

## FRANCHISE DISCLOSURE DOCUMENT



**TourScale Franchising, LLC,**  
An Arizona limited liability company  
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tourscale.com; trolleypub.com;  
paddlepub.com; tikipub.com;  
cruisintikis.com

TourScale Franchising, LLC, an Arizona limited liability company, franchises the right to use the Trolley Pub, Trolley Party, Tiki Pub, Paddle Pub, and Cruisin' Tiki's names, logos, company websites, pedal-powered vehicles and vessels, and business methods in the mobile entertainment tour industry.

The total investment necessary to begin operation of a vehicle-based (Trolley Pub or Trolley Party) franchise is \$75,150 to \$204,150. This includes \$51,100 to \$125,450 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to begin operation of a vessel-based (Paddle Pub, Tiki Pub or Cruisin' Tiki's) franchise is \$99,650 to \$411,150. This includes \$65,600 to \$282,950 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to begin operation of a combined vehicle-based and vessel-based (Trolley Party with Paddle Pub, Tiki Pub, or Cruisin' Tiki's) franchise is \$154,800 to \$595,300. This includes \$96,700 to \$388,400 that must be paid to the franchisor and/or its affiliates.

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 government 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 Kai Kaapro at 323 West Davie Steet, Raleigh, North Carolina 27601 and 888-753-7507.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "**A Consumer's Guide to Buying a Franchise**," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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: May 1, 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 can 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 or <u>Exhibit H</u> .
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <u>Exhibit K</u> may include financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only TourScale Business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a TourScale Business franchisee?</b>	Item 20 or <u>Exhibit H</u> lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About This Franchise

Certain states require that the following 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 North Carolina. 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 than in your own state.
2. **Minimum Advertising, and Other Payments.** You must make minimum advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
6. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor, Its Parents, and Affiliates.**

Throughout this disclosure document, “**TourScale Franchising**”, “**TourScale**”, “**we**”, “**us**”, “**our**”, or “**Franchisor**” means TourScale Franchising, LLC, which does business as Paddle Pub, Tiki Pub, Trolley Pub, Trolley Party, and/or Cruisin’ Tikis. “**You**” means the person who buys the franchise and includes the owners of any corporation, partnership or limited liability company that buys the franchise.

TourScale Franchising is an Arizona limited liability company that was formed on April 27, 2020. Our principal business address is 323 West Davie Steet, Raleigh, North Carolina 27601 and telephone number is 888-753-7507. Our agents for service of process are listed in Exhibit B. We currently engage in licensing mobile entertainment tour franchises and distributing mobile entertainment tours and related products and services. We may modify the products and services we offer at any time.

Our direct parent company is TourScale, LLC (“**Holdco**”), an Arizona limited liability company which was formed on April 27, 2020, and is located at 323 West Davie Steet, Raleigh, North Carolina 27601. Holdco serves as a holding company for certain of our affiliates and owns or licenses intellectual property used by our affiliates and TourScale Franchising.

TourScale Enterprises, LLC (“**TSE**”), a Delaware limited liability company was formed on August 31, 2023. It is the parent company of Holdco and also serves as a holding company for certain of our affiliates. TSE owns or licenses intellectual property used by our affiliates and TourScale Franchising. The address for TourScale Enterprises, LLC, is 323 West Davie Steet, Raleigh, North Carolina 27601 and telephone number is 888-753-7507.

On January 1, 2024, TourScale and its affiliates completed an internal consolidation. Specifically, KCV (defined below), along with its subsidiary TPNC (defined below) and TPNC’s subsidiaries TourCraft (defined below) and KCH Sales (defined below), consolidated their ownership into TSE. This consolidation was carried out through an “F Reorganization” (as defined in Internal Revenue Code Section 368(a)(1)(F)), in which the legacy equity of KCV was transferred to a newly formed entity, KCVP (defined below).

Other than TSE, we do not have any predecessors during the ten (10) year period immediately before the close of our most recent fiscal year.

We have eleven (11) affiliates in addition to the entities described above, with the following ownership structure:

1. Kaapro & Cole Ventures, LLC (“**KCV**”), an Arizona limited liability company formed on January 10th, 2011, and located at 323 West Davie St, Raleigh, North Carolina 27601, which owns 100% of TourScale, LLC and Capitol Pedicycle, LLC, and maintains 50% ownership of Trolley Pub San Antonio, LLC.
2. Capitol Pedicycle, LLC (“**Capitol Pedicycle**”), a Wisconsin limited liability company formed on December 21, 2010, and located at 323 West Davie Street, Raleigh, North Carolina 27601.

3. Trolley Pub of North Carolina, LLC (“**TPNC**”), a North Carolina limited liability company formed on January 12, 2012, and located at 323 West Davie Street, Raleigh, North Carolina 27601, which owns 100% of Trolley Pub Hospitality, LLC and Trolley Pub of Tennessee, LLC.
4. Trolley Pub Hospitality, LLC (“**TPH**”), a North Carolina limited liability company formed on February 2, 2017, and located at 323 West Davie Street, Raleigh, North Carolina 27601.
5. Paddle Pub, LLC (“**PPLLC**”), a North Carolina limited liability company formed on October 4, 2018, and located at 323 West Davie Steet, Raleigh, North Carolina 27601.
6. TourCraft, LLC (formerly known as Trident Pedal Boats, LLC) (“**TourCraft**”), an Arizona limited liability company formed on March 13, 2019, and located at 14700 NW US Hwy 441, Alachua, FL 32615.
7. Trolley Pub San Antonio, LLC (“**TPSA**”), a Texas limited liability company formed on March 8, 2021, and located at 323 West Davie Steet, Raleigh, North Carolina 27601.
8. KCH Sales, LLC (“**KCH Sales**”), an Arizona limited liability company formed on September 10, 2021, and located at 323 West Davie Steet, Raleigh, NC 27601 .
9. Trolley Pub of Tennessee, LLC (“**TPTN**”), a Tennessee limited liability company formed on September 13, 2021, and located at 323 West Davie St., Raleigh, North Carolina 27601
10. Legacy KCV Parent, LLC (“**KCVP**”), an Arizona limited liability company formed on December 12, 2023, and located at 323 West Davie St. Raleigh, North Carolina 27601.
11. Cruisin’ Tikis Holdings, LLC (“**CTH**”), an Arizona limited liability company formed on January 15, 2025 and located at 323 West Davie St., Raleigh, North Carolina, 27601

Capitol Pedicycle, TSE, PPLLC, PPCLLC, TPNC, TPH, TPTN, and TPSA engage in the same business that TourScale franchisees will operate. Our affiliates have been operating businesses of this type since 2011. We have not offered franchises in any other lines of business.

TourCraft acts as a broker facilitating the purchase of pedal-powered vehicles and commercial vessels between manufacturers and franchisees, affiliates, and others. TourCraft coordinates the manufacturing process and charges a processing fee for its services in facilitating these transactions.

KCVP is a holding company that holds equity in TSE. It does not engage in any direct business activity.

Other than as described above, we and our affiliates have not operated any other lines of business.

## **The Franchise**

We offer franchises for tour and experience businesses operated under the names “**Trolley Pub**”, “**Trolley Party**”, “**Tiki Pub**”, “**Paddle Pub**”, and “**Cruisin’ Tikis**” (each a “**TourScale Business**” and collectively, the “**TourScale Businesses**”), which are established and operated using the format and system we develop and make available to franchisees (the “**System**”). Some of the features of our System include distinctive standards and specifications for equipment, software, hardware, operations specifications, customer service standards, training, and marketing and promotional programs. We may periodically change and improve the System. Trolley Pub TourScale Businesses involve the operation and sale of tours on pedal-powered land-based vehicles and services related thereto. Paddle Pub TourScale Businesses involve the operation and sale of tours on pedal-powered water-based vessels and services related thereto. Tiki Pub and Cruisin’ Tikis TourScale Businesses involve the operation and sale of tours on water-based vessels and services related thereto. Combined TourScale Businesses involve the operation and sale of tours and related services for each or some type of vehicle or vessel. Some TourScale Businesses sell products such as branded merchandise and, in some cases, food and beverages. TourScale Businesses do not directly



engage in the sale of alcoholic beverages, except in cases where there are off-premises alcohol sales in conjunction with a retail operation.

We offer to enter into franchise agreements with qualified legal entities and persons that wish to establish and operate one or more TourScale Businesses.

You must use the System to operate your TourScale Business, which includes the common use and promotion of the names “**TROLLEY PUB**”, “**PADDLE PUB**”, “**TROLLEY PARTY**”, “**TIKI PUB**”, “**CRUISIN' TIKIS**”, or some combination of these names, and other service marks, trademarks, trade names, logos, signs, slogans, other commercial symbols we may designate from time to time for the operation of TourScale Businesses (collectively, the “**Marks**”). We may from time to time add or delete products and/or services and change the System and you will be expected to follow suit. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential operations manual (the “**Operations Manual**” or “**Manual**”) that will be made available to you after you sign your Franchise Agreement.

### **Industry-Specific Regulations**

You will be required to comply with all local, state and federal laws and regulations that apply to the operation of your TourScale Business, including health, sanitation, non-smoking, equal employment, employee safety, discrimination, employment and wage and hour statutes, Family Medical Leave Act, and the federal Americans with Disability Act of 1990.

Franchisees operating Trolley Pubs will be required to comply with all traffic and road safety laws, as well as local laws and ordinances with respect to the consumption of alcohol by customers on the Trolley Pub. Franchisees operating Paddle Pubs, Tiki Pubs, and/or Cruisin' Tikis will be required to obtain and maintain all necessary licenses, including required United States Coast Guard licenses, comply with all applicable drug testing laws and regulations, comply with federal, state, and local laws regarding commercial charters, as well as applicable marina rules and regulations, permit requirements, vessel integrity, boat safety, alcohol, and other business licensing requirements.

You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operation of a TourScale Business before you sign a Franchise Agreement. It is your, and only your, responsibility on a continuous basis to investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

### **Market and Competition**

The market for tour and experience businesses is developed but evolving. Your TourScale Business will compete with other forms of tour and experience businesses, some of which may offer the same or similar services and products to those offered by TourScale Businesses or our affiliates. Competitors will include franchise systems, independent operators, chains, hotels, hospitality companies, and other tour operators, which may include other businesses owned by us or our affiliates. In addition, many of these competitors may have substantial financial, marketing, and other resources and they may already be established in your market. Sales may be seasonal depending on weather conditions and the geographic area in which you operate your TourScale Business. For example, in cold weather cities, sales may be more robust in the summer months as opposed to the winter months in which sales may be slower.

## ITEM 2 BUSINESS EXPERIENCE

Co-Chief Executive Officer: Kai Kaapro. Mr. Kaapro has served as Co-Chief Executive Officer of TourScale since June 2020 Raleigh, NC. Since December 2020, Mr. Kaapro also holds the title of Chief Executive Officer. Mr. Kaapro has also served as Managing Partner of TourCraft, LLC (formerly known as Trident Pedal Boats, LLC) in Raleigh, NC, since July 2019, President of Paddle Pub, LLC in Raleigh, NC, since August 2018, and Managing Member of Kaapro & Cole Ventures, LLC in Raleigh, NC , overseeing Trolley Pub operations since November 2012.

Co-Chief Executive Officer : Andrew Cole. Mr. Cole has served as Co-Chief Executive Officer of TourScale in Austin, TX since December of 2020, previously serving as Vice President of TourScale from June 2020 to December 2020. Mr. Cole has also served as a Manager/Member of Kaapro & Cole Ventures, LLC Austin, TX, since January 2010 during which time Mr. Cole concurrently held positions within Accenture's Management and Technology Consulting businesses in Austin, TX. Those positions include serving as a Systems Integration Analyst, Business Strategy Analyst, Strategy Consultant, Strategy Manager, and Strategy Senior Manager until December 2020. From December 2020 to April 2024, Mr. Cole served as Co-Founder and Chief Operating Officer of Fat Earth Media in Austin, TX. Mr. Cole is based in Austin, Texas.

Vessel Operations Specialist: Caleb Alte. Mr. Alte has served as the Vessel Operations Specialist in New Smyrna Beach, FL since March 2022. Mr. Alte has also served as the Operations Manager of Paddle Pub Daytona Beach, Florida since January 2022 and the Operations Manager of Tiki Pub Ponce Inlet, Florida since August 2022. Prior to TourScale, Mr. Alte was the Operations Manager and Lead Captain for OSCA Yachting in Port Washington, New York from May 2021 to October 2021. From November 2020 to May 2021, he held the position of Captain for Barton & Gray Mariners Club in Palm Beach, Florida. Additionally, Mr. Alte served as an Operations Manager & Lead Captain for NYC Cycleboats in Jersey City, New Jersey; from October 2018 to May 2019 as Lead Operations and Captain for Lekker Boats USA in Fort Lauderdale, Florida. Mr. Alte was the Director of Operations for the Sea The City company in Jersey City, New Jersey from September 2016 to October 2018.

## ITEM 3 LITIGATION

### Prior Actions

Trolley Pub of North Carolina, LLC v. Prospect Collective LLC and Eli Braden, No. CV 2024-036408 (Maricopa County Super. Ct., filed December 16, 2024). On December 16, 2024, Trolley Pub of North Carolina, LLC ("TPNC") filed a lawsuit in the Arizona state court against Prospect Collective LLC, an Oregon limited liability company, and Eli Braden, a resident of Oregon. The lawsuit alleged that the defendants breached a contract by failing to pay a \$299,000 secured promissory note. This note was part of the consideration for the sale of TPNC's ownership interest in Trolley Pub Oregon, LLC. Under the Membership Interest Purchase Agreement ("MIPA") and the related Promissory Note, Prospect Collective agreed to purchase 100% of the membership interests in Trolley Pub Oregon for \$300,000, with only \$1,000 due at closing and the remaining balance payable within two weeks, by September 17, 2024. The defendants defaulted on this payment despite multiple promises to repay, including a partial payment of \$15,000 on October 21, 2024. TPNC issued a formal notice of default on November 11, 2024. On April 8, 2025, the court entered a Default Judgment against both defendants. The judgment awarded TPNC: (1) \$284,000 in damages for the outstanding principal balance; (2) \$413.09 in taxable costs; (3) \$7,362.50 in

attorneys' fees; (4) \$27,590.79 in pre-judgment interest; and (5) post-judgment interest on all amounts until the judgment is paid in full.

Lapham v. Trolley Pub of North Carolina, LLC et al, No. 1:16-cv-00469 (E.D. Va. filed April 27, 2016). A dispute over intellectual property arose between TSE and one of its investors in late 2015. The investor filed a complaint against Kai Kaapro and Andrew Cole ("**Kaapro and Cole**"), as well as the entities Kaapro & Cole Ventures, LLC and Trolley Pub of North Carolina, LLC, on theories of fraud and breach of contract. The investor claimed that Kaapro and Cole had promised, in exchange for his investment, to assign all intellectual property held by Kaapro & Cole Ventures, LLC, to an affiliate, Trolley Pub Holdings, LLC, and that Kaapro and Cole never intended to fulfill that promise. Kaapro and Cole claimed that promise was never made, and that based on contract signed, the intellectual property was licensed rather than assigned and the confusion was the investor's misunderstanding of the conversation. The investor's initial complaint, filed in April 2016, was dismissed without prejudice, and subsequently an amended complaint was filed on June 13, 2016. Kaapro and Cole filed a motion to dismiss pursuant to Rule 12(b)(6) which was granted with prejudice on December 12, 2016. The motion was granted and the Court stated that its grounds for dismissal were "because [the investor] has not sufficiently alleged a valid contract, or any cognizable breach of contract" and "[the investor] does not adequately allege a cognizable theory of fraud." The investor then filed a motion for reconsideration which was granted on February 9, 2017, after the introduction of new evidence. On May 10, 2017, the parties settled and divided certain assets in exchange for mutual releases and on other confidential terms in connection with a court-mandated mediation.

Other than the actions described above, no litigation is required to be disclosed in this Item.

#### **ITEM 4 BANKRUPTCY**

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

#### **ITEM 5 INITIAL FEES**

##### **Initial Franchise Fee**

The Initial Franchise Fee is \$49,950 for a Franchisee's first TourScale Business for one Protected Territory. The Initial Franchise Fee for each additional TourScale Business opened by an existing Franchisee in the same Protected Territory is \$29,950. Any TourScale Business opened in a different Protected Territory will require an Initial Franchise Fee of \$49,950 for one TourScale Business within such additional Protected Territory. The Initial Franchise Fee is paid in a lump sum at execution of the Franchise Agreement unless you and we agree otherwise.

All Initial Franchise Fees are not refundable. The Initial Franchise Fee and all other fees are uniform for all similarly situated franchisees.

#### **VEHICLE-BASED BUSINESS ONLY (TROLLEY PUB OR TROLLEY PARTY)**

For Trolley Pub or Trolley Party TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – Trolley Pub Vehicle</b>	\$60,000	\$75,000	Lump Sums	According to deposit schedule	TourCraft
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	\$120,950	\$137,950			

### **VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB OR CRUISIN' TIKIS) – 6 PASSENGER**

For Paddle Pub, Tiki Pub or Cruisin' Tikis TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – Paddle Pub or Tiki Pub</b>	\$79,900	\$95,900	Lump Sum	According to deposit schedule	TourCraft
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	\$140,850	\$158,850			

### **VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB OR CRUISIN' TIKIS) – 16-49 PASSENGER**

For Paddle Pub, Tiki Pub or Cruisin' Tikis TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		When Due	
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	<b>Low</b>	<b>High</b>	<b>Method of Payment</b>		<b>To Whom Payment is Made</b>
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – Paddle Pub or Tiki Pub</b>	\$270,000	\$499,900	Lump Sum	According to deposit schedule	TourCraft
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	\$330,950	\$562,850			

**ITEM 6  
OTHER FEES**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fees <sup>(1)</sup>	6% of Net Sales <sup>(1)</sup> .	Every 7 <sup>th</sup> day of each calendar month, Royalty Fees are due for the previous calendar month.	Payable by ACH or e-check. We may amend or modify the fiscal period upon which you pay us Royalty Fees on 30 days written notice to you.
Digital Ad Spend <sup>(2)</sup>	The greater of \$5,000 and 5% (annually) of Net Sales.	Annually	We require you to spend the greater of (i) \$5,000 per year or (ii) 5% of gross sales on digital advertising through third-party advertising platforms (such as Facebook, Instagram, Google Ads, or other approved digital advertising vendors). You must provide us with documentation verifying these

Type of Fee	Amount	Due Date	Remarks
			expenditures, including but not limited to platform-generated spending reports and payment receipts, on a quarterly basis.
Advertising Fund Contribution <sup>(3)</sup>	2% of Net Sales for Advertising Fund Contributions	Every 7 <sup>th</sup> day of each calendar month Advertising Fund Contributions are due for the previous calendar month.	Advertising Fund Contribution payments shall be paid in the same manner and at the same time as Royalty Fees.
Asset Graphics Installation Fee <sup>(4)</sup>	\$500-\$3,500	Due upon completion of graphics installation.	The Asset Graphics Installation Fee is a fee paid to us for installation of required graphics on your Paddle Pub or Trolley Pub vehicle.
Technology Fee <sup>(5)</sup>	Currently, \$200 per month	We will retain the Technology Fee on a monthly basis on the 7 <sup>th</sup> day of each calendar month.	You will pay us a Technology Fee for required application, software, maintenance and support, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you.
Customer Service Fee <sup>(6)</sup>	Currently, \$249-\$1,999 per month	As incurred	We provide an optional dedicated customer service team trained specifically in handling sales and customer inquiries. Our team handles phone calls, emails, and chat inquiries

Type of Fee	Amount	Due Date	Remarks
			from 10 AM to 7 PM EST, Monday through Friday. The total cost varies based on annual sales.
Annual Convention <sup>(7)</sup>	Our then current fee, currently up to \$1,000 per person	As incurred	We may establish an annual convention or meeting of franchisees (the “Annual Convention”), which you must attend. We reserve the right to charge a registration fee for attendance regardless of whether you actually attend) at the Annual Convention and you will pay the travel, accommodations, wages, and all other expenses for your representatives attending the Annual Convention.
Transfer Fee <sup>(8)</sup>	50% of our then current Initial Franchise Fee	Upon your delivery of written notice of your intent to transfer your TourScale Business.	Does not include fees for training. A new buyer may also be required to pay a franchise fee and will be required to participate in training if the buyer has not already participated in training.

