of assistance given by us to you shall be construed so as to alter this relationship. You will be solely responsible for paying all the operating costs of your development business, including all taxes.

12.2 **Your Liability.** If two (2) or more individuals execute this Agreement as the Area Developer, the liability of each such individual hereunder shall be joint and several.

12.3 **Non-Liability.** We will not be obligated or liable for any injury or death of any person or damage to any property caused by your action, failure to act, negligence or willful conduct, nor for any other liability you incur.

12.4 **Your Indemnity Obligations.** You agree to indemnify, hold harmless and, upon request, defend us, our affiliates, and their respective members, owners, directors, officers, managers, employees and agents (the “**Indemnified Parties**”), from and against all suits, proceedings, assessments, losses, claims, demands or actions of any nature or kind whatsoever (“**Claims**”), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

12.4.1 Your failure to pay when due any levies, taxes or assessments that you may be required by applicable law to pay;

12.4.2 Your operation of your area development business; or

12.4.3 Your actions, failure to act, negligence or willful conduct;

and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

### 13. Dispute Resolution

13.1 **Negotiations.** In the event of any unsettled claims, disputes, or controversies between you and us, and other matters arising between us relating to or arising from this Agreement, the dealings or relationship between us, or your development obligations (“**Dispute**”), a party shall send written notice to the other party of any Dispute (“**Dispute Notice**”). The parties shall first attempt in good faith to resolve any Dispute set forth in the Dispute Notice by negotiation and consultation between themselves, including not fewer than two (2) negotiation sessions attended by your chief executive officer or president, and our chief executive officer, president, or other executive. In the event that such Dispute is not resolved on an informal basis within thirty (30) Business Days after one party delivers the Dispute Notice to the other party, unless the parties mutually agree to extend the date, either party may initiate mediation under Article 19.2.

13.2 **Mediation.** If a Dispute is not resolved following negotiations as set forth in Section 13.1, either party has the option of initiating a mediation procedure by submitting a written request for mediation to a mediator mutually agreed upon between us and you, and if the we cannot agree, to the American Arbitration Association (in accordance with its Commercial Mediation Rules).

13.2.1 The mediation process shall begin promptly, but in no event later than thirty (30) days after cessation of negotiations between the parties, and shall be concluded within thirty (30) days of the day the request for mediation is made, unless the parties mutually agree otherwise.

13.2.2 Mediation shall be private, voluntary, and nonbinding. The mediator shall be neutral and impartial. The mediator’s fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert, or counsel for either party with respect to the matters in Dispute and any related matters.

13.2.3 Unless the parties agree otherwise, the entire mediation process shall be confidential and without prejudice. The parties and the mediator shall not disclose any information, documents, statements, positions, or terms of settlement. Nothing said or done or provided by the parties in the course of mediation shall be reported or recorded or, except as ordered by a court of competent jurisdiction, placed in any legal proceeding or construed for any purpose as an admission against interest. Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

13.2.4 All mediation proceedings shall take place in the city where we maintain our principal place of business at the time of the mediation.

13.3 **Temporary Restraining Orders and Injunctive Relief.** Notwithstanding anything to the contrary contained in this Section 13, you and we each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. You and we are not required to engage in negotiation regarding the Dispute pursuant to Section 13.1, or in mediation pursuant to Section 13.2 before instituting action pursuant to this Section 13.3. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

13.3.1 Any Dispute involving actual or threatened disclosure or misuse of the contents of the Operations Manual or any other confidential information or our Trade Secrets;

13.3.2 Any Dispute involving the ownership, validity, use of, or right to use or license the Proprietary Marks; and

13.3.3 Any action by us to enforce the covenants set forth in Sections 8 and 9 of this Agreement;

The provisions of this Section are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**13.4 Litigation.** If a Dispute is not resolved following negotiations as set forth in Section 13.1 or mediation as set forth in Section 13.2, each party has the option of initiating litigation to resolve the Dispute. The parties acknowledge that we operate, or intend to operate, a nationwide franchise system, with franchisees located in numerous different states and in numerous counties and cities within such states. Accordingly, the parties hereby agree that in view of the fact that our books, records, and business personnel are located, for the most part, in our principal place of business, and in order to minimize disruption or interference with operation of the franchise system as a whole, the parties agree as follows:

13.4.1 Any and all court proceedings arising from or relating in any manner to any dispute between you and us arising out of, relating to or referencing this Agreement or its breach in any way, shall be brought in, and only in, a state court of general jurisdiction sitting in the county and state, or in the United States District Court for the District for the location where we have our principal place of business at the time any such action is instituted, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court. No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law.

13.4.2 THE PARTIES AGREE THAT ALL DISPUTES ADMITTED TO THE COURT PURSUANT TO THIS PROVISION SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS.

13.4.3 EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO ARTICLE 12.4 AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE PROPRIETARY MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, YOU AND WE AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND/OR TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

**13.5 Our Business Judgment.** The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe our right to take (or refrain from taking) certain actions in the exercise of our discretion based on our assessment of the overall best interest of the network and/or franchise program. Where such discretion has been exercised, and is supported by our business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment we exercised.

**13.6 Legal Fees.** If we incur legal fees or costs or other expenses to enforce any of your obligations hereunder, or to defend against any claim, demand, action or proceeding by reason of your failure to perform or observe any obligation imposed upon you by this Agreement, then we shall be entitled to recover from you the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any of your obligations hereunder or thereafter or otherwise.

**13.7 No Class Actions.** Any disagreement between you and us (and our affiliates and owners) will be considered unique as to its facts and must not be brought as a class action, and you waive any right to proceed against us (and our affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff consolidated or collective action.

#### **14. General**

**14.1 Compliance with Laws.** You and your Owners understand the requirements of, and will abide by, all United States government economic sanctions requirements. You represent and warrant that neither you nor any of your direct or indirect Owners, employees or agents is a person subject to trade restrictions under United States law, including (without limitation) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., or any Executive Orders or regulations promulgated thereunder (including Executive Order 13224 of September 24, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, and the Specially Designated Nationals and Blocked Persons List) ("**Anti-Terrorism Laws**"). You and your Owners shall not engage in any activity that would expose us to a risk of criminal or civil penalties under applicable United States law. Any violation of the Anti-Terrorism Laws by you or your Owners, or any blocking of your or your Owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

**14.2 Severability of Provisions.** Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement shall not affect the validity or enforceability of any other part of this Agreement. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, length of time and/or business scope, but would be enforceable by reducing any part or all thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought.