Type of Fee	Amount	Due Date	Remarks
Relocation Fee <sup>(9)</sup>	As incurred.	Upon demand.	We have the right to approve or disapprove a proposed relocation. Franchisee is responsible for all costs of such relocation, including any costs incurred by us.
Initial Training Fee <sup>(10)</sup>	\$1,000 per attendee	Upon registration for the Initial Training Program.	This fee is payable at the time you register for our Initial Training Program.
Non-Compliance Fee	\$500 for the first non-compliance for which we give you written notice; \$1,000 for the second; \$1,500 for the third and subsequent.	If incurred	Payable upon your failure to comply with our standards and requirements. This fee is in addition to, and not in lieu of, all other rights and remedies we have under the Franchise Agreement, including our right to terminate the franchise for repeated or uncured violations. This fee will only be charged if you fail to comply with our standards and requirements and fail to cure such failure within the stated cure period.
Late Report Fee <sup>(11)</sup>	\$200 for each week following the due date until submitted	As incurred.	Due on all reports that are not sent on or before the due date.



Type of Fee	Amount	Due Date	Remarks
Interest on Late Payments <sup>(12)</sup>	The lesser of 20% per annum or the maximum rate permitted by applicable law, compounded monthly	Interest is calculated on all amounts owed that are past due.	Due on all overdue amounts
Insufficient Funds	\$100 for each instance	As incurred	Due if you have insufficient funds in your bank account to cover a payment, or if you pay by check that is returned for insufficient funds
Audit Costs <sup>(13)</sup>	Our costs, fees and expenses if the audit reveals an understatement.	Payable as incurred if there is a deficiency in the payment of any Royalty Fee or other amounts required to be paid by you under the Franchise Agreement by 5% or more.	You will be required to pay default interest on unpaid amounts revealed during any audit of your TourScale Business.
Costs and Attorney's Fees <sup>(14)</sup>	Our actual costs and reasonable attorneys' fees incurred.	As incurred.	If we prevail in litigation regarding enforcement of any terms of any agreement with us, you must pay our attorney fees and costs.
Insurance	You must reimburse our costs plus pay an administrative fee	Upon demand	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Taxes and Fees <sup>(15)</sup>	Varies.	Upon demand.	If we determine, in our sole discretion, to pay any taxes that are your obligation or any taxing authority

Type of Fee	Amount	Due Date	Remarks
			obligates us to pay taxes on your behalf.
Termination Fee <sup>(16)</sup>	50% of our then current initial Franchise Fee	Upon notice of termination.	You must pay this fee if we, for cause, terminate your Franchise Agreement.
Indemnification <sup>(17)</sup>	Varies.	As incurred.	
Renewal Fee <sup>(18)</sup>	50% of our then current initial Franchise Fee	Upon renewal.	
Reimbursement of Travel Costs and Expenses <sup>(19)</sup>	Our actual costs	As incurred.	You must reimburse us for our actual costs incurred for travel in connection with assisting or correcting you with respect to your TourScale Business.
Remediation Training <sup>(20)</sup>	\$500 per person per day plus reasonable travel-related fees and costs.	As incurred.	If we believe, in our reasonable discretion, that you require additional training to operate your TourScale Business to our standards
Testing Fees <sup>(21)</sup>	Up to \$5,000 per proposed non-pre-approved Good or Material.	As incurred.	If you propose to purchase any Goods or Materials (that you are not required to purchase from us, an affiliate of ours or an Approved Supplier) from a supplier that we have not previously approved, we may charge a fee for

Type of Fee	Amount	Due Date	Remarks
			testing the Goods or Materials.

\* **General.** Unless otherwise specified, all fees are imposed, collected by, on a per location basis, and payable to us and are non-refundable. Generally, all fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may defer, reduce or waive a fee for a particular franchisee for a limited period of time.

(1) **Net Sales.** Royalty Fees are based on Net Sales. Net Sales is defined as: the total of all receipts derived from services performed and products sold by Franchisee, or its affiliates, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Net Sales include receipts from all tours, merchandise, food and beverage sales, etc. related to the operation of the Franchisee's TourScale Business including, without limitation, sales of merchandise but excluding (i) the amount of any sales or similar tax imposed by any federal, state, municipal or other governmental authority, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and (ii) pre-approved promotions, discounts, coupons, or refunds to the extent that the Franchisee realizes no revenue. Net Sales will be deemed received by the Franchisee when payment actually has been received by Franchisee. Net Sales consisting of property or services will be valued at the retail prices applicable and in effect at the time that they are received. You agree to give us electronic access at all times your booking system and software and any point of sales systems (if you have one) in order to permit us to validate Net Sales.

(2) **Digital Ad Spend.** You are responsible for conducting your own local digital marketing of your TourScale Business through third-party digital advertising platforms (such as Facebook, Instagram, Google Ads, and other similar platforms). You are required to spend the greater of (i) \$5,000 per year or (ii) five percent (5%) of Net Sales on an ongoing basis for direct advertising expenditures with such third-party digital advertising platforms ("Required Digital Ad Spend"). You must provide us with proof of all Required Digital Ad Spend payments in the form of platform-generated statements or invoices. We, our affiliates, or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for use in digital advertising and promotion. Your Digital Ad Spend requirements are explained in more detail in Item 11.

(3) **Advertising Fund Contributions.** Your Advertising Fund Contributions are 2% of Net Sales. Your Advertising Fund Contributions and expenditures are explained in more detail in Item 11.

(4) **Asset Graphics Installation Fee.** We charge this fee in exchange for our installation of required graphics on your Paddle Pub, Trolley Pub vehicle, Tiki Pub, or Cruisin' Tikis vessel. The current Asset Graphics Installation Fee is \$2,500-3,500 per Paddle Pub vessel and \$500-1,500 per Trolley Pub vehicle. This fee is payable upon installation of required graphics on your Equipment.

(5) **Technology Fee.** You will pay us a Technology Fee for access and use of required application, software, maintenance and support, web development, hosting, data services, e-mail service, reputation management, and other technology services. We reserve the right to increase the Technology Fee upon thirty (30) days' prior written notice to you.

(6) **Customer Service Fee.** You may utilize our customer service support program. If you elect to participate in our customer service support program, you must pay us our then-current monthly customer service support fee. Our Customer Service Fee is paid in exchange for our provision of a dedicated customer service team trained specifically in handling sales and customer inquiries for your franchised business. The customer service team will handle phone calls, emails, and chat inquiries from 10:00 AM to 7:00 PM Eastern Time, Monday through Friday (excluding federal holidays).

(7) **Annual Convention.** We may hold an annual convention at a location to be selected by us (the “Annual Convention”). We will determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor’s personnel regarding TourScale Business operations and programs, and recognizing franchisees for their achievements. We require that you attend the Annual Convention and to pay our then-current registration fee. All expenses, including your and your employees’ transportation to and from the Annual Convention, lodging, meals, and salaries during the Annual Convention, are your sole responsibility. We may use Advertising Fund Contributions for purposes related to the Annual Convention, including costs related to productions, programs, and materials.

(8) **Transfer.** You must pay to us a transfer fee of 50% of our then current Initial Franchise Fee (“**Transfer Fee**”) when we receive notice that you have identified a potential buyer and signed a purchase agreement. The Transfer Fee is intended to cover our costs to review the transfer documentation, to approve the prospective buyer, and to prepare required documentation related to the transfer. We will waive the transfer fee if the transferee: (1) is an entity controlled by you, or (2) has obtained the location as a result of your death or disability. If the franchise candidate for the transfer comes through the investigation process with a franchise sales broker that we have retained, the transferee must pay our Initial Franchise Fee. This enables us to pay the additional costs we incur, including the payment of the broker’s commission, if applicable. If you acquire a TourScale Business in conjunction with a transfer, you will be required to sign a new Franchise Agreement, but the term of that Franchise Agreement will be amended to reflect the remaining Term of the transferor’s franchise agreement.

(9) **Relocation Fee.** You are responsible to pay all costs of relocation if you decide, with our approval, to locate your TourScale Business headquarters or site at which your customers arrive for tours, including moving expenses, rent, fees under any leasing agreements, security deposits at the relocation site, reprinting of materials with an updated address, and the like. You are also responsible to reimburse us for any costs we incur in similar manner as a result of your relocation.

(10) **Initial Training Fee.** For the Initial Training Program, you will pay us a fee of \$1,000 per person. Training of the additional people may be held at the same time as training of the initial people, at our election. All attendees shall bear their own travel, lodging and meal expenditures in connection with attending the Initial Training Program. You may be required to successfully complete our Initial Training Program before you are approved as a franchisee or approved to acquire a franchise from us. Fees paid for the Initial Training Program are not refundable even if you do not acquire a franchise from us. See Item 11 for discussion of training programs provided. Additional training programs and refresher courses may be required upon renewal and from time to time or if you renew, change, or relocate your TourScale Business. In addition, we may require that your replacement training personnel satisfactorily complete our Initial Training Program within 90 days of being designated as training personnel. The fees associated with the training of replacement personnel is \$1,000 per person, per concept, participating in the Initial Training Program.

(11) **Late Report Fee**. It is important that you provide timely financial reports to us. We may charge a late report fee of \$200 for each week following the due date that you do not submit any report to us that is required by the Franchise Agreement. We will electronically debit your business checking account automatically for any late report fee.

(12) **Interest on Late Payments**. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid at the equivalent of twenty percent (20%) annually or the maximum rate permitted by law, whichever is lower. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

(13) **Audit Costs**. We have the right, upon written notice to you, to audit your books and records to confirm that you have remitted the proper Royalty fee over a month or months. If the audit reveals a deficiency, you are responsible to reimburse us for the costs associated with conducting the audit, as well as repaying the deficiency plus interest at the rate of Interest on Late Payments for the time period of the beginning of the deficiency until such deficiency is cured in full.

(14) **Costs and Attorneys' Fees**. You are responsible to pay any costs and attorneys' fees incurred by us to enforce the terms and conditions of the Franchise Agreement. In addition, you are responsible to reimburse us for any attorneys' fees and costs associated with any amendment or change to the Franchise Agreement or other aspects of your TourScale Business that require legal review.

(15) **Taxes and Fees**. You are responsible to pay all applicable taxes on your TourScale Business. If we determine, in our sole discretion, that it is necessary or advisable to pay taxes owed by you on your behalf, we will do so and you will be obligated to reimburse us for such amounts. In addition, local and state governments may impose various business, resale, and license fees including health or safety inspection fees or other charges. We may require you to pay for these fees out of pocket or we may pay them and charge you them plus an administration fee. If we pay these fees for you and/or provide services to assist you in obtaining business and/or other licenses, we will charge you for those fees and costs imposed by the applicable government body and any additional costs incurred by us. If any other related fees are charged by business permit authorities or local health department authorities, we may pay these amounts and deduct those amounts from you at the same time that you pay your Royalty Fees. In addition to the direct fees from government authorities, we may impose an additional processing and administrative fee to cover our cost of getting you in compliance. These type of business permits are renewed annually or as required by the local and state authorities. These fees are non-refundable.

(16) **Termination Fee**. This fee is payable if your Franchise Agreement is terminated before expiration of the term of your Franchise Agreement as a result of your default of the Franchise Agreement, or if you abandon or refuse to operate the TourScale Business before the end of the term provided in your Franchise Agreement. You do not have the right to discontinue operations of your TourScale Business without our approval before the end of the term of your Franchise Agreement, but if you do discontinue or abandon your operation, or if your franchise right to operate your TourScale Business is terminated, in that case we may charge you this fee for each TourScale Business that is affected. In addition to this fee, you may also be required to compensate us for our damages that include travel expenses, labor and employee cost to operate the TourScale Business, and other expenses to operate the TourScale Business. This fee is imposed by and payable to us, is not collected on behalf of nor paid to any third party and is non-refundable. This fee is in addition to any fees chargeable to you under any other agreements, including but not limited to lease agreements, between you and us or our affiliates.

(17) **Indemnification**. You are responsible to indemnify us and our affiliates and their respective officers, managers, owners, directors, members, employees, shareholders, agents, successors, and assigns for, from, and against any and all damages, claims, demands, liabilities, losses, costs and expenses (including reasonable attorneys' fees), of every kind and nature, suffered or incurred by any of the foregoing in connection with any lawsuit, action, proceeding or claim arising out of Franchisee's actions or omissions and/or the conduct of TourScale Business by Franchisee.

(18) **Renewal Fee**. You must pay us a Renewal Fee equal of 50% of our then current initial franchise fee if you wish to continue to operate your TourScale Business following the expiration of your Franchise Agreement.

(19) **Reimbursement of Travel Costs and Expenses**. To the extent that any officers, agents, or employees are required to travel in connection with assisting or correcting you with respect to your TourScale Business, you are required to reimburse us for all such expenses. The travel expenses that you to pay include our costs of transportation, lodging, meals and any other costs incidental to the travel.

(20) **Remediation Training**. If we have notified you of a default of operating procedures or requirements under the Franchise Agreement, the Manual, or any other policies and procedures then in effect, and you have failed to cure the operating default within the time specified in the notice of default, we may require you or your manager(s) to take additional training. This fee is imposed by and payable to us, is not collected on behalf of nor paid to any third party and is non-refundable.

(21) **Goods or Materials Not Pre-approved**. If you propose to purchase any Goods or Materials (defined in Item 8) (that you are not required to purchase from us, an affiliate of ours or an Approved Supplier (defined in Item 8)) from a supplier that we have not previously approved, you must submit to us a written request for such approval, or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier's facilities, and that such information, specifications and samples as we reasonably designate be delivered to us and/or to an independent third party designated by us for testing prior to granting approval. A charge not to exceed \$5,000 reflecting the reasonable costs that we incur, including travel related expenses, video conferencing, product purchases, retention of third party examination companies, and professional time, inspecting the proposed alternative Goods or Materials and the actual cost of testing the proposed Goods and Materials, must be paid by you. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

(22) **Miscellaneous**.

You must participate in our electronic funds transfer program which authorizes us to utilize a pre-authorized bank draft system. We can set off from any amounts that may be owed to you any amount that you owe to us or our affiliates.

From time to time, TourScale may offer you the option to voluntarily participate in various additional service programs. If you elect to voluntarily participate in such a program, you must agree to pay the then-current fees associated with such program. We will provide you with written notice of all applicable fees before you elect to participate in any such program. Your participation in these programs, once elected, may become mandatory for the duration specified in the program terms.

Except as noted, all fees are uniformly imposed by and are payable to TourScale. All fees are non-refundable. If your state – or any governmental body in your state – charges a tax on any fee you owe to us, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or state income taxes we have to pay.

Franchisor and Franchisee mutually agree that the Royalty Fee represents payment for services performed by the Franchisor or its designees for the benefit of the Franchisee as well as the use of any Marks owned by the Franchisor. Services provided include, but are not limited to, (a) website development and hosting, including email hosting, (b) training and professional education, (c) ongoing operational support and coaching, (d) trademark usage, (e) sourcing of the Primary Assets, and (f) territory protection.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT <sup>(1)</sup>**

**VEHICLE-BASED BUSINESS ONLY (TROLLEY PUB OR TROLLEY PARTY)**

<b>VEHICLE BASED BUSINESS (Trolley Pub or Trolley Party)</b>					
<b>Type of Expenditure</b>	<b>Amount</b>		<b>Method of Payment(1)</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
	<b>Low</b>	<b>High</b>			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – Party Bike(3)	\$60,000	\$75,000	Lump Sum	According to deposit schedule	TourCraft
Shipping of Primary Assets(4)	\$150	\$7,500	Lump Sum	At time of shipping	TourCraft
Launch & Marketing Kit (5)	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(6)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(7)	\$1,000	\$3,000	As incurred	During training	Travel Vendors
Technology Purchases(8)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(9)	\$15,000	\$30,000	Lump Sum	Prior to opening	Bank Accounts
Insurance (Deposit or Full Annual Premium) (10)	\$1,250	\$10,000	Lump Sum	Prior to opening	Insurance Broker
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants

Business Licenses and Permits(12)	\$0	\$1,500	As incurred	As required	Government Authorities
Rent or Storage (14)	\$0	\$5,000	As incurred	As required by your landlord	Landlord
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors
Sales and Use Taxes(16)	\$0	\$5,500	As Incurred	As Required	State and Local Tax Collectors
Total(17)	\$140,050	\$210,650			

**VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB, OR CRUISIN' TIKIS) – 6 PASSENGER**

Type of Expenditure	Amount		Method of Payment(1)	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – Paddle Pub, Tiki Pub, or Cruisin' Tikis (3)	\$79,900	\$99,900	Lump Sum	According to deposit schedule	TourCraft
Shipping of Primary Assets(4)	\$150	\$15,000	Lump Sum	At time of shipping	TourCraft
Launch & Marketing Kit	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(5)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(6)	\$1,000	\$4,500	As incurred	During training	Travel Vendors
Technology Purchases(7)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(8)	\$25,000	\$50,000	Lump Sum	Prior to opening	Bank Accounts
Insurance (Deposit or Full Annual Premium) (9)	\$1,250	\$10,000	Lump Sum	Prior to opening	Vendors
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants
Business Licenses and Permits(12)	\$0	\$2,000	As incurred	As required	Government Authorities
Slip Lease (deposit or annual)(13)	\$0	\$6,000	As incurred	As required by your landlord	Landlord/Lessee



Rent or Storage (14)	\$0	\$5,000	As incurred	As required by your landlord	Landlord/property owner
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors
Sales and Use Taxes(16)	\$0	\$18,000	As Incurred	As Required	State and Local Tax Collectors
Total(17)	\$169,950	\$283,550			

**VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB, OR CRUISIN' TIKIS) – 16-49 PASSENGER**

Type of Expenditure	Amount		Method of Payment(1)	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – Paddle Pub, Tiki Pub, or Cruisin' Tikis (3)	\$270,000	\$499,000	Lump Sum	According to deposit schedule	TourCraft
Shipping of Primary Assets(4)	\$150	\$15,000	Lump Sum	At time of shipping	TourCraft
Launch & Marketing Kit	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(5)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(6)	\$1,000	\$4,500	As incurred	During training	Travel Vendors
Technology Purchases(7)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(8)	\$25,000	\$50,000	Lump Sum	Prior to opening	Bank Accounts
Insurance (Deposit or Full Annual Premium) (9)	\$1,250	\$10,000	Lump Sum	Prior to opening	Vendors
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants
Business Licenses and Permits(12)	\$0	\$2,000	As incurred	As required	Government Authorities
Slip Lease (deposit or annual)(13)	\$0	\$6,000	As incurred	As required by your landlord	Landlord/Lessee
Rent or Storage (14)	\$0	\$5,000	As incurred	As required by your landlord	Landlord/property owner
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors

Sales and Use Taxes(16)	\$0	\$18,000	As Incurred	As Required	State and Local Tax Collectors
Total(17)	\$360,050	\$683,550			

**Notes:**

(1) **General**. Fees paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on the vendor as well as customer practice in the area where your TourScale Business is located. The Estimated Initial Investment will vary depending on the number and type of experiences you offer customers as part of your TourScale Business, as well the location you will be operating in, the time of year of launch and whether you are purchasing or leasing the Primary Assets. Currently, we offer Trolley Pub, Trolley Party, Paddle Pub, Tiki Pub, and Cruisin' Tikis to be included in your TourScale Business. The following are estimates of each type of TourScale Business.

(2) **Initial Franchise Fee**. The Initial Franchise Fee is \$49,950 for a Franchisee's first TourScale Business per Protected Territory. The Initial Franchise Fee is \$24,950 for each additional TourScale Business per Protected Territory. The low end of the estimate range assumes an existing Franchisee adding an additional TourScale Business. The Initial Franchise Fee is not refundable under any circumstances.

(3) **Primary Assets**. The cost of the Primary Assets shown here varies depending on whether the Primary Assets are purchased or leased. The range assumes a purchase price in that amount for the Primary Assets, depending on the size of the vessel and specifications. Note that the minimum number of Primary Assets required is one (1) and the amount shown above assumes that number. This minimum may be raised in our sole discretion. Further, these figures include the current Asset Graphics Installation Fee of \$2,500-\$3,500 per Paddle Pub, Tiki Pub, or Cruisin' Tikis vessel and \$500-\$2,000 per Trolley Pub vehicle. This fee is payable upon installation of required graphics on your Equipment. For vessel purchases (Paddle Pub, Tiki Pub, and Cruisin' Tikis), our approved vendor offers a payment schedule requiring 60% of the purchase price as a down payment at the time of ordering, with the remaining 40% balance due upon completion of the vessel. Vehicle purchases require payment in full according to the terms of your purchase agreement.

(4) **Shipping**. The cost of shipping for the Primary Assets varies from approximately \$1.00 to \$5.50 per mile for the Primary Assets depending on whether it is a vehicle or a vessel, the location of the potential TourScale Business, and other factors. The estimate provided here assumes a range of \$1.50 per mile for a TourScale Business located 100 miles away from the shipping point to \$3.50 per mile for a TourScale Business located 3,000 miles away from the shipping point. It also assumes that the end destination is within the continental United States.

(5) **Launch & Marketing Kit**. The Launch & Marketing Kit includes the following items and services: (i) Professional Photo and Video Shoot, including editing services and related travel expenses; (ii) Three (3) months of digital advertising spend with a minimum budget of One Thousand Dollars (\$1,000) per month; (iii) Marketing and AI System Onboarding; (iv) One (1) Sandwich Board with Inserts; (v) Ten (10) Staff Uniforms; (vi) Five (5) Owner/Manager Polos; (vii) One Thousand (1,000) Business Promotional Cards; and (viii) Twenty-Five (25) QR Code Review Stickers.

(6) **Initial Training**. This estimate includes a range of 1-3 trainees.

(7) **Training Expenses.** You must pay all travel and living expenses incurred by you and your employees or us while attending all training courses and programs. The amount of these expenses will depend on the distance you or we must travel, mode of transportation, type of accommodations, number of your employees attending training and their wages.

(8) **Technology Purchases.** This includes the estimated costs of a smartphone and personal computer. You will be required to purchase or utilize an existing PC capable of running web-based applications on Google Chrome. We recommend a computer with at least a 1.6 GHz processor and 4 GB of RAM. We estimate a computer to cost between \$500 and \$2,000 which can be purchased from any reputable computer retailer. You will be required to purchase or already own a smartphone running either Apple iOS (10 or higher) or Google Android (Pie or higher) with at least a 1 GHZ processor and 2 GB of RAM. We estimate a smartphone to cost between \$200 and \$1,200 which can be purchased from any reputable cell phone retailer. You will also be required to have a cellular voice and data plan from any reputable carrier. If you already own a PC and Cell Phone that meet these requirements, you will not be required to purchase new ones.

(9) **Additional Funds.** This is an estimate of the funds needed to cover business (not personal or living) expenses during the initial period (which we consider to be the first 3 to 6 months) of operation of the TourScale Business. This is also known as a working capital requirement. To the extent that operational revenues do not cover these expenses, you will need additional funds to support the operational costs of your business, including other expenses as rent, leases, payroll, utilities, insurance, taxes, loan payments, advertising, supplies, inventory, and other expenses. You may need additional funds and you should consult with your financial advisor to determine the amount of Additional Funds that you should invest.

(10) **Insurance.** You will maintain in force policies of insurance issued by carriers approved by us covering various risks, as specified by us from time to time. We can specify the types and amounts of coverage required under such policies and require different and/or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must name us and any affiliate we designate as additional named insured, contain a waiver of all subrogation rights against us, our affiliates, and any successors and assigns, and provide for thirty (30) days' prior written notice to us of any material modifications, cancellation, or expiration of such policies.

(11) **Legal/Professional Fees.** These figures represent the estimated costs of engaging attorneys or other business professionals to review this disclosure document and the accompanying agreements, to assist you in forming an Entity, to assist you in obtaining a loan, and to help you obtain required business licenses and permits. These may vary depending on your unique circumstances. You should consult your own legal or other professionals for a more definite cost estimate.

(12) **Business Licenses and Permits.** These figures vary by location and are subject to state and local requirements.

(13) **Slip Lease.** This expense is only required for Paddle Pub, Tiki Pub, and/or Cruisin' Tikis operations. You may need to additionally pay for access to a loading dock at a separate location for loading/unloading of passengers.

(14) **Rent or Storage.** We expect that you will lease the location for the TourScale Business site at which your customers will gather and/or your Trolley Pub vehicles will be stored, which will range in size

depending on the number of vehicles housed and other factors. The lease payments that you will make to third party property owners will vary considerably depending upon the property size, type of transaction and location. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent, principal and interest on tenant improvement loans, and other charges related to the operation of the TourScale Business. You may need to additionally pay for access to a loading area at a separate location for loading/unloading of passengers. Tiki Pub, Cruisin' Tikis, or Paddle Pub locations may also opt to lease a location for strictly office use, for ticketing, check-in or for merchandise and other retail sales, but it is not required. Real property is not required nor recommended.

(15) **Merchandise**. You are expected to offer merchandise for sale to customers sourced from our approved vendors. This estimate is for merchandise for six (6) months.

(16) **Sales and Use Taxes**. You are responsible to pay all applicable taxes on your TourScale Business, including taxes related to the purchase or lease and use of your Primary Assets which will vary by jurisdiction. The estimates provided here are may or may not reflect the amount of applicable sales and use tax you may incur. If we determine, in our sole discretion, that it is necessary or advisable to pay taxes owed by you on your behalf, we will do so and you will be obligated to reimburse us for such amounts.

(17) **Estimates**. We have relied upon our experience and the experience of our affiliate Kaapro & Cole Ventures, LLC, the operator of the original TourScale Business models, in compiling these estimates. These estimates do not include the cost of acquiring the existing franchised business from an existing TourScale franchisee or buying or leasing real property for the TourScale Business. We do not offer financing to you for any part of the initial investment. The estimates above contemplate expenses that may be incurred prior to the commencement of the operation of the TourScale Business but additional funds may be required.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To ensure that the highest degree of quality and service is maintained, you must operate your TourScale Business in strict conformity with the methods, standards, and specifications we prescribe in the Operations Manual or otherwise in writing.

For TourScale Businesses that operate one or more Trolley Pub vehicles, you must use vehicles purchased or leased from our required supplier unless otherwise agreed by us in writing.

For TourScale Businesses that operate Paddle Pub, Tiki Pub or Cruisin' Tikis vessels we or our affiliates are approved suppliers for vessels and replacement parts for vessels. TourCraft serves as an approved broker for the procurement of vessels and replacement parts between franchisees and manufacturers. Franchisees will pay the total cost of vehicles and vessels directly to Tourcraft, which will coordinate with manufacturers for production. TourCraft charges a variable processing fee for its brokerage services. TourCraft is wholly owned by TourScale Enterprises, LLC.

We may develop certain proprietary or branded services, including technology applications, payment systems, and related services (“**Proprietary Services**”) and/or branded and/or proprietary products in addition to the Primary Assets that you will offer in your TourScale Business (collectively “**Proprietary**

**Products**”). We reserve the right to require you to purchase Proprietary Products from us or our affiliates at any time. We also reserve the right to amend, add, modify, delete or change the list of Proprietary Products or Proprietary Services that you must offer at your TourScale Business. We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services or the packaging and delivery of products and services authorized for sale at TourScale Businesses.

For your TourScale Business, you must purchase Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (“**Designated Suppliers**”); and purchase from manufacturers, distributors, vendors and suppliers approved by us (“**Approved Suppliers**”) all other goods, products, materials and supplies (collectively, “**Goods**”), as well as advertising materials, fixtures, equipment, forms, food and beverage products, packaging or other materials (collectively, “**Materials**”) that meet the standards and specifications promulgated by us from time to time. We may require you use only certain brands (collectively, “**Approved Brands**”) and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand. Neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials (other than Goods or Materials related to or leased or sold in connection with the Primary Assets) although we reserve the right to appoint Franchisor or an affiliate as an Approved Supplier or Designated Supplier of one or more Goods of Materials.

From time to time, we also may modify the list of Designated Suppliers and/or Approved Suppliers, and you may not, after receipt of such modification in writing, order any Proprietary Products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. Approval of a supplier or vendor may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by us. These criteria and standards are included in the Manual.

We and our affiliates, from time to time, may receive payments from suppliers or vendors (including Designated Suppliers and/or Approved Suppliers) on account of such suppliers’ dealings with you and other TourScale Business franchisees, and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of TourScale Business or any other group of businesses franchised or operated by us or our affiliates.

If you propose to purchase any Goods or Materials (that you are not required to purchase from us, an affiliate of ours or an Approved Supplier) from a supplier that we have not previously approved, you must submit to us a written request for such approval, or request the supplier to do so itself. We have the right to require, as a condition of our approval, that our representatives be permitted to inspect the supplier’s facilities, and that such information, specifications and samples as we reasonably designate be delivered to us and/or to an independent third party designated by us for testing prior to granting approval. You must pay us a charge not to exceed \$5,000 to cover our reasonable costs in evaluating your proposed alternative supplier. These costs may include travel expenses, video conferencing, product purchases, third-party

examination fees, professional time for inspections, and testing of proposed Goods or Materials. We will notify you within 60 days of your request as to whether you are authorized to purchase such products from that supplier. We reserve the right, at our option, to re-inspect the facilities and products of any such Approved Supplier and to revoke our approval upon the suppliers' failure to continue to meet any of the foregoing criteria.

We negotiate purchasing arrangements with Approved Suppliers so that, whenever possible, you can take advantage of the economies of scale offered by being a part of the System. Currently, there are no purchasing or distribution cooperatives. We may receive discounts that are not available to franchisees on the purchase of certain products. We may also receive rebates on products, supplies, and equipment that you purchase from some of our Approved Suppliers.

In the calendar year ending December 31, 2024, our affiliate, TourCraft, received revenues of \$45,406 from brokering transactions between franchisees and approved suppliers for vehicles and vessels. Neither we nor our affiliates derived any other revenues from sales of goods and services to franchisees in the calendar year ending December 31, 2024, and 0% of our revenue was derived from the sale of the Proprietary Products, marketing materials, inventory, and supplies in the calendar year ending December 31, 2024.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional TourScale Business) based upon whether you purchase Proprietary Products from Designated Suppliers or Goods and Materials from Approved Suppliers; however, if you purchase Proprietary Products, Goods or Materials from unapproved suppliers or if you purchase unapproved Goods or Materials, we will have the right to terminate the Franchise Agreement.

We estimate that your purchases from us or Approved Suppliers, or that must conform to our specifications, will represent approximately 60% to 80% of your total purchases in establishing the TourScale Business, and approximately 60% to 80% of your total purchases in the continuing operation of the TourScale Business.

You will be required to purchase or utilize an existing PC capable of running web-based applications on Google Chrome. We recommend a computer with at least a 1.6 GHz processor and 4 GB of RAM. We estimate a computer (required hardware) to cost between \$500 and \$2,000 which can be purchased from any reputable computer retailer. You will be required to purchase or already own a smartphone running either Apple iOS (10 or higher) or Google Android (Pie or higher) with at least a 1 GHz processor and 2 GB of RAM. We estimate a smartphone to cost between \$200 and \$1,200 which can be purchased from any reputable cell phone retailer. You will also be required to have a cellular voice and data plan from any reputable carrier. If you already own a PC and smartphone that meets these requirements, you will not be required to purchase new ones. If your PC and smartphone have the necessary software, you may not need to purchase additional software, but you will need to begin paying the Technology Fee to us for use of software required when you begin operating your TourScale Business. You will need to obtain licenses for certain off-the-shelf software, including Quick Books Online and digital waiver service, which we estimate will cost \$200 per month.

You are required to accept all approved debit and credit cards as outlined in the Manual, along with Franchisor's gift cards, loyalty cards, frequency cards, and any other similar Franchisor sponsored electronic card and/or payment program (collectively, "**Gift/Loyalty Card**") from customers of your TourScale Business. Prior to the opening of your TourScale Business, you will be required to acquire an

approved debit, credit, and Gift/Loyalty card processing system to use during the operation of your TourScale Business. The components and specifications of these systems are identified in the Manual, including approved vendor(s) for such items. Additionally, you must utilize Franchisor's designated third party payment card processor, as identified in the Manual, for processing all such debit, credit, rewards, and Gift/Loyalty card transactions. You are prohibited from accepting cash payments from customers for tours and may only accept cash as permitted under the terms of the Franchise Agreement and the Manual.

Before you commence activities under the Franchise Agreement, and before the TourScale Business opens, you must obtain, and continue to maintain at all times, in full force and effect at your sole expense that insurance which you (or your risk management advisors) determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the TourScale Business, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by the Manual.

The current minimum requirements for insurance policies and coverage are listed below although more specific details regarding the required insurance are provided in our Confidential Operations Manual:

- Comprehensive general liability insurance written on an occurrence form, including coverage for general liability, personal injury, advertising injury, in an amount not less than \$1,000,000 per occurrence, \$2,000,000 general aggregate, and \$5,000 medical expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. This policy is only required if you are not obtaining commercial automobile insurance.
- For Paddle Pub, Tiki Pub, and Cruisin' Tikis, hull insurance written to fair market value of the vessel and marine protection and indemnity insurance not less than \$1,000,000.
- For Trolley Pub, commercial automobile insurance, if you are titling and registering your Trolley Pub vehicle, written on a combined single limit basis for bodily injury and property damage based on the state statutory minimum coverage limits. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us.
- Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location.
- Workers' compensation (Coverage A) with statutory limits complying with the laws of the applicable state. Such insurance shall include a waiver of subrogation endorsement in favor of us, except that in certain states worker's compensation is not required for the crew of a Paddle Pub, Tiki Pub or Cruisin' Tikis vessel under a longshoreman's policy if the proper endorsement is obtained; and
- Such other insurance as may be required by us from time to time or by the Property Owner of the TourScale premises at, and by the state or locality in, which the TourScale is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

The insurance policies described above must: (i) have a deductible equal to or less than \$10,000; and (ii) include a waiver of subrogation endorsement in favor of Franchisor; (iii) shall cover each Trolley Pub vehicle, Paddle Pub vessel, and/or Cruisin' Tikis vessel, as applicable, and shall not exclude contractual liability. The Commercial General Liability coverage shall include a Waiver of Subrogation endorsement in favor of Franchisor, and shall not limit or exclude Contractual Liability. There should be no limitation or exclusion for sexual abuse or molestation coverage.

The types and amount of insurance listed above represent the minimum coverage you are required to secure prior to opening your TourScale Business. You may secure additional insurance. Additionally, local law and/or your lease or slip agreement may require additional types of insurance and/or greater amounts of coverage. To the extent that your lease requires additional policies and/or amounts of coverage, your lease agreement shall control although you are obligated to have each type of insurance identified above.

All insurance policies must be written by an insurance company that is licensed in the state where you are doing business. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We will provide you written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration.

Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory. At least 3 days before taking ownership of a TourScale Business and annually thereafter, you must submit to us a copy of your Certificates of Insurance or other evidence that you are maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you and the TourScale Business, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise	Disclosure Document
a.	Site selection and acquisition/lease	5	11
b.	Pre-opening purchases/leases	5, 6	7
c.	Site development and other pre-opening requirements	5, 6	11



	<b>Obligation</b>	<b>Section in Franchise</b>	<b>Disclosure Document</b>
d.	Initial and ongoing training	11	11
e.	Opening	6	8
f.	Fees	7	5, 6, 7
g.	Compliance with standards and policies/ Manual	1, 10	1, 8, 14
h.	Trademarks and proprietary information	13	13
i.	Restrictions on products/ services offered	18	8, 9, 16
j.	Warranty and customer service requirements	12	11
k.	Territorial development and sales quotas	5	12
l.	Ongoing product/service purchases	5, 18	6, 7
m.	Maintenance, appearance and remodeling requirements	12	8
n.	Insurance	12	6, 7, 8
o.	Advertising	9	6, 11
p.	Indemnification	23	None
q.	Owner's participation/ management/staffing	12	11, 15
r.	Records/reports	8	6
s.	Inspections/audits	8, 12	6
t.	Transfer	16	17
u.	Renewal	4	6, 17
v.	Post-termination obligations	20	17
w.	Non-competition covenants	18	17
x.	Dispute resolution	14	15

## **ITEM 10 FINANCING**

We and our affiliates do not offer direct or indirect financing, and do not guarantee any note, lease or obligation you incur to purchase any Primary Asset required for your TourScale Business.

## **ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, TourScale is not required to provide you with any assistance.**

Before you open your business, TourScale will:

- Approve a Protected Territory (see Section 5 of the Franchise Agreement). The Protected Territory should be selected within twelve (12) months. Failure to agree to a Protected Territory may result in you forfeiting your right to open a TourScale Business and you will forfeit any non-refundable fees.
- Provide you with specifications for Primary Assets.
- Provide you with video conference online training and guidance (see Section 11 of the Franchise Agreement). The online training program must be completed by all TourScale Business owners and will last approximately seven (7) total hours. You must have a computer with web and video capabilities to complete the online training program. The online training program must be completed prior to you attending “**New Owner Training**.”
- Provide you with in-person new owner training (“**New Owner Training**”) for two business days for a total of approximately sixteen (16) hours. The New Owner Training is held at your location or one of our regional training sites as determined by TourScale from time to time. Training dates are scheduled as they are needed. Your New Owner Training will be scheduled after you sign your Franchise Agreement. You must pay our then-current training fee described in Items 6 and 7 (currently, \$1,000 per person) for you and up to four (4) of your employees to attend the New Owner training. You must pay your travel and living expenses while attending the training sessions if conducted at a location other than your location. You must complete the New Owner Training within 90 days of signing your Franchise Agreement. You may not commence operations until you have completed the New Owner Training program to our satisfaction. We may require additional training or refresher courses when if you change, renew, or relocate your TourScale Business.
- Prior to or in conjunction with your applicable training programs, we will provide you with access to our Operation(s) Manual. The Operations Manuals are confidential and remain our property. We may modify the Operations Manuals from time to time. The tables of contents for the Operations Manuals are included in Exhibit E. Before you are provided access to the Operations Manual, you must sign our then-current Confidentiality Agreement attached as Exhibit D. The operating manual is 75 pages long.
- Launch your TourScale location website, email account, and digital booking system.
- Assist you with determining pricing for TourScale tours and related services; however, these prices are suggestions based on our opinions and experience and at this time we do not have mandatory pricing schedules.
- Provide you with a Launch & Marketing Kit which includes: (i) Professional Photo and Video Shoot, including editing services and related travel expenses; (ii) Three (3) months of digital advertising spend with a minimum budget of One Thousand Dollars (\$1,000) per month; (iii) Marketing and AI System Onboarding; (iv) One (1) Sandwich Board with Inserts; (v) Ten (10) Staff Uniforms; (vi) Five (5) Owner/Manager Polos; (vii) One Thousand (1,000) Business Promotional Cards; and (viii) Twenty-Five (25) QR Code Review Stickers.

## Protected Territory Selection

You are responsible for selecting the Protected Territory for your TourScale Business subject to our approval. Our approval indicates only that the geographic area meets our then-current Protected Territory selection criteria, and such approval shall not constitute any representation or warranty regarding the potential success of your TourScale Business in that location (see Sections 5 and 6 of the Franchise Agreement).

Except as limited by the Franchise Agreement, and provided that you are in full compliance with the Franchise Agreement, we and our affiliates will not operate, or license others to operate TourScale Business in your Protected Territory during the Term of this Agreement. The Protected Territory granted to you will be a geographic area (such as a city, county, or state) in which you operate. In certain high density population areas (“**High-Density Areas**”), the Protected Territory will be limited by zip codes in which your TourScale Business operates. Currently, we consider New York City (including boroughs), Orange County (CA), and Chicago to be High Density Areas.

### **Operating Area Selection**

Before you sign your Franchise Agreement, we will work with you to determine an operating area and tour routes within your Protected Territory for your TourScale Business that is mutually acceptable. You select the Operating Area and tour routes within the Protected Territory for your TourScale Business, subject to our approval. You are not required to live in your Protected Territory, but the proximity of your residence may be a factor in determining your Protected Territory.

You will also need to secure storage for your Trolley Pub vehicle and/or Paddle Pub vessel. You agree to follow the requirements as outlined in your Operating Manual.

We estimate the time from the date you sign the Franchise Agreement to the date you open your TourScale Business to be between two (2) to twelve (12) months. However, this time estimate will vary depending on numerous factors, including location, schedules, and financing.

### **Continuing Obligations**

During the term of the Franchise Agreement we (or our designee) are required to provide the following assistance and services to you:

- Franchisee meetings, newsletters, updates to training programs and forms as TourScale deems reasonably necessary.
- At TourScale’s discretion, and by request, we will hold regional training seminars and/or meetings that you can attend. A per attendee fee may be charged to attend these seminars however attendance will not be required.
- We will be available by telephone to provide assistance to you.
- At your election and upon payment of our then-current monthly fee, we will provide a dedicated customer service team trained specifically in handling sales and customer inquiries. Our team handles phone calls, emails, and chat inquiries from 10 AM to 7 PM EST, Monday through Friday. The total cost varies based on annual sales.

- TourScale will provide advertising and promotional materials for your use, some of which you will receive as part of your supply of marketing items. Additional copies of the promotional brochures are available from us or our approved vendors. Some or all of the cost of developing and producing advertising and promotional materials may be paid by the Advertising Fund. You are responsible for the cost of placing classified and display advertisements and other local advertising.
- At your request, we will assist you with your advertising by reviewing your display advertisements and giving you suggestions for improvement.
- If established, we will maintain the Advertising Fund as described under “**Advertising**” below.
- To the extent permitted by applicable law, we may periodically establish maximum and/or minimum prices for services and products that your TourScale Business offers.
- We may, in our discretion, hold an Annual Convention at a location to be selected by us. We will determine the topics and agenda for such a conference. You must attend the Annual Convention and pay our then-current registration fee. All expenses, including you and your employees’ transportation to and from the Annual Convention, and lodging, meals, and salaries for you and your employees attending, are your sole responsibility. We may use Advertising Fund Contributions from the Advertising Fund for purposes related to the Annual Convention and/or Convention, including costs related to productions, programs, and materials.