**14.3 Counterparts.** This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original.

**14.4 Force Majeure.** Neither party will be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) including, without limitation, acts or omissions of the other party, acts of civil or military authority,



strikes, lock-outs, embargoes, insurrections or acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds one hundred twenty (120) days, we will have the right to terminate this Agreement.

14.5 **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon us, you, your Owners and their respective heirs, legal representatives, successors and permitted assigns.

14.6 **Survival.** All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

14.7 **Notices.** All notices, consents and approvals (a “**Notice**”) permitted or required to be given under this Agreement shall be in writing and shall be deemed to be sufficiently and duly given if set forth in writing and delivered by overnight courier service (with a confirming copy mailed), if to us addressed as follows:

DO THE BEACH FRANCHISING, LLC  
7431 Sawyer Circle  
Port Charlotte, Florida 33981  
Attention: President

and if to you addressed as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

Any Notice so given or made shall be deemed to have been given or made and received one (1) business day after sending by overnight courier service. Any party from time to time by Notice in writing given pursuant to the terms of this Agreement may change its address for the purpose of this Agreement.

14.8 **Right of Set-off.** Notwithstanding any other provision of this Agreement, upon your failure to pay us as and when due any sums of money under this Agreement or any other amounts owing to us, we may, at our election, deduct any and all such sums remaining unpaid from any monies or credit held by us for your account.

14.9 **Not Withhold Payment.** You agree that you will not on the grounds of the alleged non-performance by us of any of our obligations under this Agreement or under any other agreement between the parties, withhold payment of any amounts due to us whether on account of equipment or goods purchased by you or otherwise.

14.10 **Non-Waiver.** The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. Our acceptance of payments due under this Agreement shall not constitute a waiver of any preceding breaches by you.

14.11 **Applicable Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between you and us will be interpreted and construed in accordance with the substantive laws of the State of Texas, without giving effect to its conflicts of law provisions, provided that nothing in this Section is intended by the parties to subject this Agreement to any franchise, business opportunity, or similar law, rule or regulation of such state unless the jurisdictional requirements of such law are met, independent of this provision or this Agreement. Notwithstanding the foregoing, if the covenants in Section 9 of this Agreement would not be enforceable under the laws of Texas, and the Area Development Business is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Area Development Business is located. If applicable law provides you with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, we will comply with the requirements of such laws to the extent they exceed our obligations under this Agreement.

14.12 **Our Rights Are Cumulative.** Our rights under this Agreement are cumulative and no exercise or enforcement by us of any right or remedy under this Agreement shall preclude the exercise or enforcement by us of any other right or remedy under this Agreement or which we are otherwise entitled by law to enforce. Except as expressly stated otherwise herein, at our option, a default by you under this Agreement shall constitute a default by you under any other agreement between the parties, and the default by you under any other agreement between the parties shall constitute a default by you under this Agreement.

14.13 **No Third Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

14.14 **Approvals or Consents.** Requests by you for approvals or consents shall be in writing and shall be timely made. Approvals and consents by us shall not be effective unless in writing and duly executed by us. Except as expressly provided to the contrary herein, we may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in our sole discretion and shall not be required to show "reasonableness" or to comply with any other standard in connection herewith.

14.15 **Effect of Standards.** Our specifications of the System shall not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. We will not be liable to you or others on account of the specifications of the System, including the operation of the Franchised Business pursuant to the System.

14.16 **Construction.** You acknowledge that you had the opportunity to be represented by an attorney in connection with the preparation and execution of this Agreement, and to review

and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement will be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

14.17 **Further Assurances.** The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its full extent.

14.18 **Entire Agreement.** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of this business relationship defined in this Agreement. Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that they have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise or development rights or offer of franchise or development rights have been promised to you and no such franchise or development rights or offer of franchise or development rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise or development rights and specifically identified as a modification of this Agreement.

14.19 **Amendments.** No change, modification, amendment or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first written above.

Area Developer:

Franchisor:

\_\_\_\_\_

**DO THE BEACH FRANCHISING, LLC**

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## Owners' Acknowledgment

Each following party is mentioned in this Agreement as having certain rights and/or duties as an Owner of Area Developer. Each following party is signing this Acknowledgment, not as a party, but only to the extent necessary to indicate its, his or her acceptance of, and agreement to be bound by, the specific rights and duties of an Owner mentioned in this Agreement.

Owner:

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_

Owner:

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Owner:

\_\_\_\_\_

Print name: \_\_\_\_\_

Exhibit 1

DEVELOPMENT SCHEDULE

[Example – adopt as desired]

Development <u>Year</u>	<u>Period</u>	Number of Newly Opened <u>Locations</u>	Total Number of Operating Locations <u>At End of Period*</u>
1		1	0 to 1
2		1	1 to 2
3		1	2 to 3
4		1	3 to 4
5		1	4 to 5
6		1	5 to 6
7		1	6 to 7
8		1	7 to 8
9		1	8 to 9
10		1	9 to 10

**Entertainment Options:** Each Franchised Business must offer at least one of the following entertainment options that are part of the DO THE BEACH™ System (“**Entertainment Options**”):

_____	<input type="checkbox"/>
_____	<input type="checkbox"/>
_____	<input type="checkbox"/>
_____	<input type="checkbox"/>
_____	<input type="checkbox"/>

**Expiration Date:**

This Agreement shall expire on the date of our acceptance and execution of a Franchise Agreement for the last of the Franchise Businesses to be established pursuant to the above Development Schedule, or on \_\_\_\_\_, whichever first occurs.

Area Developer:

Franchisor:

\_\_\_\_\_

**DO THE BEACH FRANCHISING, LLC**

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**Exhibit 2**  
**BUSINESS TERMS**

Area Developer's business name, address, phone number and e-mail address:	
Initial Fee:	
Development Area:	[Describe in easily identifiable terms, such as "Cook County, Illinois, as such county exists as of the Effective Date" or attach a clear map]





## Exhibit 4

### OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a franchise and the execution of the Area Development Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Area Development Agreement**") by and between DO THE BEACH FRANCHISING, LLC, a Florida limited liability company ("**Franchisor**"), and \_\_\_\_\_ ("**Area Developer**"), the undersigned hereby personally and unconditionally: (1) guaranties to Franchisor and its successors and assigns, for the term of the Area Development Agreement and thereafter, as provided in the Area Development Agreement, that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Area Development Agreement (collectively, the "**Area Development Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development Documents applicable to owners of Area Developer.