## Training

As part of your training, we have established a preliminary online training program. The online training program must be completed by all TourScale Business owners and will last approximately 9 total hours. You must have a computer with web and video capabilities to complete the online training program. The online training program must be completed prior to you attending the on-site Training Program.

Kai Kaapro is the primary instructor for the On-Site New Owner Training Program (together with the on-line training program, the “**Initial Training Program**”). Thomas Griffith will be the primary instructor for Trolley Pub specific onsite training on location or in Raleigh, North Carolina. Kai Kaapro and/or Cal Alte will be the primary instructor for Paddle Pub, Tiki Pub, and/or Cruisin' Tikis specific onsite training on location or in Wilmington, North Carolina or San Diego, California. Cal Alte is a maritime operations specialist and has overseen operations for Paddle Pub Daytona Beach and Tiki Pub Ponce Inlet in Florida. We may use additional or substitute instructors on our training staff to conduct our training programs, or host onsite training at different locations, at our discretion. Our additional or substitute instructors generally have substantial operations or business experience, and a minimum of three (3) months of experience with the TourScale System.

The Operations Manuals are the instructional materials used during the training sessions. We have the right to change the duration and content of our Initial Training Program. We currently do not have any fixed training schedules, such as monthly or bi-monthly classes. We will conduct our Initial Training Program based on need and the number of franchisees to be trained.

You and all other previously trained and experienced managers must attend and complete to our satisfaction various training courses that we will present and conduct, periodically. You are responsible

for all related travel and living expenses and wages incurred in connection with attending these training sessions (including travel and living expenses for our trainers in the event that the training is conducted at your location).

The following is a summary of the New Owner Training Program. The New Owner Training Program does not include technical training as an operator of a Trolley Pub Vehicle, Paddle Pub vessel or Cruisin' Tikis vessel. The number of hours may vary, depending upon your background and your ability to comprehend the information.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Hours of Online Training	Location
Technology	3	1	2	Online via video conference
Operations	3	6	0	Online via video conference and On-site at your TourScale Business or at an existing operating location we designate.
Marketing	3	2	2	Online via video conference and On-site at your TourScale Business or at an existing operating location we designate.
HR	1	2	0	On-site at your TourScale Business or at an existing operating location we designate.
Safety	0	2	0	On-site at your TourScale Business or at an existing operating location we designate.
Maintenance	0	2	0	On-site at your TourScale Business or at an existing operating location we designate.
<b>Totals</b>	<b>9</b>	<b>15</b>	<b>4</b>	

Additional training or refresher courses may be required if you renew, change, or relocate your TourScale Business. This will cause you to incur additional costs as described in the Franchise Agreement.

## Technology

You will need to acquire (by purchase, lease or license) the computer system and required software that we specify. The terms “**computer system**” and “**required software**” refer to hardware (monitor, keyboard, computer tower, mouse and tablets), software for the management and operation of your TourScale Business including reporting and sharing information with us, credit and debit card processing and non-cash payment systems, communication systems (including routers, modems, cables, etc.), and external back-up for your computer and systems. This includes, at a minimum, a computer system capable of running web-based applications on Google Chrome and a smartphone capable of running either Apple iOS (version 10 or higher) or Google Android (version Pie or newer). We may change our specifications for the computer system and required software. You must use the computer system for your records management, back office reporting and e-mails, and for operating your business operations software. The types of data to be generated or stored in the computer system include sales, labor, employee information and statistics, post sales tax, refunds and credits, and customer information. Our specific requirements for the computer system and required software, and the designation of any approved supplier for the computer system and required software, are included in the Operations Manual. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the computer system, and all associated costs.

You must maintain a functioning email address and secure, high-speed internet connection at all times. We may require you to purchase additional Primary Assets or other equipment depending on the size, configuration or other site-specific circumstances of your TourScale Business.

We estimate the cost of ongoing maintenance, upgrades and or updates to be \$500 or less per year. Many franchisees choose to use their existing computer equipment, but if a new computer system is purchased, the expected cost to purchase a system which meets the requirements would be between \$700 and \$3,200 depending on your choices regarding performance and features of the computer and smartphone, payable to any normal and reasonable computer and smartphone seller.

We will provide you with a website and email for your TourScale Business and you are prohibited from maintaining other separate websites or other electronic presence for your TourScale Business. We currently require that you license the booking software, Xola. Note that Xola comes with a Stripe merchant processing account when you set up your account. You will pay merchant processing fees on all revenue received from credit card transactions to Stripe through your Xola account. You will maintain the option to change merchant credit card processors if you desire to do so. We reserve the right with written notice to you to increase or decrease the Technology Fee if Xola’s pricing structure changes. In addition, you must obtain licenses for certain off-the-shelf software, including Quick Books Online. We anticipate the costs for this additional software are \$200 per month, and this amount is not included in the Technology Fee (see Section 6 of the Franchise Agreement).

Other than as provided in this disclosure document, there are no limitations on the frequency and cost of your obligation to comply with our requirements related to the computer system and required software. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, required software related peripheral equipment, and/or communications systems into conformity with our then-current standards for new TourScale Businesses, provided that we will not require the adoption of this requirement more than once a year for any franchisee. We will attempt to keep these changes infrequent and reasonable in cost, but other than set forth herein, there are no limits in the

Franchise Agreement regarding either our ability to require you to obtain these changes, or the cost of any changes.

We will have independent, unlimited access to all information and data generated by the booking software, Xola, and any replacement or additional software systems we may designate. You acknowledge and agree that we own all such data and may use it for any purpose we deem appropriate, including system-wide analytics, marketing, and operations improvement. There are no contractual limitations on our right to access, use, or share this information and data.

We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. In addition to the fees described above, we or our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the term of your Franchise Agreement.

## **Advertising**

All costs of printing or otherwise producing hard copy promotional materials are your obligation. We estimate that the costs of printing for these promotional materials will range from \$250 to \$500 for the new materials.

Before you use or disseminate advertising and promotional materials that were not prepared or approved by us, you must submit samples of such materials to TourScale. TourScale retains the right to require that you cease using any advertising or promotional materials that either violate any state or federal laws, rules or regulations or are considered by TourScale, in our sole discretion, to constitute an unauthorized use of the TourScale Marks.

## **Advertising Fund**

Under the Franchise Agreement, each franchisee must contribute to the established TourScale Advertising Fund (the “**Advertising Fund**”) an amount equal to 2% of Net Sales (see Section 9 of the Franchise Agreement). The Advertising Fund Contribution rate of 2% of Net Sales will remain fixed during the initial term of your Franchise Agreement and will not be increased. We will require all similarly-situated franchisees to contribute to the Advertising Fund. Company or affiliate owned TourScale Businesses, if any, will contribute to the Advertising Fund at the same percentage rate as similarly-situated franchisees. We do not presently have local or regional advertising cooperatives that franchisees must participate in, or an advertising council comprised of franchisees, but we retain the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved, or merged. In such event, all information concerning such advertising cooperative and/or franchisee advisory council will be provided in advance in writing. Our company or affiliate owned businesses, if any, will participate in any local or regional advertising cooperatives on the same basis as similarly-situated franchisees.

We will account for the contributions to the Advertising Fund separately from our other revenues. We will use the Advertising Fund to develop marketing and advertising programs that benefit the TourScale brand and to offset our costs of administering the Advertising Fund, including salaries and overhead in administering the Advertising Fund. This means we may use monies in the Advertising Fund for any

purpose that promotes the TourScale name, including the creation, production, and placement of commercial advertising; agency costs and commissions; creation and production of video, audio, and written advertisements; administering multi-regional advertising programs, direct mail, and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, electronic and online advertising, radio, or television. We will not be obligated to make advertising expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Advertising Fund.

We intend to work with national, regional, and local agencies in our discretion. It will be our responsibility to determine how the Advertising Fund monies are spent. We will not be required to use monies in the Advertising Fund to benefit any individual market, or on a pro rata or other basis. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises. We did not establish the Advertising Fund during the last fiscal year, and accordingly, had no expenditures in that period.

We may reimburse ourselves or our authorized representatives from the Advertising Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Advertising Fund. Any unused funds in any calendar year will be applied to the following year's funds. Any interest the Advertising Fund earns will be used for advertising before we use any principal. At your request, if established, we will make available to you an annual accounting for the Advertising Fund that shows how the Advertising Fund proceeds were spent for the previous year, but these statements will not be audited.

It is our intention to solicit input on the development of advertising from franchisees who must contribute to the Advertising Fund on the development of the advertising. However, this input will be advisory only, and we will have the right to make all final decisions about how these monies are spent.

We do not intend to use the Advertising Fund to purchase advertisements or marketing designed to sell additional franchises although there may be an indirect impact on franchise sales from Advertising Fund expenditures.

In the most recent fiscal year ending in 2024, we did not collect any funds to be used in the Advertising Fund. Accordingly, we did not spend any funds from the Advertising Fund.

#### Digital Ad Spend Requirement

You are responsible to conduct your own local digital marketing of your TourScale Business. We require you to spend the greater of (i) a minimum of \$5,000 per year or (ii) 5% of your Gross Sales on direct third-party digital advertising platform expenditures ("Required Digital Marketing Spend"), which shall only include actual advertising spend paid to digital advertising platforms such as Facebook, Instagram, Google Ads, and other similar platforms as approved by us in writing. You must provide us with documentation of such expenditures through original platform-generated spending reports and invoices from approved digital advertising platforms in the form and at the times we specify, but no less than quarterly. We, our



affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in digital advertising and promotion.

## **ITEM 12 TERRITORY**

You will operate your TourScale Business from an approved physical location (the "Base of Operations") within a geographic area described in your Franchise Agreement (the "**Protected Territory**"). The process of establishing your Base of Operations and Protected Territory involves two phases as described below.

The establishment of your Base of Operations and Protected Territory involves two phases:

Phase 1: You will have an initial six month period to secure a Base of Operations within an agreed-upon Search Area. If you fail to secure an approved Base of Operations within this period, or if we determine in our reasonable business judgment that you are not making sufficient progress toward securing a location, we may terminate the Franchise Agreement without refunding any amounts paid. We may, in our sole discretion, grant up to two, three-month extensions of this period, subject to payment of extension fees and additional conditions we may specify.

Phase 2: Once you identify a potential Base of Operations, you must obtain our written approval before executing any lease or purchase agreement. For water-based vessels, the Base of Operations must be a marina, and for land-based vehicles, it must be a suitable physical headquarters. We will evaluate proposed locations based on factors including: (i) visibility and accessibility; (ii) zoning and regulatory compliance; (iii) operational safety; (iv) proximity to customer traffic; (v) parking or docking capacity; (vi) market conditions; (vii) facility adequacy; (viii) compatibility with intended Protected Territory boundaries; and (ix) other relevant criteria we determine necessary to protect our brand, customer experience, and other franchisees.

Upon approval of your Base of Operations, your Protected Territory will consist of the geographic area that can be reached within a ten (10) mile driving distance from your Base of Operations along existing roads and highways, as specifically defined in your Franchise Agreement, subject to adjustment based on market conditions, population density, and other factors we deem relevant. The exact boundaries of your Protected Territory will be determined by us in our sole discretion based on actual driving routes and may be modified if circumstances warrant, including but not limited to changes in road patterns, traffic conditions, or market conditions. We are not required to pay you for soliciting or accepting orders for other TourScale Businesses within your Protected Territory.

During Phase 1, we will not permit any other franchisee, our affiliates, or ourselves to search for or open a location within your Search Area, provided you are actively and diligently pursuing a location and are in full compliance with the Franchise Agreement. Once your Protected Territory is established, we will not operate or authorize others to operate the same brand within your Protected Territory, except as otherwise permitted in the Franchise Agreement. However, we retain all rights not expressly granted to you, including but not limited to the right to: (i) operate or franchise other brands within your Protected Territory; (ii) sell products or services through alternative channels of distribution; (iii) acquire and operate businesses using the same brand within your Protected Territory if such businesses were operating before your territory rights were granted; and (iv) modify the scope of your Protected Territory based on market conditions or your performance. You will not receive an exclusive territory. You may face competition

from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will be required to purchase or lease a minimum number of Trolley Pub vehicles or Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels from us within the specified periods of time described in the Franchise Agreement. Depending on the size, population, historical sales, or other features of your Protected Territory, you may be subject to minimum purchase or leasing requirements with respect to the number of Trolley Pub vehicles and/or Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessels used in your TourScale Business. In addition, we may require that you include additional Trolley Pub vehicles or Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessels as your sales levels reach defined levels. Currently, we require (whether purchased or leased) at least one (1) Trolley Pub vehicle or one (1) Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessel in the first year of operations, to be increased annually as follows:

**TIKI PUB AND CRUISIN' TIKIS (6 Passenger Vessels):**

Prior Year Net Sales	Minimum Number of Vessels
>\$175,000	2
>\$350,000	3
>\$525,000	4
>\$700,000	5
>\$875,000	6

**PADDLE PUB, TIKI PUB AND CRUISIN' TIKIS (18-35 Passenger Vessels):**

Prior Year Net Sales	Minimum Number of Vessels
>\$350,000	2
>\$700,000	3
>\$1,050,000	4
>\$1,400,000	5
>\$1,750,000	6

TIKI PUB AND CRUISIN' TIKIS (49 Passenger Vessels):

Prior Year Net Sales	Minimum Number of Vessels
>\$500,000	2
>\$1,000,000	3
>\$1,500,000	4
>\$2,000,000	5
>\$2,500,000	6

TROLLEY PUB:

Prior Net Sales	Minimum Number of Vehicles
>\$100,000	2
>\$200,000	3
>\$300,000	4
>\$400,000	5
>\$500,000	6

Except as noted below, as long as you are in compliance with the Franchise Agreement, we will not operate the same TourScale Business or grant to a third party the right to operate the same TourScale Business within your Protected Territory except in accordance with the Franchise Agreement.

You do not need to separately pay us any compensation to solicit or accept orders within your Protected Territory. Similarly, we do not need to pay you any compensation for soliciting or accepting orders within your Protected Territory. We do not place any restrictions on solicitation of consumers outside of or within your Protected Territory by you or any other franchisees, including, the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your territory. Your Protected Territory is not an exclusive territory. You may face competition from other franchisees or competing brands, from outlets that we own, or from other channels of distribution or competitive brands that we control. These may include franchises operating under the Trolley Pub, Paddle Pub, Tiki Pub, Cruisin' Tikis, or Trolley Party trademarks. In addition, we may operate or franchise businesses under other tradenames or trademarks without further notice to you.

If you operate Trolley Pub vehicles but not Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels within your Protected Territory, or vice versa, we retain the absolute and unrestricted right to sell, operate, or otherwise

develop the type of TourScale business you do not operate, including through third parties or direct operation, in our sole discretion and without any obligation to offer such rights or opportunities to you or to provide you with notice of such activities.

If you need to relocate your Base of Operations, you may do so within your existing Protected Territory without affecting your territory boundaries. However, if you must or choose to relocate outside your Protected Territory, you will need to undergo both Phase 1 and Phase 2 of the territory establishment process for your desired new location. Any relocation, whether within or outside your Protected Territory, must be completed within 12 months of the closure of your existing Base of Operations, unless we, in our sole discretion, grant a written extension. If you fail to complete the relocation within this timeframe or any extended period we may grant, we may, in our sole discretion, terminate your Franchise Agreement with no refund of any fees paid to us, and you waive any claims against us arising from such termination.

Unless specifically agreed to in writing by TourScale, you have no options, rights of first refusal, preferential rights, or any similar rights to: (i) acquire any additional franchises whether in contiguous territories or elsewhere; (ii) acquire additions to your Protected Territory; (iii) establish additional franchised outlets; or (iv) expand your franchised business in any manner. Any expansion, relocation, or establishment of additional franchised outlets requires TourScale's prior written approval, which may be granted or withheld in TourScale's sole and absolute discretion, which may be based on any factors we deem relevant, including but not limited to our system standards, market conditions, your operational and financial performance, compliance history, and any other business considerations.

During the franchise term we may:



- (1) Sell (or authorize others to sell) services authorized for TourScale Businesses, using trade names, trademarks, service marks and commercial symbols other than the Marks (See Item 13);
- (2) Operate and grant to others the right to operate TourScale Businesses that are located anywhere outside of your Protected Territory;
- (3) Purchase, acquire, invest in, partner with, or otherwise become affiliated with, through merger, acquisition, joint venture or any other business arrangement, any mobile entertainment tour businesses, companies, franchisors, or other businesses which operate, distribute, provide, franchise, or have any involvement with tour businesses or related services, whether such businesses are located within or outside of the Protected Territory, without any obligation to offer you participation in such opportunities;
- (4) Market, promote, sell, license, develop, or otherwise commercialize any products, services, or business concepts relating to or competitive with the TourScale Business through any channels of distribution whatsoever, including but not limited to, through the Internet or worldwide web, through smart phone or other digital applications, direct marketing or through any other form of distribution channel or method from and at any location, even in the Protected Territory, using the Marks or under trade names, trademarks or service marks other than the Marks; and
- (5) Be acquired (regardless of the form of transaction) by a mobile entertainment tour business or other business, even if such business operates, franchises and/or franchises competitive businesses within the Protected Territory.





### ITEM 13 TRADEMARKS

TourScale grants you the right to operate a tour and experience business under the names TourScale, Trolley Pub, Paddle Pub, Trolley Party, Cruisin' Tikis, or some combination of these names (the “**Marks**”). You may also use any authorized successor trademarks to operate your office. The term “**Marks**” includes trade names, trademarks, service marks and logos used subsequently developed and used to identify TourScale Business. The following principal Marks are registered with the United States Patent & Trademark Office (“**USPTO**”) by our parent Kaapro & Cole Ventures, LLC (“**K&C**”) and our affiliate, Cruisin’ Tikis Holdings, LLC (“**CTH**”).

Pursuant to (i) that certain Trademark License Agreement dated January 1, 2024, by and between TourScale and TSE (the “TSE License Agreement”), and (ii) that certain Trademark License Agreement dated January 1, 2024, by and between TourScale and Cruisin' Tikis Holdings, LLC ("CTH") (the "CTH License Agreement") (collectively, the "License Agreements Each License Agreement is sublicensable to franchisees in connection with the TourScale Businesses. Each License Agreement may be modified by written agreement and terminated by the respective licensor if (a) TourScale breaches such License Agreement and fails to correct such deficiency within 90 days after receipt of written notice by the applicable licensor, or (b) TourScale or its owners, officers, or key employees materially misuse or make an unauthorized use of any component of the respective Marks or commit an act which materially impairs the goodwill associated with the respective Marks. Neither License Agreement materially affects your use of TourScale’s trademarks."), TourScale has a perpetual license from each of TSE and CTH to use their respective Marks in connection with the operation of the TourScale Businesses.

**The principal Trademarks with the United States Patent and Trademark Office are as follows:**

Mark	Registration / Serial Number	International Classes	Date of registration	Owner
Trolley Pub	Reg. No. 5117707	039, 041	January 10, 2017 Renewed: June 30, 2023	K&C
Paddle Pub	Reg. No. 5710891	039, 041	March 26, 2019	K&C
	Reg. No. 5746627	039, 041	May 7, 2019	K&C
	Reg. No. 6445327	039	August 10, 2021	K&C
	Serial No. 97477986	039, 041	August 1, 2023	K&C
TOUR SCALE	Reg. No. 7179944	035	October 3, 2023	K&C
TIKI PUB	Reg. No. 7317360	039, 041	February 27, 2024	K&C

	Reg. No. 7317361	039, 041	February 27, 2024	K&C
	Reg. No. 7370587	035	April 30, 2024	K&C
CRUISIN' TIKIS	Reg. No. 7613380	039	December 17, 2024	CTH
CRUISIN' TIKIS	Reg. No. 5272076	040	Registered: August 22, 2017 Renewed: February 3, 2024	CTH
	Reg. No. 5457293	012	Registered: May 1, 2018 Renewed: March 5, 2025	CTH
	Reg. No. 5516972	039	Registered: July 17, 2018 Renewed: October 31, 2024	CTH

Note that “TourScale” is not included as a Mark that may be used by you and is not to be used as part of your TourScale Business. We do not have a federal registration for the name “TourScale.”

All required renewals and affidavits of continued use have been filed and accepted for the principal Trademarks through the date of this Disclosure Document. There are no (a) currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or the trademark administrator of any state or any court, (b) pending infringement, opposition or cancellation proceedings or (c) pending material litigation regarding our use or ownership rights in the principal Trademarks. TourScale or its affiliates have filed all necessary affidavits and renewals.

You must follow our rules when you use the Marks. You cannot use a TourScale name or mark as part of a corporate name or with modifying words, designs or symbols except for those which TourScale franchises to you. You may not use TourScale’s name or Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by TourScale. You may not use TourScale’s trademarks in any combination with those of another legal entity without prior written permission from TourScale. TourScale is under no obligation to grant a request to combine the Marks with those of any other legal entity. No agreements limit TourScale’s right to use or franchise the use of TourScale’s trademarks.

You must notify TourScale immediately if you learn about an infringement of or challenge to your use of the Marks. TourScale will take the action we think appropriate. TourScale is not required to defend or indemnify you against a claim against your use of our trademarks. You must modify or discontinue the use of trademarks if TourScale modifies or discontinues them. In such event, you will not be entitled to

any compensation for such modification or discontinuation. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of or used in business.

Franchisor and TSE have the exclusive rights to control any administrative proceedings or litigation involving a trademark licensed to Franchisee.

TourScale does not know of any infringing uses that could materially affect your use of TourScale's trademarks.

#### **ITEM 14**

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

Except as disclosed below, we do not own rights in, or licenses to, patents or copyrights that are material to the System.

Through an exclusive license agreement with CTH, we have the right to use U.S. Patent No. 10589827, titled "A structure for stabilizing a barrel on a pontoon vessel." This utility patent, owned by CTH, was issued on March 17, 2020, and remains in effect until January 15, 2039. This patent is utilized in the manufacturing of our vessels pursuant to our license agreement with CTH.

Although we have not filed applications for copyright registrations for all items, we claim a copyright in our confidential Operations Manual, advertising material, specifications, training handbooks, and a variety of forms and programs. The information contained in these items is proprietary and they may be used only with our permission, and at our direction. You must operate the TourScale Business in accordance with the Operations Manual. The Operations Manual may be provided to you by physical, written copy. You must treat the Operations Manual, any other manuals created for or approved for use in the operation of the TourScale Business, and the information contained in them, as confidential, and must use reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. We may periodically revise the contents of the Operations Manual, and you must comply with each new or changed standard. You must ensure that the Operations Manual is kept current at all times. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual maintained by us at our home office shall be controlling.

You must notify us immediately if you learn about an infringement on our or your use of any item that may be copyrighted by us. However, we are not obligated by the Franchise Agreement, nor otherwise, to protect any rights that may be granted to you or to protect you against claims of infringement or unfair competition with respect to them.

In the event that litigation involving any items that may be copyrighted is instituted or threatened against you, you must promptly notify us. We will conduct the defense and bear the expense of such litigation, and will be entitled to settle or otherwise dispose of the litigation on terms which, in our sole discretion, we may decide. You must cooperate fully with us in defending or settling such litigation.

If we decide to add, modify or discontinue the use of a proprietary item, whether or not we claim a copyright in such item, you must also do so and we will have no obligation or liability to you as a result of any addition, modification or discontinuance of the use of a proprietary item.

## Confidential Information

You must not, during the term of the Franchise Agreement, or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, or corporation, any confidential information, knowledge, or know-how concerning the methods of operation of TourScale Businesses, Paddle Pub vessels, Trolley Pub vehicles, Cruisin' Tikis vessels, or other tourism activities which may be communicated to you, including techniques, routes, processes, procedures, designs, financial information and information contained in the Operations Manual, or of which you may be apprised by virtue of your Franchise under the terms of such Agreements (including information, knowledge or know-how concerning any recipes or formulas). We will disclose proprietary recipes and preparation methods to you necessary to operate a TourScale Business, but we are not required to disclose contents of proprietary equipment, parts, designs or manufacturing processes that are purchased from approved suppliers. You may divulge confidential information only to those of your employees who must have access to it in order to operate the TourScale Business, and you must take such precautions as we deem necessary to ensure that your employees keep such information in confidence. Any and all information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential, except information which you can demonstrate came to your attention before our disclosure of it, or which, at the time of our disclosure to you, had become a part of the public domain, through publication or communication by others, or which, after our disclosure to you, becomes a part of the public domain, through publication or communication by others. Your Operating Principal (defined in Item 15), manager and other employees may be required to enter into an agreement not to compete with TourScale Businesses under the System and an agreement not to reveal confidential information obtained in the course of their employment with you. You must not use any proprietary or confidential information or Marks, including any processes, procedures, and other know-how, for any purpose other than the operation of your TourScale Business and must take all steps necessary to prevent any other use of them.

## **ITEM 15**

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

Management structure is a crucial element in the operation of a TourScale Business. If you are an Entity, you must appoint an owner that has at least a 10% equity ownership interest in you to be responsible for overseeing and supervising the operation of your TourScale Business (the “**Operating Principal**”). The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf. You may not change the Operating Principal without our prior written consent. You or your Operating Principal will be responsible for overseeing and supervising the operation of the TourScale Business. If your Operating Principal does not meet our qualifications and requirements regarding experience in the entertainment and tourism industry, you will be required, prior to opening your TourScale Business for business, to retain an approved manager (“**Business Manager**”) that meets our qualifications and requirements.

The Operating Principal or Business Manager must be the primary manager of your TourScale Business. He or she may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility or time commitments, or that may otherwise conflict with the Operating Principal’s obligations under the Franchise Agreement. If the relationship of the Business Manager terminates or materially changes, you agree to promptly designate a replacement Business



Manager, and the Operating Principal must assume all of the obligations of the Business Manager during the interim period. The initial Business Manager must successfully complete our New Owner Training Program before your TourScale Business opens for business. Any replacement Business Manager must complete our initial training program before engaging in any business pertaining to your TourScale Business. You must pay the charges that we establish for training programs furnished to any individual who replaces a previously trained Business Manager. Our Operations Manual may regulate your TourScale Business's staffing levels and employee qualifications, training, dress and appearance, and we can require the Business Manager and other employees having access to our Confidential Information to sign Confidentiality Agreements (See Item 14.). Our current form of Confidentiality Agreement is attached as Exhibit D. The Operating Principal is the only person that we will recognize as having authority to communicate on behalf of the Franchisee.

We will require that any owner of a 5% or more interest in the Franchisee sign a personal guaranty undertaking to be bound by the provisions of the Franchise Agreement. The form of guaranty that your owners must sign is included in Exhibit 5 to the Franchise Agreement. Your spouse will be required to sign a personal guaranty (or acknowledge and consent to your execution of a personal guaranty).

#### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must use your TourScale Business solely for the operation of a TourScale Business and must maintain sufficient inventories, adequately staff each shift with qualified employees and continuously operate the TourScale Business at its maximum capacity and efficiency for the minimum number of days and hours as we specify in the Operations Manual or otherwise in writing, except that in certain circumstances we will make exceptions for the observance or practice of religious holidays or bona fide religious beliefs.

You must offer and sell all of the products and services that we periodically require and only in the manner we have prescribed. You may not offer any products or perform any services that we have not authorized. You will discontinue selling and offering for sale any service or product that we disapprove in writing. All products will be offered and sold only at retail (not wholesale). Our Operations Manual may regulate required or authorized products, services and service categories and supplies. There are no limits on our right to periodically change required and/or authorized products, services, and service categories, and we may do so at our discretion.

**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.**

<b>THE FRANCHISE RELATIONSHIP</b>		
<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	4.A	Ten (10) years from the date your TourScale Business opens.
b. Renewal or extension of the term	4.A	If you are in good standing at the expiration of the Term and first renewal term, you may extend the franchise agreement for additional terms of 5 years each.
c. Requirements for you to renew or extend	4.B	<p>(1) You must give us written notice of your election to remain a franchisee not less than 9 months, nor more than 12 months, before the end of the Initial Term or first Successor Term;</p> <p>(2) You must pay us a successor franchise fee equal to 50% of our then-current Initial Franchise Fee (the “<b>Renewal Fee</b>”);</p> <p>(3) You may be asked to sign an agreement with materially different terms and conditions from the original franchise agreement.</p> <p>(4) Neither you nor any of your affiliates are in default under the Franchise Agreement or any other agreements with us or our affiliates;</p> <p>(5) You must have the right to continue operating in the Operating Area (or another area acceptable to us) for the Successor Term;</p> <p>(6) You must update your TourScale Business to reflect the then-current image of TourScale Businesses;</p> <p>(7) You must correct any existing deficiencies of your TourScale Business and satisfy our then-current System Standards including adding any new products or services that are then being offered in the System, meet our qualifications for new franchisees, and complete any additional certification and training requirements that apply to you, your Operating Principal, your managerial and training personnel and/or your staff (which may involve the payment of training fees);</p> <p>(8) You must sign, and your owners and all guarantors of your obligations under this Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees); and</p> <p>(9) You, and your owners and guarantors of your obligations under this Agreement must sign a general release (substantially similar to the form attached hereto as <u>Exhibit J</u> to the FDD)</p>

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
		releasing any and all claims against us, and our affiliates, owners, officers, directors, agents and employees subject to applicable state law
d. Termination by you	19.A	(1) Upon the material default by Franchisor of one or more provisions of this Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. (2) without cause upon sixty (60) days' prior written notice, provided that: (a) such notice is given after the second anniversary of the date you began operating your TourScale Business; (b) you pay a Termination Fee of 50% of our then current Initial Franchise Fee in a lump sum to TourScale and all other sums due and owing under any agreements between you and us or our affiliates; (c) you comply with all post termination obligations contained in any other agreements between us or our affiliates and you, including any post termination obligations contained in any leases for Equipment; and (d) you execute and deliver a voluntary termination and separation agreement in form and substance satisfactory to us in our reasonable discretion and subject to state law.
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	19.C	We can terminate upon certain violations of the Franchise Agreement by you subject to applicable state law.
g. "Cause" defined - defaults which can be cured	19.B, 19.C	You have 30 days to cure the defaults listed in <u>Section 19.C</u> .
h. "Cause" defined - defaults which cannot be cured	19.B	We may terminate for cause without an opportunity to cure if: (1) you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing; or (2) you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you an opportunity to remedy the default.
i. Your obligations on termination/non-renewal	18 & 20	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets, and records.
j. Assignment of contract by us	15	No restriction on our right to assign.
k. "Transfer" by you – definition	16.A	Includes transfer of contract or assets or ownership change.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
l. Our approval of transfer by franchisee	16.B-16.G	We have the right to approve all transfers.
m. Conditions for our approval of transfer	16.B	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee.
n. Our right of first refusal to acquire your business	16.G	We can match any offer for your TourScale Business.
o. Our option to purchase your business	21	We may, but are not required to, purchase your Assets and other items at fair market value if your franchise is terminated for any reason.
p. Your death or disability	16.D	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 90 days
q. Non-competition covenants during the term of franchise	3 & 18	No involvement in competing business anywhere in the world subject to applicable law during the Term of the Agreement; During the Restricted Period, these restrictions will apply in the Operating Area; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of the outer edge of any other TourScale Business Protected Territory, in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which all persons restricted by <u>Section 18.B</u> begin to comply with <u>Section 18.B</u> .
r. Non-competition covenants after the franchise is terminated or expires	18	Non-competition Restricted Period shall be two (2) years from the date the Agreement expires or is terminated.
s. Modification of Franchise Agreement	24, 26	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. No previous course of dealing not specifically set forth in this Agreement will be admissible to explain, modify or contradict this Agreement. Any amendment or modification of this Agreement is invalid unless made in writing and signed by the Franchisor, the Franchisee and all Guarantors. Modifications permitted on renewal.
t. Integration/merger clause	26	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	27	Except for certain claims and subject to applicable state law, all disputes must be mediated prior to bringing an action in court.
v. Choice of forum	27.C	Arbitration or litigation must be conducted in in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed (subject to applicable state law).
w. Choice of law	27.B	Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
		arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of <u>Section 18</u> shall be interpreted and construed under the laws of the jurisdiction in which your TourScale Business is located (subject to applicable state law).

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit F attached to this Disclosure Document.

### ITEM 18 PUBLIC FIGURES

TourScale does not currently use any public figures to promote its franchise.

### ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following financial performance representations summarize actual gross sales data collected from franchisees and company-owned operations in the Tourscale franchise system. The franchise system focuses on selling franchises for the operation of businesses utilizing pedal-powered vehicles and vessels for mobile entertainment. All data represents assets that have been in use for at least 12 months where the business operated for a full season. Sales data represents gross sales on a cash basis before deductions.

Trolley Pub	Per Seat	15 Passenger
Average	\$4,945	\$74,182
Median	\$4,745	\$71,179
Lowest	\$1,960	\$29,402
Highest	\$8,356	\$125,335
% Outlets > Avg	50.0%	50.00%
% Seats > Avg	53.8%	53.8

<b>Paddle Pub</b>	<b>Per Seat</b>	<b>16 Passenger</b>	<b>26 Passenger</b>
Average	\$6,721	\$107,543	\$174,758
Median	\$6,365	\$101,845	\$165,497
Lowest	\$3,187	\$50,992	\$82,862
Highest	\$12,983	\$207,730	\$337,561
% Outlets > Seat Avg	40.0%	40.00%	40.00%
% Seats > Avg	28.3%	28.30%	28.30%

<b>Tiki Pub</b>	<b>Per Seat</b>	<b>6 Passenger</b>	<b>25 Passenger</b>
Average	\$15,410	\$92,463	\$400,672
Median	\$13,827	\$82,962	\$359,500
Lowest	\$11,243	\$67,460	\$292,325
Highest	\$16,411	\$98,464	\$426,676
% Outlets > Seat Avg	50.0%	50.00%	50.00%
% Seats > Avg	80.6%	80.60%	80.60%

<b>Cruisin' Tikis</b>	<b>Per Seat</b>	<b>6 Passenger</b>
Average	\$16,631	\$99,786
Median	\$11,143	\$66,855
Lowest	\$4,424	\$26,544
Highest	\$44,199	\$265,193
% Outlets > Seat Avg	28.6%	28.60%
% Seats > Avg	35.9%	35.90%

Notes:

1. This representation includes only locations that had at least one asset operating for 12 or more months or a full season in that market.
2. Sales is defined as: the total of all receipts derived from services performed and products sold by Franchisee, or its affiliates, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Sales include receipts from all tours, merchandise, food and beverage sales, etc. related to the operation of the Franchisee's TourScale Business including, without limitation, sales of merchandise but excluding (i) the amount of any sales or similar tax imposed by any federal, state, municipal or other governmental authority, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and (ii) pre-approved promotions, discounts, coupons, or refunds to the extent that the Franchisee realizes no revenue.
3. These results do not reflect operating costs or individual performance factors. Your results may differ.
4. The information in this Item 19 is not audited. Written substantiation of the data used in preparing this information will be provided upon reasonable request.

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

Other than the preceding financial performance representation, 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 Kai Kaapro at 323 West Davie Street, Raleigh, NC and 888-753-7507; the Federal Trade Commission; and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2022 To 2024**

<b>Business Type</b>	<b>Year</b>	<b>Businesses at Start of the Year</b>	<b>Businesses at End of the Year</b>	<b>Net Change</b>
<b>Franchised TourScale Businesses</b>	2022	7	12	+5
	2023	12	20	+8
	2024	20	25	+5
<b>TourScale Owned TourScale Business Locations</b>	2022	13	17	+4
	2023	17	15	-2
	2024	15	11	-4
<b>Total Outlets</b>	2022	20	29	+9
	2023	29	35	+6
	2024	35	36	+1

**Table No. 2**  
**Transfers of Outlets From Franchisees To New Owners (Other Than Franchisor)**  
**For Years 2022 To 2024**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Florida	2022	0
	2023	0
	2024	2
Total	2022	0
	2023	0
	2024	2

**Table No. 3**  
**Status Of Franchised Outlets**  
**For Years 2022 To 2024**

State	Year	Businesses at Start of Year	Businesses Opened	Terminations	Non- Renewals	Reacquired by TourScale Franchising	Ceased Operations - Other Reason	Businesses at End of Year
CA	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	2	0	0	0	0	3
CT	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
FL	2022	4	2	0	0	0	0	6
	2023	6	3	0	0	0	2	7
	2024	7	0	1	0	0	1	5
IA	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
MO	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
NY	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	3	0	0	0	0	6
NC	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
OH	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
SC	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
TN	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1



State	Year	Businesses at Start of Year	Businesses Opened	Terminations	Non-Renewals	Reacquired by TourScale Franchising	Ceased Operations - Other Reason	Businesses at End of Year
TX	2022	1	0	1	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
WI	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Total	2022	7	6	1	0	0	0	12
	2023	12	10	0	0	0	2	20
	2024	20	7	1	0	0	1	25

**Table No. 4**  
**Status of Company-Owned and Affiliate-Owned Outlets**  
**For Years 2022 To 2024**

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
CA	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
FL	2022	1	1	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
MD	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
NC	2022	5	0	0	0	0	5
	2023	5	0	0	0	0	5
	2024	5	1	0	0	1	5
OR	2022	0	2	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	2	0
TN	2022	1	1	0	0	0	2
	2023	2	0	0	0	1	1
	2024	1	0	0	0	0	1
TX	2022	1	0	0	0	0	1

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
VA	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	1	0	0
WI	2022	2	1	0	0	0	3
	2023	3	0	0	1	0	2
	2024	2	0	0	0	0	2
Total	2022	13	5	0	1	0	17
	2023	17	0	0	1	1	15
	2024	15	1	0	1	4	11

**Table No. 5**  
**Projected Sales and Openings As of December 31, 2024**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in Fiscal Year 2024	Projected New Company Owned Outlets In Fiscal Year 2024
Arizona	0	1	0
Connecticut	0	1	0
Florida	1	4	0
Idaho	0	2	0
Michigan	0	1	0
New Jersey	0	1	0
North Carolina	1	2	1
Ohio	0	2	0
Total	2	14	1

In January 2025, we acquired the Cruisin' Tikis brand, which operated 44 franchised units. These units are operated under a separate brand but are now part of our franchise system. Their inclusion in future Item 20 charts will reflect our ongoing consolidation. Below is a summary of the Cruisin' Tikis franchised units as of December 31, 2024.

Exhibit G lists the names of all of our operating TourScale Businesses and their addresses and telephone numbers as of December 31, 2024. Exhibit G lists the TourScale Businesses who have signed franchise agreements for which were not yet operational as of December 31, 2024, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every TourScale Business who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal

year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. Exhibit G also lists the Cruisin' Tikis franchised locations as of December 31, 2024 that were acquired by us.

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

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

There are no current trademark specific franchisee organizations associated with the franchise system.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit K hereto are audited financial statements for TourScale Franchising, LLC, for the years ended December 31, 2022, December 31, 2023, and December 31, 2024.

## **ITEM 22 CONTRACTS**

The following contracts are exhibits within this disclosure document:

Exhibit C Franchise Agreement (and Exhibits thereto)

- EXHIBIT 1 - FRANCHISE INFORMATION
- EXHIBIT 2 - FORM OF COLLATERAL ASSIGNMENT OF LEASE
- EXHIBIT 3 - AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
- EXHIBIT 4 - LISTING OF OWNERSHIP INTERESTS
- EXHIBIT 5 - AGREEMENT TO BE BOUND AND TO GUARANTEE

Exhibit D Confidentiality Agreement

Exhibit F Addenda Required by Certain States

Exhibit H General Release

Exhibit J Compliance Questionnaire

## **ITEM 23 RECEIPTS**

The final two pages of this disclosure document are detachable documents acknowledging your receipt of the disclosure document. If those pages, or any other pages or exhibits are missing from your disclosure document, please notify us immediately.