The undersigned waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (iii) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed;
- (iv) any right the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability; and
- (v) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

- (1) the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Area Developer's obligations;
- (2) the undersigned shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses punctually to do so;
- (3) this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Area Developer as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

- (4) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and
- (5) such liability shall not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which Franchisor may from time to time grant to Area Developer or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Area Development Documents, as the same may be amended or renewed, until Area Developer's duties and obligations to Franchisor are fully discharged and satisfied; and
- (6) shall pay Franchisor's court costs and reasonable attorney's fees in enforcing or collecting on this Guaranty.

All capitalized terms when used herein shall have the meaning ascribed to them in the Area Development Agreement.

This Owner's Guaranty shall be governed, construed and interpreted in accordance with the substantive laws of the State of Texas, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

WITNESS(ES):

GUARANTOR(S):

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

**EXHIBIT 5**  
**FRANCHISE AGREEMENT**

**[The form of Franchise Agreement included in Exhibit D of the Franchise Disclosure Document will be attached here.]**

## **EXHIBIT 6**

### **STATE AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

[Use for the following states: Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia, Washington]

[delete if not applicable]

**EXHIBIT G**

**STATE SPECIFIC AMENDMENTS TO AREA DEVELOPMENT AGREEMENT**

**MULTI-STATE AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT  
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)**

This Amendment pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not subject the parties to the provisions of the SOP. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The following language is added immediately before the signature block of the Area Development Agreement:

"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."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Franchisee:

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date of signature: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date of signature: \_\_\_\_\_

## **CALIFORNIA AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of California that are subject to the California Franchise Investment Law (the "Act") and is for the purpose of complying with California statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act, as set forth in this Amendment, or otherwise. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Area Development Agreement dated \_\_\_\_\_, will be amended as follows:

1. The following language is added as new Section \_\_\_\_\_ of the Area Development Agreement:

"No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise, except for the "Entire Agreement" provision in Section \_\_\_\_\_ of the Area Development Agreement."

Notwithstanding anything to the contrary in this Agreement, and to the extent required by California Corporations Code Section 31512.1, any provision in this Agreement, the franchise disclosure document, and any other acknowledgement, questionnaire, or other writing, disclaiming or denying: (a) representations made by Franchisor or its personnel or agents to Franchisee before entering into the Area Development Agreement; (b) reliance by Franchisee on any representations made by Franchisor, or its personnel or agents; (c) reliance by Franchisee on the franchise disclosure document; or (d) violations of any other provision of the Act [that will be a reference to the California franchise law]; is void and will not be enforced by Franchisor."

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Area Developer:

\_\_\_\_\_  
By:  
Its:  
Date of signature: \_\_\_\_\_

\_\_\_\_\_  
By:  
\_\_\_\_\_  
Its:  
\_\_\_\_\_  
Date of signature:  
\_\_\_\_\_



**ILLINOIS AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the "Act") and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Illinois law governs the Franchise Agreement and Multi-Unit Development Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates 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.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 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.
5. 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
6. Section 13.3 of the Area Development Agreement is amended to provide that venue shall be in an appropriate Illinois court of general jurisdiction or United States District Court in Illinois.

Dated: \_\_\_\_\_

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **MARYLAND AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the "Act") and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Area Developer hereby agree that the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_, will be amended as follows:

1. The following language is added to Section 10.2.4 of the Area Development Agreement dealing with "Transfer by You":

" , except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."

2. The following language is added to the end of Section 13.3 of the Area Development Agreement dealing with "Venue":

"You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law."

3. The following language is added to the end of Section 13.5 of the Area Development Agreement dealing with "Limitations Periods":

"All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise."

4. Sections 1.3, dealing with "The Area Developer", and 14.19, dealing with "Entire Agreement", of the Area Development Agreement and the Franchisee Disclosure Questionnaire are amended to state:

"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."

12. Section 5.1 of the Area Development Agreement is amended by adding the following sentence:

"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 preopening obligations under the area development agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens."

IN WITNESS WHEREOF, Franchisor and Area Developer have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **MINNESOTA AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota Franchise Act (Minn. Stat. Sec. 80C.1 et seq., the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 8.2 of the Area Development Agreement is amended to add the following language.

“The Minnesota Department of Commerce requires the Franchisor to indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the tradename infringes trademark rights of the third party. Franchisor indemnifies Franchisee against the consequences of Franchisee’s use of the tradename in accordance with the requirements of the license, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claims within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.”

2. Section 11.1 of the Area Development Agreement is amended to read as follows:

“At the election of Franchisor, Franchisor may terminate the Agreement effective upon the expiration of 90 days after giving of written notice in the event Franchisee defaults, and does not cure to Franchisor’s reasonable satisfaction within the 60-day notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to Franchisor, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Manual or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any six month period, and any subsequent occurrence of the same or substantially similar default within such six month period shall entitle Franchisor, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.”

3. Franchisor will protect the Franchisee’s right granted hereby to use the Marks or will indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

4. Section 11.4 of the Area Development Agreement is amended as follows:

“With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Area Development Agreement.”

5. Section 13.4.1 of the Area Development Agreement is amended as follows:

“Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by laws of the jurisdiction.”

6. Minn. Rule 2860.4400J. prohibits waiver of a jury trial. Accordingly, Section 13.4.1 of the Area Development Agreement is amended as follows:

“Nothing contained herein shall limit Franchisee’s right to submit matters to the jurisdiction of the courts of Minnesota to the full extent required by Minn. Rule 2860.4400J.”

7. Minn. Rule 2860.4400J. prohibits requiring a franchisee to consent to liquidated damages.

8. Section 13.5 of the Area Development Agreement is amended to add the following:

“Any claims pursuant to Minn. Stat. Sec. 80C.17 may be commenced within the time period provided in Minn. Stat. Sec. 80C.17, subd. 5.”

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Area Development Agreement as of the day and year set forth above.

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**NEW YORK AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of New York that are subject to the New York Franchise Act (New York State General Business Law, Article 33, Sec. 680 et seq., the "Act") and is for the purpose of complying with New York statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Franchisor and Area Developer are parties to that certain Area Development Agreement that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because: (a) you are a resident of the State of New York and your Franchise will operate in New York; and/or (b) the offer or sale of the area development rights occurred in New York.

2. The following is added as a new Section 11.1 of the Area Development Agreement:

"You may terminate this Agreement upon any grounds available at law."

3. The following is added to Section 14.12 of the Area Development Agreement:

"This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder."

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the day and year first above written.

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **NORTH DAKOTA AMENDMENT TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the "Act") and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_, hereby agree that the Area Development Agreement will be amended as follows:

1. Section 11.6 of the Area Development Agreement is amended as follows:

"Remedies Upon Termination. If the Agreement is terminated, and in addition to your obligations as otherwise provided herein, we will retain the full amount of any fees heretofore paid to us and you will continue to remain liable to us for any and all damages which we have sustained or may sustain by reason of such default or defaults and the breach of the Agreement on you part for the unexpired Term of the Agreement."

2. Section 13.3 of the Area Development Agreement is deleted.
3. Section 13.6 of the Area Development Agreement is deleted.
4. Section 13.7 of the Area Development Agreement is deleted.
5. Section 13.8 of the Area Development Agreement is amended as follows:

"In the event either party incurs legal fees or costs or other expenses to enforce any obligation of the other party hereunder, or to defend against any claim, demand, action or proceeding by reason of the other party's failure to perform or observe any obligation imposed upon that party by this Agreement, then the prevailing party shall be entitled to recover from the other party the amount of all legal fees, costs and expenses, including reasonable attorneys' fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise."

6. The laws of the State of North Dakota supersede any provisions of the Area Development Agreement, the other agreements or such state law as applies to the agreements if such provisions are in conflict with North Dakota law.

Dated: \_\_\_\_\_

Franchisor:

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Area Developer:

\_\_\_\_\_

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

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

Its: \_\_\_\_\_



**RHODE ISLAND AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Rhode Island that are subject to the Rhode Island Franchise Investment Act (the "Act") and is for the purpose of complying with Rhode Island statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act, as amended by the laws of 1991, provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

Dated: \_\_\_\_\_, 20\_\_\_\_\_.

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**VIRGINIA AMENDMENT  
TO AREA DEVELOPMENT AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the "Act") and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Notwithstanding anything which may be contained in the body of the Area Development Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ hereby agree that the Area Development Agreement will be amended as follows:

1. Sections 11.2, 11.3 and 11.4 of the Area Development Agreement are amended by adding the following language:

"§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause."

Dated: \_\_\_\_\_, 20\_\_\_\_\_.

Franchisor:

Area Developer:

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## WASHINGTON ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** 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.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason

during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgments.** 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.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised 8. The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business. Fees paid in connection with the Area Development Agreement will be collected proportionally with respect to each outlet opened in connection therewith.

19. Section 14.15 of the Area Development Agreement is hereby amended by adding at its beginning:

“Except where it would be inconsistent with Section 19.100.180(1) of the Washington Franchise Investment Protection Act”

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
Signature of Franchisor Representative

\_\_\_\_\_  
Signature of Franchisee Representative

\_\_\_\_\_  
Title of Franchisor Representative

\_\_\_\_\_  
Title of Franchisee Representative

**EXHIBIT H**

**CONFIDENTIALITY AGREEMENT FOR REVIEW OF OPERATIONS MANUAL**

## CONFIDENTIALITY AGREEMENT

(to view Operating Manual)

**THIS CONFIDENTIALITY AGREEMENT** (the "Agreement") is made and entered into as of the day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ ("Prospective Franchisee"), and Do the Beach Franchising, LLC ("DTB").

### W I T N E S S E T H:

**WHEREAS**, Prospective Franchisee desires to review the draft operating manual for the Do the Beach franchise system (the "Operating Manual") that contains confidential and proprietary information regarding DTB and the Do the Beach franchise system (the "Proprietary Information"), for the purpose of evaluating whether to directly or indirectly enter into a franchise agreement with DTB; and

**WHEREAS**, DTB desires to disclose the Operating Manual and the Proprietary Information to Prospective Franchisee, but only pursuant to the terms of this Agreement.

**NOW, THEREFORE**, in consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

**Paragraph 1.** Prospective Franchisee acknowledges and agrees that the Operating Manual and all Proprietary Information is confidential and proprietary information in which DTB has a proprietary interest. Prospective Franchisee agrees that any information received from DTB, its subsidiaries, affiliates, or franchisees (a) shall only be used for purposes of evaluating whether Prospective Franchisee desires to directly or indirectly enter into a franchise agreement with DTB, and (b) shall not be disclosed to any third party without the prior written consent of DTB. Prospective Franchisee agrees to use reasonable care to prevent the disclosure of the Proprietary Information to any third party, and further agrees to limit the dissemination of the Operating Manual and any of the Proprietary Information within its own organization to individuals whose duties justify the need to know such information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Operating Manual and the Proprietary Information and to restrict its use solely to the purposes specified herein.

**Paragraph 2.** Prospective Franchisee acknowledges that no other right or license to use the Operating Manual or the Proprietary Information is granted by this Agreement. Upon completion of its review of the Proprietary Information (or sooner upon request), Prospective Franchisee agrees to return the Operating Manual to DTB.

**Paragraph 3.** Prospective Franchisee shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Prospective Franchisee and then only after said date; or (c) which Prospective Franchisee can demonstrate was in its possession before receipt.

**Paragraph 4.** This Agreement constitutes the entire agreement and understanding among the parties hereto, and shall not be amended except pursuant to a written agreement

executed by each of the parties hereto. This agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

"Prospective Franchisee"

\_\_\_\_\_

\_\_\_\_\_

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

Its: \_\_\_\_\_

"DTB"

**Do the Beach Franchising, LLC**

\_\_\_\_\_

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

Its: \_\_\_\_\_



**EXHIBIT I**  
**LIST OF FRANCHISEES**

As of the issuance date of this Franchise Disclosure Document:

None

**EXHIBIT J**

**FRANCHISEES WHO LEFT THE SYSTEM OR HAVE NOT COMMUNICATED**

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

The following franchisees left our system in our last fiscal year, or did not communicate with us within 10 weeks of the issuance date of this disclosure document:

None

**EXHIBIT K**  
**FINANCIAL STATEMENTS**

**Part I**  
**Audited Financial Statements**

# Do The Beach Franchising, LLC

Financial Statements and Report

For The Year Ended

December 31, 2024

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**McMillen Dovali Co.**  
CPAS + ADVISORS

## Independent Auditors' Report

To the Members of

Do The Beach Franchising, LLC

### **Opinion**

We have audited the financial statements of Do The Beach Franchising, LLC (the LLC), which comprise the balance sheet as of December 31, 2024, and the related statements of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LLC as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 LLC'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 LLC'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.