**Exhibit A to Franchise Disclosure Document  
Directory of State Agencies and Administrators**

**DIRECTORY OF FRANCHISE REGULATORS, STATE ADMINISTRATORS,  
AND AGENTS FOR SERVICE OF PROCESS**

Federal Franchise Regulators:  
Federal Trade Commission  
Division of Marketing Practices  
Seventh and Pennsylvania Avenues, N.W., Room 238  
Washington, DC 20580  
202-326-2970

**CALIFORNIA:**

Department of Financial Protection and  
Innovation

1-866-275-2677

**Los Angeles**

320 West 4th Street, Suite 750  
Los Angeles, CA 90013-2344  
(213) 576-7500

**Sacramento**

2101 Arena Blvd.  
Sacramento, CA 95834  
(916) 445-7205

**San Diego**

1455 Frazee Road, Suite 315  
San Diego, CA 92108  
(619) 610-2093

**San Francisco**

One Sansome Street, Suite 600  
San Francisco, CA 94104  
(415) 972-8559

**CONNECTICUT:**

The Banking Commissioner  
The Department of Banking  
Securities and Business Investment  
Division

260 Constitution Plaza  
Hartford, CT 06103-1800  
(860)240-8299

**HAWAII:**

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

**ILLINOIS:**

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

**List of State Administrators**

**INDIANA:**

Securities Commissioner  
Securities Division, Room E-111  
302 West Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND:**

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

**MICHIGAN:**

Kathryn Barron  
Franchise Administrator Antitrust  
and Franchise Unit  
Consumer Protection Division  
Department of Attorney General  
670 Law Building  
525 W. Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA:**

Commissioner  
Department of Commerce  
85 7th Place East, Suite #280  
St. Paul, MN 55101  
(651) 539-1600

**NEW YORK:**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Fl  
New York, NY 10005  
212-416-8222

**NORTH DAKOTA:**

North Dakota Securities Department  
State Capitol, 5th Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-2910

**OREGON:**

Div. of Finance & Corp. Securities  
(608) 266-8557  
Department of Consumer & Business  
Services, Room 410  
350 Winter Street, NE  
Salem, OR 97301-3881  
(503) 378-4140

**RHODE ISLAND:**

Department of Business Regulation  
Securities Division  
Bldg. 69, First Floor  
John O. Pasture Center  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9585

**SOUTH DAKOTA:**

Franchise Administrator  
Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

**VIRGINIA:**

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

**WASHINGTON:**

Securities Division  
Department of Financial Institutions  
150 Israel Road, SW  
Tumwater, WA 98501  
(360) 902-8760

**WISCONSIN:**

Division of Securities  
Bureau of Regulation & Enforcement  
Department of Financial Institutions, 4<sup>th</sup>  
Floor  
345 W. Washington Avenue  
Madison, WI 53703

**Exhibit B**  
**List of Agents for Service of Process**

**CALIFORNIA**

Commissioner of the Department of Financial Protection  
and Innovation  
2101 Arena Blvd.  
Sacramento 95834  
www.dfpi.ca.gov and email, Ask.DFPI@dfpi.ca.gov.

**CONNECTICUT:**

The Banking Commissioner  
The Department of Banking  
Securities and Business Investment Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
(860)240-8299

**DELAWARE**

Corporation Service Company  
251 Little Falls Drive  
Wilmington, Delaware 19808

**HAWAII**

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

**ILLINOIS**

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

**INDIANA**

Securities Commissioner  
Indiana Secretary of State  
201 State House  
Indianapolis, IN 46204

**MARYLAND**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020  
410.576.6360

**MICHIGAN**

Michigan Department of Commerce  
Corporations and Securities Bureau  
6546 Mercantile Way  
Lansing, MI 48910

**MINNESOTA**

Minnesota Commissioner of Commerce  
85 7th Place East, Suite #280  
St. Paul, MN 55101  
651-539-1600

**NEW YORK**

Secretary of State  
99 Washington Avenue  
Albany, NY 12231

**NORTH DAKOTA**

Securities Commissioner of North Dakota  
State Capitol, 5th Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505

**OREGON**

Director of the Department of Consumer and  
Business Services  
350 Winter Street NE, Room 410  
Salem, OR 97301-3881

**RHODE ISLAND**

Director of Department of Business Regulation  
Securities Division  
John O. Pastore Center, Bldg. 69, 1<sup>st</sup> Floor  
1511 Pontiac Avenue  
Cranston, RI 02920  
(401) 462-9585

**SOUTH DAKOTA**

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

**VIRGINIA**

Clerk, Virginia State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, VA 23219  
(804) 371.9733

**WASHINGTON**

Director, Securities Division  
Department of Financial Institutions  
150 Israel Road, SW  
Tumwater, WA 98501  
(360) 902-8760

**WISCONSIN**

Wisconsin Commissioner of Securities  
Department of Financial Institutions, 4th Floor  
345 W. Washington Avenue  
Madison, WI 53703

**TourScale Franchising, LLC**

**FRANCHISE AGREEMENT**

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**FRANCHISEE**

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**DATE OF AGREEMENT**

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**BUSINESS ADDRESS**

# TOURSCALE FRANCHISE AGREEMENT

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## EXHIBITS TO FRANCHISE AGREEMENT

EXHIBIT 1- FRANCHISE INFORMATION

EXHIBIT 2- FORM OF COLLATERAL ASSIGNMENT OF LEASE

EXHIBIT 3- AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

EXHIBIT 4- LISTING OF OWNERSHIP INTERESTS

EXHIBIT 5- AGREEMENT TO BE BOUND AND TO GUARANTEE

## TOURSCALE FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** (this “**Agreement**”) is made and entered into as of \_\_\_\_\_ (“**Effective Date**”) by and between **TourScale Franchising, LLC**, an Arizona limited liability company (“**TourScale Franchising**,” “**Franchisor**” “**we**,” “**us**,” or “**our**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**you**” or “**your**” or “**Franchisee**”).

### 1. PREAMBLES

A. We and our affiliates have invested considerable time, effort, and money to develop a unique system (“**System**”) for the operation of mobile entertainment businesses under the names “**Trolley Pub**”, “**Paddle Pub**”, “**Trolley Party**”, “**Tiki Pub**”, “Cruisin' Tikis”, and “**TourScale**” that offer mobile entertainment and tourism experiences using pedal-powered vehicles and pedal-powered vessels (the “**Primary Assets**” or “**Equipment**”) and other tourism-related equipment, programming, products, and services (each a “**TourScale Business**” and collectively “**TourScale Businesses**”).

B. The distinguishing characteristics of the System include, without limitation, the trademarks, tradenames, territory protection, operating handbooks and manuals, website, booking software, training, marketing systems, human resources guides, repair and maintenance schedules, customer service system, which we may change, improve and further develop from time to time.

C. We identify the System by the “**Trolley Pub**”, “**Paddle Pub**”, “**Trolley Party**”, “**Tiki Pub**”, “Cruisin' Tikis”, and “**TourScale**” names and marks and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, “**Marks**”), which we have designated, or may in the future designate, for use with the System. The Marks are owned by our affiliates, Kaapro & Cole Ventures, LLC (“**K&C**”) and Cruisin’ Tikis Holdings, LLC (“**CTH**”), and licensed to us for use by the System.

D. You would like to obtain a license to use the System and the Marks and to operate a franchised TourScale Business within the Protected Territory and Operating Area described on Exhibit 1 hereto, subject to the terms and conditions of this Agreement and in strict compliance with the high and uniform standards of quality, operations and service established by us for the System (“**System Standards**”).

E. You acknowledge the importance of the System Standards and the necessity of developing and operating your TourScale Business in strict conformity with this Agreement, the System Standards and the TourScale Operations Manual (the “**Operations Manual**” or “**Manual**”).

F. We are willing to grant to you the opportunity to develop and operate a TourScale Business in the Operating Area, subject to the terms and conditions of this Agreement.

### 2. GRANT OF FRANCHISE

A. Grant. Subject to the terms of this Agreement, we grant to you a Protected Territory (See Exhibit 1) and a license (“**Franchise**”) to operate a TourScale Business at a location within an Operating Area (See Exhibit 1) using the System and Marks in a manner consistent with and subject to terms and conditions of this Agreement. If you have not identified and received our approval of



the Protected Territory or Operating Area before you sign this Agreement, the Protected Territory and/or Operating Area will be identified and included on Exhibit 1 as described in Section 3.A.

B. Relocation. You may relocate your Base of Operations within your Protected Territory with our prior written consent, which shall not be unreasonably withheld, provided that such relocation will not modify your existing Protected Territory boundaries. If you need or choose to relocate outside your Protected Territory, you must undergo the Phase 1 and Phase 2 territory selection process for the new location. If you cease operations at your existing Base of Operations, you must complete the relocation process within 12 months, or we may terminate this Agreement without any refund. You may not operate your TourScale Business outside your Protected Territory without our prior written consent.

C. Forms of Agreement. Over time, we have entered and will continue to enter into agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

D. Best Efforts. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently, to use your best efforts to promote your TourScale Business and the System, and to operate your TourScale Business in accordance with our System Standards.

### 3. FRANCHISE RIGHTS

A. Your Protected Territory. Except as limited by Section 3.C below, and provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate the same TourScale Business in your Protected Territory during the Term of this Agreement. The Protected Territory granted to you will be the geographic area that can be reached within a ten (10) mile driving distance from your Base of Operations along existing roads and highways, as specifically defined in your Franchise Agreement (the "Protected Territory"). We reserve the right to adjust the Protected Territory based on market conditions, population density, and other factors we deem relevant in our sole discretion. In certain high density population areas ("High-Density Areas"), such as New York City (including boroughs), Orange County (CA), and Chicago, we may reduce the Protected Territory radius at our discretion to ensure appropriate market coverage.

B. No Rights to Additional Territories or Brands. You acknowledge and agree that you do not possess any right of first refusal, preferential right, or any similar rights to purchase or establish additional TourScale Business franchises or territories. We retain the unrestricted right to operate, sell, license, or otherwise convey the right to operate any other brands or concepts within your Protected Territory, even if such operations may compete with your TourScale Business. You have no right of first refusal to acquire another brand or territory.

C. Rights We Reserve. Except as expressly granted to you in this Section 3, we and our affiliates retain all rights with respect to the TourScale Business, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to the right to: (1) operate (and license others to

operate) any type of business other than a TourScale branded business at any location inside or outside the Protected Territory; (2) if you operate Trolley Pub vehicles but not Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels within your Protected Territory, or vice versa, we retain the absolute and unrestricted right to sell, operate, or otherwise develop the type of TourScale business you do not operate, including through third parties or direct operation, in our sole discretion and without any obligation to offer such rights or opportunities to you or to provide you with notice of such activities; (3) operate (and license others to operate) TourScale Businesses located anywhere outside the Protected Territory regardless of proximity to your TourScale Business; (4) acquire the assets and/or ownership interests of one or more competing entertainment or tourism businesses that make use of pedal-powered transportation equipment, vehicles, or vessels ("**Competing Businesses**") and franchising, licensing or creating similar arrangements with respect to these businesses once acquired wherever these businesses (or the franchisees or licensees of these businesses) are located or operating the Protected Territory; (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a person or entity that operates one or more Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Protected Territory; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Territory.

#### 4. TERM

A. Initial Term. The initial term of this Agreement ("**Initial Term**") and the Franchise granted by this Agreement will begin on the Effective Date and expire at midnight on the day preceding the tenth (10<sup>th</sup>) anniversary of the date your TourScale Business first opens for business, unless this Agreement is terminated at an earlier date pursuant to Section 19. We will complete and forward to you a notice to memorialize the date your TourScale Business first opened for business. The Initial Term and Successor Term(s) may be collectively referred to as the "**Term**."

B. Successor Franchise Agreement. Upon expiration of this Agreement (and the first Successor Term), you may apply for the right to remain a franchisee in the Protected Territory for up to two (2) additional terms of five (5) years each (each a "**Successor Term**"), subject to our approval and your satisfaction of all conditions set forth below. Nothing in this Agreement shall be construed as granting you any automatic right to a Successor Term. The qualifications and conditions for the Successor Term are described below:

(1) You must give us written notice of your election to remain a franchisee at the TourScale Business not less than 9 months, nor more than 12 months, before the end of the Initial Term or first Successor Term;

(2) You must pay us a successor franchise fee of 50% of our then-current Initial Franchise Fee (the "**Renewal Fee**");

(3) Neither you nor any of your affiliates are in default under this Agreement or any other agreements with us or our affiliates;

(4) You must have the right to continue operating in the Operating Area (or another location acceptable to us within the Protected Territory) for the Successor Term;

(5) You must update your TourScale Business to reflect the then-current image of TourScale Businesses;

(6) You must correct any existing deficiencies of your TourScale Business and satisfy our then-current System Standards including adding any new products or services that are then being offered in the System, meet our qualifications for new franchisees, and complete any additional certification and training requirements that apply to you, your Operating Principal, your managerial and training personnel and/or your staff (which may involve the payment of training fees);

(7) You must sign, and your owners and all guarantors of your obligations under this Agreement must personally guarantee, our standard form of Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered, if we are not then offering to new franchisees); and

(8) You, and your owners and guarantors of your obligations under this Agreement must sign a general release (substantially similar to the form attached hereto as Exhibit E to the Franchise Disclosure Document) releasing any and all claims against us, and our affiliates, owners, officers, directors, agents and employees.

## 5. DEVELOPMENT PROCEDURES

### A. Selection of Protected Territory and Operating Area

(1) This Section 5.A will not be applicable if the Operating Area and Protected Territory for your TourScale Business have been approved in writing by us as of the Effective Date.

(2) The selection of your territory and Base of Operations will occur in two phases:

Phase 1: You will have six (6) months from the Effective Date to secure a Base of Operations within a geographic area we identify in Exhibit 1 (“**Search Area**”). We may, in our sole discretion, grant up to two (2) three-month extensions of this **period**. If you fail to secure an approved Base of Operations within the initial period or any granted extensions, we may terminate this Agreement without refunding any amounts paid. During Phase 1, neither we, our affiliates, nor other franchisees will search for or open a location within your Search Area.

Phase 2: Once you identify a potential Base of Operations (which must be either a marina for water-based vessels or a physical headquarters for land-based vehicles), you must obtain our written approval before executing any lease or purchase agreement. We will evaluate the proposed location based on factors including: (i) visibility and accessibility; (ii) zoning and regulatory compliance; (iii) operational safety; (iv) proximity to customer traffic; (v) parking/docking capacity; (vi) market conditions; (vii) facility adequacy; (viii) territory boundary consistency; and (ix)

other relevant criteria we deem necessary to protect our brand, customer experience, or other franchisees. Our approval shall be at our sole discretion, exercised reasonably.

Upon approval of your Base of Operations, you will receive a Protected Territory comprising a 10-mile driving radius from your Base of Operations. We and our affiliates will not operate or license others to operate the same brand within your Protected Territory. However, we reserve the right to operate or sell any other brand within your Protected Territory, and you shall have no right of first refusal to acquire another brand or territory.

(3) You assume all cost, liability and expense for locating, obtaining and developing Storage Location for your TourScale Business in accordance with the Manual. We will assist you in your site selection by providing you with our site selection guidelines and criteria, and sources to obtain demographic information on proposed sites. You must obtain our written approval of the Storage Location before you make any binding commitments related to the Storage Location. If you have not presented an approvable site during the Area Approval Period, we may, in our sole discretion, terminate this Agreement pursuant to Section 19.

(4) We will use reasonable efforts to promptly approve or disapprove the proposed Protected Territory and/or Operating Area. If we do not approve the proposed site in writing within 30 days or receipt of your proposed Protected Territory or Operating Area, we will be deemed to have rejected it or them. Our approval or rejection of a Protected Territory or Operating Area may be subject to reasonable conditions as we determine in our sole discretion. Upon our approval of an Operating Area, and after you secure a Storage Location, we will insert its address into Exhibit 1.

(5) You are responsible for selecting the Protected Territory and Operating Area for your TourScale Business. You acknowledge and agree that our approval of a Protected Territory and/or Operating Area does not constitute a representation or warranty of any kind, express or implied, of the area's suitability for a TourScale Business or any other purpose. Our approval indicates only that we believe that the geographic area meets our then-current Protected Territory and/or Operating Area selection criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we approve fails to meet your expectations. You acknowledge and agree that: (a) your submission of a proposed Operating Area and/or Protected Territory for our acceptance is based on your own independent investigation of the site's suitability for your TourScale Business; and (b) our site-selection assistance is primarily for our benefit to assure us that we will have a minimally acceptable site upon the expiration or termination of this Agreement.

(6) Once you select a Protected Territory, Operating Area, and Storage Location for the Primary Assets and your TourScale Business, your rights with respect to the Selection Area shall terminate and your rights shall be limited to the Protected Territory.

B. Lease of Storage Location.

(1) If you propose to lease or sublease a Storage Location for your TourScale Business, you must provide us with a copy of the Lease (for a term, including renewal terms, for at least the Initial Term) no less than 10 days before you intend to execute it. The Lease must not contain any covenants or other obligations that would prevent you from performing your obligations under this Agreement. Unless waived in writing by us, any Lease must contain provisions that satisfy the following requirements during the entire term of the Lease, including any renewal terms:

(a) The property owner (“**Property Owner**”) consents to your use of the proprietary signs and the Marks prescribed by us, and upon the expiration or earlier termination of the Lease, consents to permit you, at your expense, to remove all such items, so long as you make repairs to the site caused by such removal.

(b) The Property Owner agrees to provide us (at the same time sent to you) a copy of all amendments, assignments, and notices of default pertaining to the Lease and the Storage Location.

(c) We will have the right to enter the Storage Location to make any modifications or alterations necessary to protect the System and the Marks, to cure, within the time periods provided by the Lease, any default under the Lease, all without being guilty of trespass or other tort, and to charge you for any related costs.

(d) The Property Owner agrees that you will be solely responsible for all obligations, debts, and payments under the Lease.

(e) The Property Owner agrees that, following the expiration or earlier termination of this Agreement, you will have the right to make those alterations and modifications to the Premises as may be necessary to clearly distinguish to the public the Storage Location from a TourScale Business and also make those specific additional changes as we reasonably may request for that purpose. The Property Owner also agrees that, if you fail to make these alterations and modifications within 10 days after the expiration or earlier termination of this Agreement, we will have the right to do so without being guilty of trespass or other tort so long as we make repairs to the Storage Location caused by such removal.

(f) The Property Owner agrees not to amend or otherwise modify the Lease in any manner that would affect any of the foregoing requirements without our prior written consent, which consent will not be unreasonably withheld.

(g) You shall have the right to assign the Lease to us or our designee with the Property Owner’s consent (which consent will not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rentals payable to the Property Owner.

(h) The Property Owner agrees to consent to you collaterally assigning the Lease to us or our designee, granting us the option, but not the obligation, to assume the Lease from the date we take possession of the Premises, without payment of any assignment fee or similar

charge or increase in any rentals payable to the Property Owner. Our current form of Collateral Assignment of Lease is attached to this Agreement as Exhibit 2.

6. LAUNCHING YOUR TOURSCALE BUSINESS

A. Storage Location and Operating Area Approval.

(1) Franchisee will submit to TourScale a map showing the address of the Storage Location, pick up/drop off locations, and the Operating Area for tour routes.

(2) TourScale will review and approve all proposed Storage Locations and Operating Areas.

B. Development of your TourScale Business. You agree to do the following, at your own expense, to develop your TourScale Business in the Operating Area:

(1) secure all financing required to develop and operate your TourScale Business;

(2) procure insurance coverage for your activities under this Agreement as required by Section 12.I and the Manual;

(3) obtain all required building, slip, utility, sign, health, sanitation, occupancy, business, and other permits and licenses;

(4) procure any necessary federal, state, county and city permits or licenses to be able to operate your business.

C. Technology System. Prior to opening your TourScale Business, you must set up and be onboarded with our booking software and associated software (the “**Technology System**”). You must also pay us a monthly Technology Fee for ongoing maintenance and support services for the Technology System (See Section 7.C).

D. Opening your TourScale Business. Subject to your compliance with the conditions set forth in this Section 6.D or as we may otherwise approve, you agree to open your TourScale Business no later than six (6) months after the Effective Date of this Agreement (“**Opening Deadline**”), provided that Franchisor may extend the Opening Deadline, in our reasonable discretion, by up to twelve (12) months.

(1) We will not authorize the opening of your TourScale Business unless all of the following conditions have been met:

(a) You have hired and trained a staff as required by Section 11.B;

(b) You have received all required state and local government certifications, permits, and licenses necessary for the operation of a TourScale Business;

(c) You (or your Operating Principal as defined in Section 14.D), your management personnel, and your training personnel (if any) have satisfactorily completed and become certified in our Initial Training Program;

(d) You have paid the Initial Franchise Fee (as defined in Section 7) and any other amounts then due to us;

(e) You have signed all agreements required prior to opening, including, but not limited to, the Agreement, the electronic funds transfer documents described in Section 7.H, and any software license agreement(s);

(f) Neither you nor any of your affiliates are in default under or in violation of any agreements with us, any of our affiliates or any suppliers; and

(g) You have provided to us copies of certificates for all insurance policies required by Section 12.I or such other evidence of insurance coverage and payment of premiums as we reasonably may request.

## 7. FEES

A. Initial Franchise Fee. At the same time that you sign this Agreement, you must pay to us an initial franchise fee (“**Initial Franchise Fee**”). The Initial Franchise Fee is \$49,950 for your first TourScale Business for one Protected Territory. The Initial Franchise for each additional TourScale Business opened by you in the same Protected Territory Fee is \$29,950. Any TourScale Business opened in a different Protected Territory will require an Initial Franchise Fee of \$49,950 for one TourScale Business within such additional Protected Territory. The Initial Franchise Fee is paid in a lump sum at execution of the Agreement unless you and we agree otherwise. Initial Franchise Fees are not refundable. The Initial Franchise Fee and all other fees are uniform for all similarly situated franchisees.

B. Ongoing Royalty Fee. You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable and continuing royalty fee (“**Royalty**”) of six percent (6%) of Net Sales of your TourScale Business for the right to use the System and the Marks. You must transmit the Royalty to us in the manner we specify in the Manual (which may include, as provided for in Section 7.H an automatic, electronic debit of funds).

C. Technology Fee. You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable and continuing Technology, Software License, and Support Fee (“**Technology Fee**”). The Technology Fee includes access to and use of required application, software, maintenance and support, web development, hosting, data services, e-mail service, reputation management, and other technology services that we determine, in our sole discretion, to provide to you. We will charge you a Technology Fee upon execution of this Agreement and then monthly upon the opening of your TourScale Business. The Technology Fee is currently \$200 per month per TourScale Business. We reserve the right to increase the Technology Fee, in our sole discretion, from time to time upon thirty (30) days written notice to you. Any such increase will be effective for all payments due after the expiration of the notice period.

D. **Launch & Marketing Fee.** You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable Launch & Marketing Kit fee (“**Launch & Marketing Kit**”). The Launch & Marketing Kit fee includes the following items and services: (i) Professional Photo and Video Shoot, including editing services and related travel expenses; (ii) Three (3) months of digital advertising spend with a minimum budget of One Thousand Dollars (\$1,000) per month; (iii) Marketing and AI System Onboarding; (iv) One (1) Sandwich Board with Inserts; (v) Ten (10) Staff Uniforms; (vi) Five (5) Owner/Manager Polos; (vii) One Thousand (1,000) Business Promotional Cards; and (viii) Twenty-Five (25) QR Code Review Stickers. We will charge you a Launch & Marketing Kit fee upon execution of this Agreement. The Launch & Marketing Kit fee is currently \$10,000.

E. **Definition of “Net Sales”.** As used in this Agreement, the term “**Net Sales**” means the total of all receipts derived from the operation of your TourScale Business, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Net Sales include receipts from all sales, service, labor, etc. related to the operation of the Franchisee’s TourScale Business including, without limitation, sales of merchandise but excluding (i) the amount of any sales or similar tax imposed by any federal, state, municipal or other governmental authority, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (ii) pre-approved promotional or discount coupons to the extent that the Franchisee realizes no revenue; (iii) any documented contributions (up to a maximum amount set by us) you make to an approved not for profit organization in conjunction with a TourScale approved charitable event; and (iv) any tips received by your employees. Net Sales will be deemed received by the Franchisee when payment is received by Franchisee. Net Sales consisting of property or services will be valued at the retail prices applicable and in effect at the time that they are received.

F. **Advertising Fund Contributions and Expenses.** You shall spend and/or contribute for advertising the amounts we specify. The exact amount of the advertising dollars you must spend and contributions you must make to our Advertising Fund (as defined in Section 9.B) are set forth in Section 9.

G. **Late Report Fee.** We may charge a late report fee of \$200 for each week following the due date that you do not submit any report to us that is required by Section 8. We will electronically debit your business checking account automatically for any late report fee.

H. **Interest.** All amounts which you owe us for any reason, will bear interest accruing as of their original due date at 20% per annum or the highest commercial contract interest rate the law allows, whichever is less. We may electronically debit your business checking account automatically for any past-due amounts and interest. You acknowledge that this Section 7.G is not an agreement to accept any payments after they are due or a commitment to extend credit to, or otherwise finance your operation of, your TourScale Business.

I. **Insufficient Funds.** If (i) any payment you attempt to make is returned or rejected for insufficient funds, uncollected funds, closed account, or any other reason, or (ii) any automatic debit or electronic funds transfer we initiate against your designated bank account for any amounts due under this Agreement is rejected, returned, or fails for insufficient funds or any other reason, you will pay us: (a) an Insufficient Funds fee of \$100 for each such failed, rejected, or returned payment



or attempted debit; (b) all bank charges and fees we incur as a result of the failed payment or attempted debit; and (c) any late fees applicable to the underlying payment. You acknowledge that this fee is not a penalty but rather represents a reasonable estimate of the costs we incur in processing rejected payments and debits. Multiple attempts to process the same payment or debit that fail shall each constitute a separate incident subject to the Insufficient Funds fee.

J. Partial Payments. No payment by you or acceptance by us of any monies under this Agreement for a lesser amount than due will be treated as anything other than a partial payment on account. Notwithstanding any designation by you, we will have sole discretion to apply any payments by you to any of your past-due indebtedness to us.

K. Non-Compliance Fee. In the event you are, at any time during the term of this Agreement, found to not be in compliance with the terms hereof and/or the System Standards or this Agreement and have failed to cure such failure within the stated cure period herein, you agree to pay to us five hundred dollars (\$500) the first time you are found to not be in-compliance with the System; one thousand dollars (\$1,000) for the second time you are found to not be in-compliance with the System; and one thousand five hundred dollars (\$1,500) for the third and any subsequent times you are found to not be in-compliance with the System Standards. Our election to impose non-compliance fees shall not waive or limit any other rights or remedies we may have under this Agreement, including but not limited to our right to later terminate this Agreement for the same or different breaches. If your non-compliance is monetary in nature, we reserve the right to notify your credit union or other banking institution that issued a loan or line of credit for your TourScale Business of your failure to comply with this Agreement. You agree that such fee and banking notification is in addition to any other rights or remedies we may have under this Agreement or at law. We may, in our sole and absolute discretion, choose to grant you an opportunity to cure the non-compliance prior to imposing the Non-Compliance Fee or pursuing other remedies, but we have no obligation to do so and our choice to grant a cure opportunity in one instance does not require us to do so in any other instance. We shall have the right to require any form of verification to determine non-compliance, with or without cause, including but not limited to documentation, photos, video tours, etc. You shall be required to furnish such verification within seventy-two (72) hours of our request. We have the right to make personal visits without notice to your TourScale Business.

L. Asset Graphic Fee. You agree to pay to us, in the manner provided below (or as the Manual otherwise prescribes), a nonrefundable asset graphics installation fee (“**Asset Graphic Installation Fee**”) for installation of required graphics on your Paddle Pub vessel, Cruisin' Tikis vessel, or Trolley Pub vehicle. The Asset Graphic Installation Fee is currently \$2,500-3,500 per Paddle Pub vessel or Cruisin' Tikis vessel and \$500-1,500 per Trolley Pub Vehicle. The Asset Graphic Installation Fee is payable on installation of required graphics on your Equipment.

M. Method of Payment

(1) You must comply with all of our payment policies, procedures, and requirements, as described in the Operations Manual. Currently, you will pay the Royalty, Advertising Fund contributions, and other ongoing fees on a monthly basis (on or before the 7<sup>th</sup> day of each calendar month) based upon Net Sales from the preceding calendar month. You will pay us in a manner consistent with Section 7.K(2) below.

(2) You must sign and deliver to us the documents we require to authorize us to electronically debit your business checking account automatically for the Royalty, Advertising Fund contributions and other amounts due under this Agreement and for your purchases from us and/or our affiliates (“**Electronic Depository Transfer Account**” or “**EDTA**”). Our current form of EDTA document is attached as Exhibit 3. We will debit the EDTA for these amounts on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic, electronic debit (e.g., by check) whenever we deem appropriate, and you agree to comply with our payment instructions. If we supply products to you, we may require pre-payment or cash on delivery depending on our then-current policies and your payment record with us.

(3) If you fail to report the Net Sales of your TourScale Business, we may debit your EDTA for 120% of the highest monthly Royalty and Advertising Fund contribution that we previously debited from your EDTA. Once we determine the amount you actually owe to us, we will debit the EDTA the difference, or we will apply a credit towards your next month’s Royalty and/or Advertising Fund contribution.

## 8. RECORDKEEPING AND REPORTS

A. **Recordkeeping.** You must keep and maintain, in accordance with any procedures that we prescribe in the Manual or otherwise, complete and accurate books and records pertaining to your TourScale Business sufficient to fully report to us. We reserve the right to require that you maintain a fiscal year different than the calendar year and one that is consistent with our fiscal year. You agree to use computerized cash and data capture and retrieval systems that meet our specifications and to record electronically all sales at or from your TourScale Business. You must use our then-current franchise management software system for maintaining customer records for your TourScale Business.

B. **Reports and Financial Statements.** You must, at your expense, submit to us, in the form prescribed by us, financial and operational reports and records at the times and in the manner specified in the Manual. You also must submit to us, in the form prescribed by us, a profit and loss statement and balance sheet for your TourScale Business within 60 days after the end of each fiscal year (as defined by us from time to time). You must sign each report attesting that it is true, correct and complete and, with respect to the profit and loss statement, uses accounting principles applied on a consistent basis that accurately and completely reflect your financial condition. We may disclose data derived from your reports, however, upon receipt of a written request from you or if required by law, we will not disclose your identity in any materials that we circulate publicly. If, in our reasonable judgment, your reports are deficient in substance or presentation, we may require that you submit to us year-end financial statements prepared by an independent accountant and/or copies of your federal, state and local income tax returns.

C. **Public Filings.** If you are or become a publicly-held entity in accordance with other provisions of this Agreement, you must, at your expense, submit to us copies of all reports (including responses to comment letters) or schedules that you may file with the U.S. Securities and Exchange Commission (certified by your chief executive officer to be true, correct, complete and accurate) and copies of any press releases you may issue, within 3 days of the filing of those reports or schedules or the issuance of those releases.

#### D. Our Right to Audit

(1) We have the right at all reasonable times, both during and after the Term of this Agreement, to inspect, copy and audit your books, records, sales and income tax records and returns, and such other forms, reports, information and data as we reasonably may designate, applicable to the operation of your TourScale Business (an “**Audit**”). If any Audit discloses an understatement of Net Sales of your TourScale Business, you agree to pay to us, within 10 days after receiving the Audit report, the Royalty and Advertising Fund contributions due on the amount of the understatement, plus any interest on the understated amounts from the date originally due until the date of payment. If any Audit discloses that you have not expended greater than the required amount of your Net Sales on Local Store Marketing (which amount may be modified by us from time to time in accordance with Section 9.A), you shall contribute to the Advertising Fund any amounts that you should have expended to reach the local advertising requirement within 30 days after completion of our audit of your TourScale Business. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of your Royalty or Advertising Fund contribution (when a percentage of Net Sales is required), that exceeds 2% of the amount that you actually reported to us for the period examined; then: (a) you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees; and (b) we may require you to provide us with periodic audited statements. If our examination reveals an understatement of the Net Sales of your TourScale Business for any period by 2% or more 3 or more times during any 3-year period, or by more than 5% on any one occasion, then in addition to your obligations in Subsection (a) above, we may immediately terminate this Agreement without an opportunity to cure. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

(2) If you fail to give us, on a timely basis, the records, reports, and other information required by this Agreement or, upon our request, copies of the same, we or our designee will have access at all reasonable times (and as often as necessary) to your books and records (including those contained on the Technology System) for the purpose, among other things, of preparing the required records, reports and other information. You promptly will reimburse us or our designee for all costs and expenses associated with our obtaining and/or preparing such records, reports or other information.

#### 9. MARKETING

A. Marketing Contributions and Expenditures. During the Term, you must (1) contribute to the Advertising Fund pursuant Section 9.B, (2) make Digital Ad expenditures pursuant to Section 9.C. We have the right to periodically re-allocate and/or increase the amount you contribute to the Advertising Fund and the amount you spend for Digital Ads.

#### B. Advertising Fund

(1) We have established an advertising and marketing fund (“**Advertising Fund**”) for the enhancement and protection of the System and the Marks, and for the development of advertising, marketing, and public relations programs and materials as we deem appropriate. Your

required Advertising Fund contribution is two-percent (2%) of Net Sales per fiscal period, which shall remain fixed and shall not be increased during the term of this Agreement. The Advertising Fund contribution will be payable in the same manner as the Royalty. TourScale Business operated by us, and our affiliates also will contribute to the Advertising Fund on the same basis as comparable franchisees. From time to time, we or our suppliers may deposit into the Advertising Fund rebates or similar allowances paid to us by our suppliers although we have no obligation to do so.

(2) We will have sole discretion to use the Advertising Fund, and the monies in the Advertising Fund, for any purpose that we designate that we believe will enhance and protect the System and Marks and will improve and increase public recognition and perception of the System and Marks. We will direct all programs that the Advertising Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. You agree to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Advertising Fund. We will use the Advertising Fund to develop marketing and advertising programs that benefit the TourScale brand and to offset our costs of administering the Advertising Fund, including salaries and overhead in administering the Advertising Fund. This means we may use monies in the Advertising Fund for any purpose that promotes the TourScale name, we will not be obligated to make advertising expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Advertising Fund. Among the programs, concepts, and expenditures for which we may utilize the Advertising Fund monies are: (a) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, and other advertising and promotional materials; (b) creative development, preparation, production and placement of video, audio, and written materials and electronic media; (c) media placement and buying, including all associated expenses and fees; (d) administering regional and multi-regional marketing and advertising programs; (e) market research and customer satisfaction surveys, including the use of secret shoppers; (f) the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or nonprofit events; (g) creative development of new program offerings for TourScale Business; (h) creative development of signage, posters, and individual TourScale Business décor items including wall graphics; (i) recognition and awards events and programs; (j) System recognition events, including periodic national and regional conventions and meetings; (k) Website, extranet and/or intranet development and maintenance (in this Agreement, “website” means one or a group of World Wide Web pages usually containing hyperlinks to each other and made available online by an individual, company, educational institution, government, or organization); (l) development, implementation, and maintenance of an electronic commerce Website and reservation system and/or related strategies; (m) retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and (n) public relations and community involvement activities and programs.

(3) We will account for the Advertising Fund separately from our other funds, however, will not be required to segregate any Advertising Fund monies from our other monies. We will not use the Advertising Fund for any of our general operating expenses. We and our affiliates may be reimbursed by the Advertising Fund for administrative expenses directly related to the Advertising Fund’s marketing programs, including without limitation, conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to

the Advertising Fund. We may use the Advertising Fund to pay the administrative costs of the Advertising Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the Advertising Fund, and we may use the Advertising Fund to pay the reasonable salaries and benefits of personnel (including our personnel and our affiliates' personnel) who manage and administer the Advertising Fund. We may use the Advertising Fund to pay for other administrative costs, travel expenses of personnel while they are on Advertising Fund business, meeting costs, overhead relating to Advertising Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Advertising Fund and its programs.

(4) The Advertising Fund will not be our asset. Although the Advertising Fund is not a trust, we will hold all Advertising Fund contributions for the benefit of the System, and use contributions only for the purposes described in this Section 9.B. We do not owe any fiduciary obligation to you for administering the Advertising Fund or for any other reason. The Advertising Fund may spend in any fiscal year more or less than the total Advertising Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Advertising Fund contributions to pay for the administrative costs of the Advertising Fund before using the Advertising Fund's other assets.

(5) Upon your written request, we will prepare an annual, unaudited statement of Advertising Fund collections and expenses within 90 days after our fiscal year end. We may also, in our sole discretion, prepare such financial statements. We may have the Advertising Fund audited annually, at the Advertising Fund's expense, by an independent certified public accountant. We may incorporate the Advertising Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section 9.B.

(6) We intend the Advertising Fund to maximize and enhance public, franchisee, and employee recognition of the System and the Marks. Although we may use the Advertising Fund, or portions of the monies in the Advertising Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all TourScale Business, we cannot and do not ensure that Advertising Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Advertising Fund contributions by TourScale Business operating in that geographic area. We do not guarantee or assure that you, your TourScale Business or any TourScale Business will benefit directly or in proportion to your Advertising Fund contribution from the brand enhancement activities of the Advertising Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

(7) We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Advertising Fund contributions at the Advertising Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Advertising Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Advertising Fund. We have the sole right to enforce the obligations of franchisees who contribute to the Advertising Fund, and neither you nor any other franchisees who contribute to the Advertising Fund will be deemed a third party beneficiary with respect to the Advertising Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Advertising Fund.

(8) We may at any time defer or reduce contributions of a TourScale Business franchisee to the Advertising Fund and, upon 30 days' prior written notice to you, reduce or suspend Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Advertising Fund. If we terminate the Advertising Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Advertising Fund contributions during the preceding 12-month period.

C. Digital Ad Spend.

(1) You are responsible to conduct your own local digital marketing of your TourScale Business. You must spend the greater of (i) \$5,000 per year or (ii) 5% of your Gross Sales on direct third-party digital advertising platform expenditures ("Required Digital Marketing Spend"), which shall only include actual advertising spend paid to digital advertising platforms such as Facebook, Instagram, Google Ads, and other similar platforms as approved by us in writing. You must provide us with documentation of such expenditures through original platform-generated spending reports and invoices from approved digital advertising platforms in the form and at the times we specify, but no less than quarterly.

(2) Your digital marketing and promotion, including all Required Digital Marketing Spend, must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties that you must use for the design and development of your local marketing and promotional materials. You may not develop, maintain, or authorize any Website that mentions or describes you or your TourScale Business or displays any of the Marks without our prior written consent. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time.

(3) We, our affiliates, or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in digital advertising and promotion, provided however that any costs associated with such materials shall not count toward your Required Digital Marketing Spend. If you purchase these materials from us, in addition to paying the invoice cost of the materials, you must pay any related shipping, handling, and storage charges. If purchased from a source other than us or our affiliates, these materials must comply with federal and local laws and regulations and with the guidelines for advertising and promotion promulgated from time to time by us and must be submitted to us or our designee at least 10 days prior to first use for approval (except with respect to prices to be charged by you), which we may grant or withhold in our sole discretion. If we do not approve your submission within 10 days after the day we received the materials, we will be deemed to have not approved the materials.

(4) In no event will your advertising and promotional materials contain any statement or material which, in our sole discretion, may be considered: (a) in bad taste or offensive to the public or to any group of persons; (b) defamatory of any person or an attack on any competitor; (c) to infringe upon the use, without permission, of any other persons' trade name, trademark, service mark or identification; or (d) inconsistent with our public image of that of the System. You

acknowledge and agree that any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed reasonably necessary by us to give effect to this provision.

(5) You must actively participate in all marketing and advertising programs designated by us or the Advertising Fund including social media programs (e.g., Facebook, Twitter, and Instagram) and comply with all guidelines set forth by us regarding the use of these programs as set forth in the Manual.

## 10. MANUAL

A. We will loan you during the Term of this Agreement, or make available to you via other means (i.e., the Internet) one copy of our Manual, which may include information distributed electronically and/or written materials or allow you access to the Manual. The Manual contains the System Standards, which include mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating a TourScale Business and information on your other obligations under this Agreement. We may modify the Manual periodically to reflect changes in System Standards.

B. You agree to keep your copy of the Manual and/or any passwords and/or log-in information with respect to web-based or electronic copies thereof current and in a secure location at your TourScale Business. If there is a dispute over the contents of the Manual, our master copy of the Manual controls. You agree that the contents of the Manual are confidential and that you will not disclose the Manual to any person other than employees of your TourScale Business who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. If your copy of the Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy from us, for which we may charge you our then applicable printing or copying charge. This charge is for our direct costs, and is not related to any value that we place on the Confidential Information (defined in Section 18.A below).

C. At our option, we may post some or all of the Manual on a restricted Website (intranet or extranet) to which you will have access. If we do so, you agree to monitor and access the Website for any updates to the Manual or System Standards. Prior to accessing any online training instructional system, you must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manual on a website, intranet, extranet or other online training instructional system will be deemed to be part of the Confidential Information.

## 11. TRAINING AND ASSISTANCE

A. **Initial Training Program.** Before you open your TourScale Business, you (or the Operating Principal of Franchisee if Franchisee is an entity) and your Business Manager must complete, to our satisfaction and certification, the online training program and the New Owner Training Program (collectively the “**Initial Training Program**”), which will address the material aspects of operating a TourScale Business. If you obtain an operating TourScale Business by transfer

from another TourScale franchisee, you must complete the Initial Training Program before you begin operating that business as a TourScale Business.

(1) Online Training Program. The online training program must be completed by all TourScale Business owners and will last approximately 7 total hours. You must have a computer with web and video capabilities to complete the online training program. The online training program must be completed prior to you attending “**New Owner Training**.”

(2) New Owner Training. We will provide the New Owner Training for two business days for a total of approximately 16 hours. New Owner Training is held at your location or one of our regional training sites as determined by TourScale from time to time. Training dates are scheduled as they are needed. Your New Owner Training will be scheduled after you sign your Franchise Agreement. You will be responsible pay your travel and living expenses while attending the training sessions if conducted at a location other than your location. You must complete the New Owner Training within 90 days of signing your Franchise Agreement. You may not commence operations until you have completed the New Owner Training program to our satisfaction.

(3) Initial Training Program Fee. We charge a fee of \$1,000 per person attending the Initial Training Program (the “**Initial Training Program Fee**”). If any individual who is required to receive our certification fails to successfully complete the Initial Training Program and receive our certification, then that individual may repeat the program, or you may send a substitute to complete the next available Initial Training Program. We reserve the right to charge you an Initial Training Program Fee for providing the Initial Training Program to these individuals or for training any of your substitute personnel.