*McMillen Dorelli Co. P.C.*

May 29, 2025

**Do The Beach Franchising, LLC**

Balance Sheet

As of December 31, 2024

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 2,578
Prepaid expenses	15,000
	<hr/> 17,578
<b>Other Assets</b>	
Intangible assets, net of accumulated amortization of \$7,006	33,614
	<hr/>
<b>Total Assets</b>	<hr/> <b>\$ 51,192</b> <hr/>
<b>Liabilities and Members' Equity</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 1,561
Credit card payable	19,891
	<hr/> 21,452
Members' Equity	<hr/> 29,740
<b>Total Liabilities and Members' Equity</b>	<hr/> <b>\$ 51,192</b> <hr/>

See accompanying notes to the financial statements.

**Do The Beach Franchising, LLC**  
Statement of Operations and Changes in Members' Equity  
For the year ended December 31, 2024

<b>Revenue</b>	\$ -
<b>Operating Expenses</b>	
Advertising	14,300
Amortization	7,006
Legal and professional	47,252
Licenses and fees	101
Computer and software	25,125
Travel	2,295
Contract labor	7,568
<b>Total Operating Expenses</b>	<u>103,647</u>
<b>Income (Loss) From Operations</b>	<u>(103,647)</u>
<b>Other Income (Expense)</b>	
Interest expense	(1,548)
<b>Net Income (Loss)</b>	<u>(105,195)</u>
Members' Equity - Beginning of Year	49,215
Capital Contributions	85,720
Members' Equity - End of Year	<u><u>\$ 29,740</u></u>

See accompanying notes to the financial statements.

**Do The Beach Franchising, LLC**  
Statement of Cash Flows  
For the year ended December 31, 2024

**Cash Flows From Operating Activities**

Net income (loss)	\$ (105,195)
-------------------	--------------

**Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities**

Amortization	7,006
Decrease (increase) in prepaid expenses	(15,000)
Increase (decrease) in accounts payable	(9,694)
Increase (decrease) in credit card payable	19,891

<b>Net Cash Used in Operating Activities</b>	(102,992)
--	-----------

**Cash Flows from Investing Activities**

Purchase of intangible assets	(3,890)
-------------------------------	---------

<b>Net Cash Used in Investing Activities</b>	(3,890)
--	---------

**Cash Flows from Financing Activities**

Capital contributions	85,720
-----------------------	--------

<b>Net Cash Provided by Financing Activities</b>	85,720
--	--------

Net Increase (Decrease) in Cash	(21,162)
---------------------------------	----------

Cash at Beginning of Year	23,740
---------------------------	--------

Cash at End of Year	\$ 2,578
---------------------	----------

**Supplemental Cash Flow Information**

**Cash Paid During the Year for**

Interest	\$ 1,548
----------	----------

See accompanying notes to the financial statements.

**Do The Beach Franchising, LLC**  
Notes to the Financial Statements  
For the year ended December 31, 2024

**1. Nature of Business**

Do the Beach Franchising, LLC ("the Company"), registered in Florida in August 2023, is a development stage company whose planned principal operations are the sales of beach-themed indoor play franchises throughout the United States of America.

Subsequent to year-end, the Company has signed two franchise agreements for locations in Florida and Massachusetts.

**2. Summary of Significant Accounting Policies**

**a. Basis of Accounting**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**b. Intangibles**

At December 31, 2024, intangibles consist of website development costs of \$31,500 and software costs of \$9,120, with accumulated amortization of \$7,006. Intangibles are recorded at cost with expected amortization computed using the straight-line method over the following estimated useful lives:

Website	5 years
Software	3 years

Estimated amortization expense expected over the ensuing five years is as follows:

2025-2026	\$9,340
2027	\$6,384
2028	\$6,300
2029	\$2,250

**c. Advertising**

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2024 amounted to \$14,300.

**d. Income Taxes**

As a limited liability company, the Company is not a taxpaying entity. Accordingly, the individual members will report their respective shares of net taxable income or loss on their individual income tax returns. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company has implemented the accounting guidance for uncertainty in income taxes as required by accounting principles generally accepted in the United States of America. Using that guidance, uncertain tax positions need to be recognized when it is more likely than not the position will not be sustained upon examination by tax authorities. As of December 31, 2024, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no income tax audits for any tax period in progress.

**Do The Beach Franchising, LLC**  
Notes to the Financial Statements  
For the year ended December 31, 2024

**e. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**f. Subsequent Events**

Subsequent events have been evaluated through May 29, 2025, the date which the financial statements were available to be issued.

**3. Concentration of Credit Risk**

The Company maintains its cash balance with one bank with various locations throughout the United States of America. The bank balance may at times throughout the year exceed the federally insured limits.

**DO THE BEACH FRANCHISING LLC**

Balance Sheet with  
Independent Auditors' Report

December 31, 2023





214 W. Main  
Valley Center, Kansas 67147  
Phone (316) 755-0033 Fax (316) 755-2661

Independent Auditors' Report

To the Board of Directors and Members  
of Do the Beach Franchising LLC

**Opinion**

We have audited the accompanying balance sheet of Do the Beach Franchising LLC as of December 31, 2023, and the related notes to the financial statement.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Do the Beach Franchising LLC as of December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit 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 Do the Beach Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Statement**

Management is responsible for the preparation and fair presentation of the financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

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

**Auditors' Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 statement.

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 statement, 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 statement.
- 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 Do the Beach Franchising LLC'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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Do the Beach Franchising LLC'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.

*Porter, Carswell & Raya*

Porter, Carswell & Raya, Chartered  
June 25, 2024

**DO THE BEACH FRANCHISING LLC**

Port Charlotte, Florida

**BALANCE SHEET**

December 31, 2023

**ASSETS**

Current Assets		
Cash and cash equivalents	\$	23,740
Other assets		
Software		6,080
Startup costs		30,650
Total other assets		<u>36,730</u>
Total Assets	\$	<u>60,470</u>

**LIABILITIES AND MEMBERS' EQUITY**

Current Liabilities		
Accounts payable	\$	11,255
Members' Equity		<u>49,215</u>
Total Liabilities and Members' Equity	\$	<u>60,470</u>

See accompanying notes and independent auditors' report.

**DO THE BEACH FRANCHISING LLC**  
Port Charlotte, Florida

**STATEMENTS OF OPERATIONS**  
For the Year Ended December 31, 2023

<u>REVENUE</u>	\$	-
<u>EXPENSES</u>		
Personnel expenses		-
Professional expenses		-
Depreciation expense		-
Other operating expenses		-
		<hr/>
Total expenses		-
		<hr/>
Net Income (Loss)	\$	-
		<hr/> <hr/>

See Accompanying notes and independent auditors' report.

**DO THE BEACH FRANCHISING LLC**  
**Port Charlotte, Florida**

**NOTES TO FINANCIAL STATEMENT**  
**December 31, 2023**

**1. Summary of Significant Accounting Policies**

Do the Beach Franchising LLC's accounting policies conform to accounting principles generally accepted in the United States of America. The most significant accounting policies are summarized below.

**Organization and Nature of Operations**

Do the Beach Franchising LLC (the Company), registered in Florida in August 2023, is a development stage company whose planned principal operations are the sales of beach-themed indoor play franchises in the United States. The Company's activities are subject to significant risks and uncertainties, including rapidly changing consumer preferences and the need to acquire additional capital resources for the continuation and expansion of its business.

**Management's Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Subsequent Events**

Management has evaluated subsequent events through June 25, 2024, the date on which the financial statement was available to be issued.

## **Part II**

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.

**[Only included if required by state law]**

# Do The Beach Franchising LLC

## Balance Sheet

As of June 30, 2025

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Crews Bank & Trust Checking	11,012.49
<b>Total Bank Accounts</b>	<b>\$11,012.49</b>
Other Current Assets	
Prepaid Expenses	15,000.00
<b>Total Other Current Assets</b>	<b>\$15,000.00</b>
<b>Total Current Assets</b>	<b>\$26,012.49</b>
Fixed Assets	
Accumulated Amortization	-7,006.00
Software	9,120.00
Website Development	38,312.50
<b>Total Fixed Assets</b>	<b>\$40,426.50</b>
<b>TOTAL ASSETS</b>	<b>\$66,438.99</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	21,442.00
<b>Total Accounts Payable</b>	<b>\$21,442.00</b>
Credit Cards	
Apple Card	6,917.88
<b>Total Credit Cards</b>	<b>\$6,917.88</b>
<b>Total Current Liabilities</b>	<b>\$28,359.88</b>
<b>Total Liabilities</b>	<b>\$28,359.88</b>
Equity	
Member Distributions	-669.96
Members' Equity	52,571.96
Retained Earnings	0.00
Net Income	-13,822.89
<b>Total Equity</b>	<b>\$38,079.11</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$66,438.99</b>

# Do The Beach Franchising LLC

## Profit and Loss

April - June, 2025

		TOTAL
Income		
<b>Total Income</b>		
GROSS PROFIT		<b>\$0.00</b>
Expenses		
Advertising & Marketing		12,230.00
Computer & Software Expenses		5,412.30
Interest Expense		507.25
Legal & Professional Fees		11,880.00
Travel Expenses		6,499.86
<b>Total Expenses</b>		<b>\$36,529.41</b>
NET OPERATING INCOME		<b>\$ -36,529.41</b>
NET INCOME		<b>\$ -36,529.41</b>



**EXHIBIT L**  
**CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT ("Agreement"), dated \_\_\_\_\_, \_\_\_\_\_, is made by and between Do The Beach Franchising, LLC, a Florida limited liability company, with its principal office at 7431 Sawyer Circle, Port Charlotte, Florida 33981 ("Franchisor"), and \_\_\_\_\_, located at \_\_\_\_\_ ("Recipient").

### Recitals

On \_\_\_\_\_, \_\_\_\_\_, Franchisor and \_\_\_\_\_ ("Franchisee") entered into a Franchise Agreement to operate a beach-themed inflatable adventure park. (the "Franchised Business") at \_\_\_\_\_ ("Franchise Agreement"). Recipient is either an owner of Franchisee (each, an "Owner"), or one of Franchisee's owners, shareholders, partners, members, officers, directors, managers, employees, or agents.

Under the Franchise Agreement, Franchisor has agreed to provide Confidential Information, as that term is defined in the Franchise Agreement and below, to Franchisee solely on the condition that Franchisee and the Owners of Franchise agree that Franchisee (if an individual), its Owners (if an entity), officers, directors, members, partners, managers, employees and agents who have access to such Confidential Information sign a Confidentiality Agreement. Recipient agrees that the Confidential Information is being disclosed to him or her under the terms and conditions of this Agreement.

The Franchise Agreement also requires each of Franchisee's shareholders, partners, members, officers, directors, managers, employees and agents to sign a covenant not to compete.

### Terms and Conditions

NOW, THEREFORE, in consideration of the covenants and the promises herein contained, the parties agree as follows:

1. Recipient acknowledges and agrees that all Confidential Information he or she receives from Franchisor is confidential and proprietary information and trade secrets in which Franchisor has a proprietary interest. "Confidential Information" includes, by way of example, but not limitation, certain information relating to the operation of the Franchised Business including, without limitation, the standards, methods, procedures and specifications of the System, including the System Standards and the contents of the Operations Manual. Recipient will not acquire any interest in the Confidential Information learned by Recipient other than the right for Recipient to utilize the same in connection with ownership and/or operation of the its Franchised Business during term of the Franchise Agreement, including any renewal term or the term of any subsequent Franchise Agreement entered into between Franchisor and Franchisee, and the use or duplication of the Confidential Information in any other business or capacity will constitute an unfair method of competition with Franchisor, its affiliates, and Franchisor's other franchisees.

2. Franchisor is disclosing the Confidential Information to Recipient solely on the condition that Recipient agree, and Recipient hereby agrees, that any Confidential Information

received from Franchisor (a) shall only be used by Recipient for purposes of performing the Franchise Agreement, (b) will not be used by Recipient in any other business, manner or capacity, (c) will have its absolute confidentiality maintained by Recipient both during and after the term of the Franchise Agreement, including any renewal term, (d) will not be copied by Recipient without written authorization, and (e) will not be disclosed by Recipient to any third party without the prior written consent of Franchisor. Recipient agrees to use reasonable care to prevent the disclosure of the Confidential Information to any third party, and further agrees to limit the dissemination of the Confidential Information within its own organization to individuals whose duties justify the need to know such Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Confidential Information and to restrict its use solely to the purposes specified herein. Each other person receiving the Confidential Information must also sign a copy of this Agreement.

3. Recipient acknowledges that no other right or license to use the Confidential Information is granted by this Agreement, and agrees that the amount of the Confidential Information to be disclosed to Recipient is completely within the discretion of Franchisor.

4. Recipient hereby agrees that any addition, modification, adaptation, improvement, refinement, discovery, invention or innovation of the System or any Proprietary Mark (collectively, a **"Business Improvement"**) made by Franchisee or its employees or Owners shall be the sole and exclusive property of Franchisor, regardless of Franchisee's, its employee's or the Owners' participation or sole participation in its development, and shall be deemed assigned to Franchisor. Upon Franchisor's request, Recipient shall, and shall cause his/her employees and all owners to, execute any instruments and documents that Franchisor requests and shall assist Franchisor to perfect or protect all intellectual property rights in such Business Improvement. Recipient shall not be entitled to any compensation for the use or licensing of any Business Improvement.

5. Upon termination or expiration of the Franchise Agreement, or earlier if requested by Franchisor, Recipient will return all Confidential Information and the Operations Manual (including any copies thereof that Franchisor may have permitted Recipient to make) to Franchisor.

6. Recipient shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt.

7. Recipient acknowledges and agrees that Franchisor will suffer irreparable injury not capable of precise measurement in monetary damages if Recipient discloses or misuses any Confidential Information. Accordingly, in the event of a breach of this Agreement by Recipient, Recipient consents to entry of interim relief, including, without limitation, the entry of a temporary restraining order, preliminary injunction, permanent injunction, writ of attachment, appointment of a receiver, and any other equitable relief which the court deems necessary in order to prevent irreparable injury, all without the requirement that bond be posted. Recipient agrees that the award of equitable remedies to Franchisor in the event of such breach is reasonable and necessary for the protection of the business and goodwill of Franchisor.

8. Recipient hereby agrees to indemnify, hold harmless and, upon request, defend Franchisor and its affiliates, and their respective members, owners, shareholders, directors,

officers, managers, employees and agents (the “**Indemnified Parties**”), from and against all suits, proceedings, assessments, losses, claims, demands or actions of any nature or kind whatsoever (“**Claims**”), directly or indirectly arising out of, or in any manner whatsoever associated or connected with the failure of Recipient to observe and perform his or her duties and obligations under this Agreement, and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

9. All terms not otherwise defined in this Agreement shall have the same meanings as the defined terms in the Franchise Agreement.

10. This Agreement shall be governed, construed and interpreted in accordance with the substantive laws of the State of Florida, without giving effect to its conflicts of law principles.

11. This Agreement together with the Franchise Agreement constitutes the entire agreement and understanding among the parties hereto with respect to the disclosure of Confidential Information to Recipient and Recipient’s non-competition obligations, and shall not be amended except under a written agreement executed by each of the parties hereto. This Agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day, month, and year first above written.

Recipient:

\_\_\_\_\_

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

Position with Franchisee: \_\_\_\_\_

Franchisor:

DO THE BEACH FRANCHISING, LLC

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

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

Its: \_\_\_\_\_

**EXHIBIT M**  
**GENERAL RELEASE**

[If only the Franchisee is signing the Release, the language in bold and brackets referring to the Owner(s) should be deleted. If both Franchisee and its Owner(s) are signing the Release, the above referenced language should be left in the release, but should be taken out of the brackets and the bold type should be replaced by normal type.]

## GENERAL RELEASE

This GENERAL RELEASE ("Release") is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by [Name of franchisee] ("Franchisee"), **[and [Name of owner(s)] ("Owner(s)"]**, with reference to the following facts:

The undersigned Franchisee is a signatory to that certain Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ ("Franchise Agreement") by and between **[Franchisor]** ("Franchisor") and Franchisee granting Franchisee the right to use the Franchisor's System and trademarks to operate the Franchised Business at a specific location.

### **[The undersigned Owner is an owner of the Franchisee.]**

Franchisee **[and Owner each]** agrees that all capitalized terms in this Release shall have the meaning that is ascribed to them in the Franchise Agreement. This Release is being executed by the Franchisee **[and the Owner]** pursuant to the requirements of the Franchise Agreement. Franchisee **[and Owner each]** understands and agrees that execution of this Release is a condition of Franchisee's rights under the Franchise Agreement **[to renew the Franchise Agreement] [to transfer the Franchise Agreement]** and that Franchisee's **[or Owner's]** failure or refusal to execute this Release would result in Franchisee's breach of the Franchise Agreement. In consideration of the rights granted by the Franchise Agreement, Franchisee **[and Owner each]** executes this Release for the benefit of Franchisor.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, FRANCHISEE **[AND OWNER EACH]** AGREES AS FOLLOWS:

1. General Release. Franchisee **[and Owner each]** hereby releases and forever discharges Franchisor and its members, managers, officers, directors, owners, principals, managers, employees, affiliates, successors and assigns (collectively the "Released Parties"), from any and all claims, demands, obligations, liabilities, actions, causes of action, suits, proceedings, controversies, disputes, agreements, promises, allegations, costs and expenses, at law or in equity, of every nature, character or description whatsoever, whether known or unknown, suspected or unsuspected or anticipated or unanticipated, which Franchisee **[or Owner]** ever had, now has, or may, shall or can hereafter have or acquire (collectively referred to as "Claims"). This Release includes, but is not limited to, all Claims arising out of, concerning, pertaining to or connected with the Franchise Agreement, any other agreement, tort, statutory violation, representation, nondisclosure, act, omission to act, fact, matter or thing whatsoever, occurring as of or prior to the date of this Release, so that after the date of this Release, **[neither]** Franchisee **[nor Owner]** shall have any Claim of any kind or nature whatsoever against the Released Parties, directly or indirectly, or by reason of any matter, cause, action, transaction or thing whatsoever done, said or omitted to have been done or said at any time prior to the date of this Release.

2. **Waiver of Rights.** This Release is intended by Franchisee [and Owner] to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee [or Owner] against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee [and Owner each], for itself, himself or herself, hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee [or Owner, as the case may be] would be entitled, now or at any time hereafter under the statutory or common law of the state where the Franchised Business is located, whether now or hereinafter existing under the laws of the state where the Franchised Business is located, or any other applicable federal and state law with jurisdiction over the parties relationship.

**[ALTERNATE PROVISION FOR CALIFORNIA FRANCHISEES ONLY]**

3. **Waiver of Civil Code Section 1542.** This Release is intended by Franchisee [and Owner] to be a full and unconditional general release and to constitute a full, unconditional and final accord and satisfaction, extending to all Claims of any nature, whether or not known, expected or anticipated to exist in favor of Franchisee [and Owner] against the Released Parties regardless of whether any unknown, unsuspected or unanticipated Claim would materially affect settlement and compromise of any matter mentioned herein. Franchisee [and Owner each] hereby expressly, voluntarily and knowingly waives, relinquishes and abandons each and every right, protection and benefit to which Franchisee [or Owner, as the case may be] would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any other statutes or common law principles of similar effect to Section 1542, whether now or hereinafter existing under the laws of California, or any other applicable federal and state law with jurisdiction over the parties' relationship. Franchisee [and Owner each] acknowledges that Section 1542 of the Civil Code of the State of California provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially effected his settlement with the debtor."

In making this voluntary express waiver, Franchisee [and Owner each] acknowledges that Claims or facts in addition to or different from those which are now known or believed to exist with respect to the matters mentioned herein may later be discovered and that it is the intention of Franchisee [and Owner, respectively] to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered Claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. Franchisee [and Owner each] acknowledges and agrees that the foregoing waiver of Section 1542 is an essential, integral and material term of this Release.

4. **Release Not Admission.** Franchisee [and Owner each] understands and agrees that the giving or acceptance of this Release and the agreements contained herein shall not constitute or be construed as an admission of any liability by Franchisor or an admission of the validity of any Claims made by or against Franchisor.

5. Authority of Parties. Each person executing this Release on behalf of a party hereto warrants and represents that he or she is duly authorized to execute this Release on behalf of such party.

6. No Prior Assignments. Franchisee **[and Owner each]** represents and warrants that Franchisee **[and Owner]** has not previously assigned or transferred, or attempted to assign or transfer, to any third party any of the Claims which are the subject of this Release, all of such Claims being released.

7. Incorporation by Reference. The parties hereby incorporate the recitals of this Release as part of the substantive provisions of this Agreement.

8. Controlling Law. **This Release shall be governed, construed and interpreted in accordance with the substantive laws of the state where the Franchised Business is located.**

IN WITNESS WHEREOF, Franchisee **[and Owner each]** has executed this Release on the date first shown above.

Franchisee:

**[Owner:**

\_\_\_\_\_

\_\_\_\_\_  
**(Signature)**

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

\_\_\_\_\_  
**(Print Name)]**

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

Its: \_\_\_\_\_



### STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California	Pending
Hawaii	Not registered
Illinois	Pending
Indiana	Not registered
Maryland	Not registered
Michigan	Pending
Minnesota	Pending
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Not registered
Washington	Not registered
Wisconsin	Not registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT N**

**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 Do The Beach Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan 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 Do The Beach Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Do The Beach Franchising, LLC, located at 7431 Sawyer Circle, Port Charlotte, Florida 33981. Its telephone number is 941-456-9599.

The franchise seller is \_\_\_\_\_, located at \_\_\_\_\_.  
His/her telephone number is \_\_\_\_\_.

The issuance date is July 17, 2025. The state effective dates are on an exhibit preceding this Receipt.

Do The Beach Franchising, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated July 17, 2025 that included the following Exhibits:

- |  |   |
|--|---|
| A. List of State Administrators                            | H. Confidentiality Agreement (to view Operating Manual) |
| B. Agents for Service of Process                           | I. List of Franchisees                                  |
| C. State Addenda to FDD                                    | J. Franchisees Who Left System or Have Not Communicated |
| D. Franchise Agreement                                     | K. Financial Statements                                 |
| E. State Specific Amendments to Franchise Agreement        | L. Confidentiality Agreement                            |
| F. Area Development Agreement,                             | M. General Release                                      |
| G. State Specific Amendments to Area Development Agreement | N. Receipt Pages  |

Date: \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee Signature

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

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

\_\_\_\_\_  
Individually and as \_\_\_\_\_  
of \_\_\_\_\_

(Your Copy. Sign, date and retain.)

## 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 Do The Beach Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan 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 Do The Beach Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Do The Beach Franchising, LLC, located at 7431 Sawyer Circle, Port Charlotte, Florida 33981. Its telephone number is 941-456-9599.

The franchise seller is \_\_\_\_\_, located at \_\_\_\_\_.  
His/her telephone number is \_\_\_\_\_.

The issuance date is July 17, 2025. The state effective dates are on an exhibit preceding this Receipt.

Do The Beach Franchising, LLC authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I have received a disclosure document dated July 17, 2025 that included the following Exhibits:

- |  |   |
|--|---|
| A. List of State Administrators                            | H. Confidentiality Agreement (to view Operating Manual) |
| B. Agents for Service of Process                           | I. List of Franchisees                                  |
| C. State Addenda to FDD                                    | J. Franchisees Who Left System or Have Not Communicated |
| D. Franchise Agreement                                     | K. Financial Statements                                 |
| E. State Specific Amendments to Franchise Agreement        | L. Confidentiality Agreement                            |
| F. Area Development Agreement,                             | M. General Release                                      |
| G. State Specific Amendments to Area Development Agreement | N. Receipt Pages  |
|  | p   |

Date: \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee Signature

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

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

\_\_\_\_\_  
Individually and as \_\_\_\_\_  
of \_\_\_\_\_

(Sign, Date and Return to Us)