#### B. Training by You

(1) You must conduct such initial and continuing training programs for the staff of your TourScale Business as we may require from time to time, including those training programs required in order for your staff members to be certified for the position(s) for which each staff member was hired. We will authorize you to open your TourScale Business only after an adequate number of your staff members, as determined by us in our sole discretion, have attended and received certification in the Initial Training Program.

(2) We may periodically visit your TourScale Business to ensure that your training personnel continue to meet our standards. If we determine, in our sole discretion, that your training personnel are not adequately training your staff, then your training personnel and staff members designated by us must attend and successfully complete our Initial Training Program. We may, in our sole discretion, determine that you are no longer qualified to train your own staff members. In that event your staff members will be required to attend the Initial Training Program prior to beginning to work at your TourScale Business. You will be required to pay a tuition fee for your training personnel and staff who we require to attend our training program in addition to paying all travel, living and other expenses incurred by your employees while attending the training program.



C. Ongoing Training

(1) We may provide the option for you and your personnel to attend and complete various training courses that we periodically choose to provide at the times and locations that we designate, as well as periodic conventions, regional meetings, and conferences that we specify.

(2) We may require that your replacement training personnel satisfactorily complete our training programs within 90 days of being designated as training personnel. Replacement training personnel may: (a) attend the next training program offered by us; or (b) be trained by your training personnel, however, they must be reviewed by our field personnel and receive our certification prior to managing your TourScale Business or training your staff. Currently, the fees associated with the training of replacement personnel is \$1,000 per person participating in the training program. You agree to pay all travel and living expenses incurred by you and your employees and/or our employees during all training courses and programs.

(3) We may also require you and/or your managers and employees to complete additional training if we believe, in our reasonable discretion, that you require additional training to operate your TourScale Business to our standards (“**Remediation Training**”) as described in the Manual. Remediation Training will occur, in our discretion, either at your TourScale Business, at a TourScale Business selected by us, or at our corporate headquarters in Raleigh, North Carolina. The current cost of Remediation Training is \$500 per person per day plus reasonable travel expenses incurred by our employees if we are required to travel in connection with providing the Remediation Training.

D. General Guidance. We will provide ongoing advice and consultation to you regarding the operation of your TourScale Business through the Manual, bulletins or other written materials, electronic media, telephone, and in person.

E. Annual Convention. We shall, at our discretion, hold an annual convention at a location to be selected by us (the “Annual Convention”). We will determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor’s personnel regarding TourScale Business operations and programs, and recognizing franchisees for their achievements. We require you to attend the Annual Convention, for a duration designated by us, and to pay our then-current registration fee if we choose to charge a registration fee. All expenses, including your and your employees’ transportation to and from the Annual Convention, lodging, meals, and salaries during the Annual Convention, are your sole responsibility. We may use Advertising Fund Contributions for purposes related to the Annual Convention, including costs related to productions, programs, and materials.

F. Optional Customer Service Support. You shall have the option, but not the obligation, to utilize our customer service support program. If you elect to participate in our customer service support program, you must pay us our then-current monthly customer service support fee, which we may modify from time to time upon thirty (30) days’ written notice. Upon your election to participate and payment of the then-current monthly fee, we will provide a dedicated customer service team trained specifically in handling sales and customer inquiries for your franchised business. The customer service team will handle phone calls, emails, and chat inquiries from 10:00 AM to 7:00

PM Eastern Time, Monday through Friday (excluding federal holidays). The then-current monthly fee for this optional service shall be set forth in our Manual.

## 12. SYSTEM STANDARDS

### A. Compliance with System Standards

(1) You acknowledge that each and every detail of the appearance, layout, décor, cleanliness, safety standards, services, location and operation of your TourScale Business, including your Base of Operations, is essential to us and to other TourScale Business franchisees to preserve the goodwill of the Marks and all TourScale Business. You agree to cooperate with us by selecting, establishing, operating and maintaining your TourScale Business and Base of Operations safely and securely and according to all of our System Standards (whether contained in the Manual or another written communication to you), as we periodically modify and supplement them. You agree that System Standards we prescribe in the Manual, or otherwise communicate to you in writing or another tangible form (for example, via a website, intranet or extranet), are part of this Agreement as if fully set forth within its text.

(2) We periodically may modify the System (including System Standards and Base of Operations requirements) and these modifications may obligate you to invest additional capital in your TourScale Business and/or incur higher operating costs. We may require you to integrate new, updated services and products into your TourScale Business. You agree to accept, integrate, and use or display in your TourScale Business any such changes or modifications to the System as if they were a part of the System at the time this Agreement was executed, and you agree to make such expenditures as the changes or modifications in the System may reasonably require. This includes but is not limited to refurbishing or remodeling the Primary Assets, Base of Operations, Storage Location, uniforms, marketing materials, or any other aspect of your TourScale Business, hiring additional personnel, buying new equipment, adding new services and products, or otherwise modifying the nature of your operations, as if those changes or modifications were part of the System as of the Effective Date.

(3) If you or your owners, employees, designees, or independent contractors develop any new processes, services, products, best practices or asset improvements relating to the System, you promptly shall notify us and provide us with all information regarding the new services, products, processes or asset improvements all of which shall become our property and which may be incorporated into the System as a “**work made for hire**” without any payment to you or your owners, employees, designees or independent contractors. If any designee or independent contractor develops any new concepts, processes or improvements relating to the System on your behalf, you shall obtain covenants that you own (as a “**work made for hire**”) such concepts, processes or improvements (and all components) and have the right to transfer to us such concepts, processes or improvements. You, at your own expense, promptly shall take all actions deemed necessary or desirable by us to vest in us ownership of such concepts, processes or improvements. To the extent that any item does not qualify as a “**work made-for-hire**” for us, by this Section you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item. We will make no payment to you for any such item, or for our subsequent use (or our franchisees’ subsequent use) of such item.

B. Approved Products, Services, Distributors and Suppliers

(1) You acknowledge that the reputation and goodwill of TourScale Business are based upon, and can only be maintained by, the delivery of high quality services and products under the Marks. You agree that you will at your TourScale Business: (a) provide all services and products that we specify from time to time and only in the manner we prescribe; (b) not provide any services or products we have not approved; (c) offer for sale and sell all products only at retail price and in the Operating Area and you will not transfer ownership of products to any other business or other business not operating under the System; and (d) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing, provided, however, that you may continue to sell discontinued products for up to 3 months after their discontinuance unless we determine that they are a public hazard or are detrimental to the public image of our System. You will also immediately stop using any Primary Asset or product, or providing any service if we determine that it is a public hazard or detrimental to the public image of our System.

(2) We have developed and may continue to develop certain proprietary or branded products that will be prepared by or for us or our affiliates according to our proprietary designs (collectively “**Proprietary Products**”). We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services and the packaging and delivery of products authorized for sale at TourScale Business. You agree that you will: (a) purchase those Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (collectively “**Designated Suppliers**”); and (b) purchase from manufacturers, distributors, vendors and suppliers approved by us (collectively “**Approved Suppliers**”) all other goods, products, materials and supplies (collectively “**Goods**”) associated with operating your TourScale Business (collectively “**Materials**”) that meet the standards and specifications promulgated by us from time to time. We have the right to require that you use only certain brands (collectively “**Approved Brands**”) and to prohibit you from using other brands. We may from time to time modify the list of Approved Brands, and you will not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand.

(3) We may from time to time modify the list of Designated Suppliers and/or Approved Suppliers, and you must not, after receipt of such modification in writing, order any Proprietary Products from a supplier who is no longer a Designated Supplier or order any Goods or Materials from a supplier who is no longer an Approved Supplier. We may approve one or more suppliers for any Goods or Materials and may approve a supplier only as to certain Goods or Materials. We reserve the right to charge Designated Suppliers a license fee for the right to manufacture Proprietary Products for use in a TourScale Business.

(4) From time to time, we and our affiliates may receive payments from suppliers (including Designated Suppliers and Approved Suppliers) on account of such suppliers’ dealings with you and other franchisees, and may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers to obtain lower prices and/or the best advertising support and/or services for any group of TourScale Business or any other group of businesses franchised or operated by us or our affiliates. Approval of a supplier may be conditioned on requirements relating to the product quality, prices, consistency, reliability, financial capability, labor relations, frequency of delivery, reporting

capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by us.

(5) We and our affiliates disclaim all express or implied warranties concerning any approved goods, materials or services, including, without limitation, any warranties as to merchantability, fitness for a particular purpose, availability, quality, pricing or profitability. You acknowledge that we and our affiliates may, under appropriate circumstances, receive fees, commissions, rebates, royalties, or other consideration from suppliers based on sales to you and we may use any amounts received without restriction and for any purpose we and our affiliates deem appropriate. We may charge non-approved suppliers reasonable testing or inspection fees as set forth in the Franchise Disclosure Document.

#### C. Technology Systems

(1) You agree to purchase from us, a Designated Supplier, or Approved Supplier, and use the Technology System we specify, which includes booking software, digital waiver service, and digital accounting software. You must provide all assistance required by us to bring the Technology System on-line with the computer system or website designated by us and maintained by us or our affiliates. You agree that we have the free and unfettered right to retrieve any data and information from your Technology System as we, in our sole discretion, deem appropriate, including electronically polling the sales and other data of your TourScale Business. You must maintain and use a TourScale Business email address that we assign to you.

(2) You agree that we or our affiliates may condition any license of software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the Term of this Agreement.

#### D. Non-Cash Payment Systems.

(1) You must accept debit cards, credit cards, stored value, loyalty cards, gift cards or other non-cash payment systems specified by us or as set forth in the Manual to enable customers to purchase authorized products and services and must obtain all necessary hardware and/or software used in connection with these non-cash payment systems. **You may not accept cash payments for tours and must only accept payment through franchisor-approved payment methods, which currently include debit cards, credit cards, stored value cards, loyalty cards, gift cards and checks.** Franchisor reserves the right to modify approved payment methods upon written notice. You may accept cash for merchandise and other products through a POS system where all sales are tracked provided that you provide a monthly report of all such sales.

(2) You must participate in and honor the terms of any discount, loyalty or promotional program (including gift card, loyalty, and discount programs that are applicable to TourScale Businesses as a whole, specific markets, or certain TourScale Business only) that we offer

to the public on your behalf and shall be responsible for the fees payable in conjunction with the operation of these programs. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment or services) to participate in any discount or promotional programs.

(3) You must comply with all Payment Card Industry (“**PCI**”) standards and requirements, and you must use our designated vendor for the provision of services that are designed to enable you to comply with PCI requirements and standards. You must pay our Designated Supplier or Approved Supplier, if applicable, a monthly PCI Compliance service fee.

E. Condition and Appearance of your Vessels & Vehicles.

(1) You must routinely maintain and continuously operate your TourScale Business and all Primary Assets, other equipment, signs, fixtures, including the visual appearance of the Primary Assets, and all ongoing necessary maintenance, care, improvements, remodeling, redecorating, refurbishing, and repairs in accordance with the requirements of the System. In that regard, you agree to undertake, without limitation, the following actions during the Term of this Agreement: (a) frequent safety inspection of the Primary Assets as outlined in the Manual; (b) thorough cleaning, repainting, and redecorating of the interior and exterior of the Primary Assets at intervals specified in the Manual; (c) regular repair and maintenance of the Primary Assets; and (d) prompt repair or replacement of damaged, worn out, obsolete, or unsafe equipment.

(2) If, at any time in our reasonable judgment, the general state of repair, condition, appearance or cleanliness of the Primary Assets of your TourScale Business does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. You will have 30 days to make these corrections. If you do not initiate action to correct such deficiencies within this 30-day period, we have the right, in addition to all other remedies, to enter the Storage Location and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection. If we make a reasonable determination that the continued operation of your TourScale Business by you will result in imminent danger to public health or safety, we may terminate this Agreement pursuant to Section 19.B(8) or, in our sole discretion, we may require you to close your TourScale Business temporarily to make the necessary repairs or alterations.

F. Maximum Operation of your TourScale Business.

(1) During the Term of this Agreement, you must adequately staff each shift with qualified employees and continuously operate your TourScale Business at its maximum capacity and efficiency. As of the Effective Date, your TourScale Business must be open and available for tours seven days a week and take customer service calls and emails at least six days per week except in the case when operating would conflict with your bona fide religious observations or beliefs.

(2) You must immediately resolve customer complaints regarding the quality or condition of the Primary Assets, services, products, and/or cleanliness of your TourScale Business or similar complaints. When customer complaints cannot be immediately resolved, you must use best efforts to resolve the customer complaints as soon as practical and you must, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our

intervention is necessary or desirable to protect the System or goodwill associated with the System, or if we, in our sole discretion, believe that you have failed to adequately address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

(3) You must purchase or lease a minimum of one (1) Trolley Pub vehicle or one (1) Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessel within the first operational year. Thereafter, you must increase the total number of vehicles and vessels in your fleet annually based on the prior year's net sales for each type of vehicle or vessel operated, as outlined in the following structure. The minimum number of vehicles or vessels required shall be calculated separately for each category below based on the net sales generated by that category, and you must maintain compliance with all applicable minimums simultaneously:

**TIKI PUB AND CRUISIN' TIKIS (6 Passenger Vessels):**

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$175,000	2
>\$350,000	3
>\$525,000	4
>\$700,000	5
>\$875,000	6

**PADDLE PUB, TIKI PUB AND CRUISIN' TIKIS (18-35 Passenger Vessels):**

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$350,000	2
>\$700,000	3
>\$1,050,000	4
>\$1,400,000	5
>\$1,750,000	6

TIKI PUB AND CRUISIN' TIKIS (49 Passenger Vessels):

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$500,000	2
>\$1,000,000	3
>\$1,500,000	4
>\$2,000,000	5
>\$2,500,000	6

TROLLEY PUB:

<b>Prior Net Sales</b>	<b>Minimum Number of Vehicles</b>
>\$100,000	2
>\$200,000	3
>\$300,000	4
>\$400,000	5
>\$500,000	6

G. **Compliance with Laws and Good Business Practices.** You must secure and maintain in force all required licenses, permits, and certificates relating to the operation of your TourScale Business and any other licenses applicable to your management and personnel. You must operate your TourScale Business in full compliance with all applicable laws, ordinances, and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation, and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must notify us in writing within five (5) days of the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation of your TourScale Business or your financial condition or give rise to liability or a claim against you or us. You must follow and abide by the crisis management information contained in the Manual.

H. **Management and Staffing of your TourScale Business.**

(1) Your TourScale Business must at all times be under the supervision of you or your Operating Principal, Business Manager, or a manager of your TourScale Business that we have

approved and who has successfully completed the Initial Training Program. You must keep us informed at all times of the identity of any supervisory employee(s) acting as managers of your TourScale Business. Your managerial personnel must devote their best efforts to the management and supervision of your TourScale Business.

(2) You, your Operating Principal, and/or Business Manager must manage and provide general oversight of your TourScale Business. You or your Operating Principal must remain active in overseeing the operations of your TourScale Business, including, without limitation, regular, periodic inspections and evaluations of your TourScale Business and sufficient communications with us to ensure that the operations of your TourScale Business comply with the System Standards or in written or oral communications to you.

(3) Your TourScale Business must, at all times, be operated by the number of staff members and managerial personnel that we designate or as required by any applicable government regulations. You must hire all employees of your TourScale Business and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of your TourScale Business, in human resources and customer relations. You must establish a training program for all employees that meets our standards.

(4) You must conduct appropriate due diligence on all employees of your TourScale Business to confirm that your employees meet the high ethical standards necessary for working in the tourism and activity industry. You must comply with all state and local laws and regulations regarding the staff and management of personnel including, but not limited to, any required licenses and any regulations dealing with providing professional tourism and activity experiences. You must employ only persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of TourScale and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manual.

#### I. Insurance.

(1) You will be responsible for all losses or damages arising from or related to the development and operation of your TourScale Business, and for all demands or claims with respect to any loss, liability, personal injury, death, property damage, or expense whatsoever arising in connection with the development and/or operation of your TourScale Business. You must obtain from a licensed broker or carrier, and maintain in full force and effect throughout the Term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of your TourScale Business, which shall include, at a minimum, the following:

(a) Comprehensive general liability insurance written on an occurrence form, including coverage for general liability, personal injury, advertising injury, in an amount not less than \$1,000,000 per occurrence, 2,000,000 general aggregate, and \$5,000 medical expense (any one person). The general liability coverage shall include a waiver of subrogation endorsement in favor of us and shall not limit or exclude contractual liability. For Trolley Pub TourScale Businesses, this policy is only required if you are not obtaining commercial automobile insurance.



(b) For Paddle Pub and Cruisin' Tikis, hull insurance written to fair market value of the vessel and marine protection and indemnity insurance not less than \$1,000,000.

(c) For Trolley Pub, commercial automobile insurance, if you are title and registering your Trolley Pub vehicle, written on a combined single limit basis for bodily injury and property damage based on the state required limits. Such insurance shall include coverage for owned, hired, and non-owned automobiles and shall include additional insured and waiver of subrogation endorsements in favor of us; commercial umbrella or excess liability following form insurance in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate;

(d) Property insurance coverage to include coverage for replacement costs of all Franchisee-owned contents and tenant improvements at each location.

(e) Workers' compensation with statutory limits complying with the laws of the applicable state. Such insurance shall include a waiver of subrogation endorsement in favor of us. This policy is not required for the crew of a Paddle Pub or Cruisin' Tikis vessel under a longshoreman's policy if the proper endorsement is obtained; and

(f) Such other insurance as may be required by us from time to time or by the Property Owner of the TourScale premises at, and by the state or locality in, which the TourScale is located. All required insurance coverages may be obtained by separate primary policies, or in combination with umbrella or excess liability policies.

(g) The insurance policies described above must: (i) have a deductible no greater than \$10,000; and (ii) include a waiver of subrogation endorsement in favor of Franchisor; (iii) shall not exclude contractual liability.

(2) All insurance policies must be written by an insurance company that is licensed in the state where your TourScale Business is located, that has an A.M. Best rating of "A" or better, and that is in accordance with the standards and specifications set forth in the Manual or otherwise provided to you in writing. We may periodically increase the minimum required coverage and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. You will receive written notice of such modifications and shall take prompt action to secure the additional coverage or higher policy limits.

(3) These insurance policies must name us and any affiliates that we designate and our and their respective officers and owners as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory.

(4) At least ten (10) days prior to first operating your TourScale Business and annually thereafter, you must submit to us a copy of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your TourScale Business on your behalf, in which event you must

cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

J. Notification of Claims. You must notify us in writing within five (5) days of receipt of notice of any health or safety violation, 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, or occurrence of any accident or injury which may adversely affect the operation of your TourScale Business or your financial condition or give rise to liability or a claim against you or us.

K. Right to Inspect your TourScale Business. You acknowledge and agree that we have the right upon reasonable notice to you, to inspect your TourScale Business (the “**Inspection**”). Our right to inspect your TourScale Business shall include the right to conduct reasonable inspections of your operations, marketing, safety systems and programs, financial systems, maintenance and necessary repairs of your TourScale Business. A report and score may be generated as part of the Inspection. A copy of the report and score will be provided to you as well as to the TourScale Franchising corporate office. A failing score on an Inspection shall be a default of the Agreement and, subject to the terms of Section 19.C, be grounds for termination of the Franchised Agreement.

L. Pricing. We may periodically impose a maximum or minimum price that you may charge for services or products. If we impose such a maximum or minimum price for any service or product, you may charge any price for the product or service up to and including the maximum price we impose and no less than the minimum price we impose.

### 13. MARKS

A. Ownership and Goodwill. Your right to use the Marks is derived only from this Agreement and is limited to your operating your TourScale Business in the Operating Area according to this Agreement and all System Standards we prescribe during the Term of this Agreement. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your TourScale Business under this Agreement). You may not at any time during or the Term contest or assist any other person in contesting the validity, or our ownership, of the Marks.

#### B. Limitations on Your Use of Marks.

(1) You agree to use the Marks as the sole identification of your TourScale Business, except that you agree to identify yourself as its independent operator in the manner we prescribe. Unless you obtain our prior written consent, you may not use any Mark, any derivatives of the Marks or similar mark: (a) as part of any corporate or legal business name; (b) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); (c) in selling any unauthorized services or products; or (d) in any other manner that we have not expressly authorized in writing.

(2) You may not use any Mark in advertising the transfer, sale, or other disposition of your TourScale Business or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as

we prescribe at your TourScale Business and on forms, advertising, supplies, and other materials we designate. You must ensure that the Marks bear the “®”, “™”, or “SM” symbol, as we prescribe from time to time. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. Use of Marks on Internet. You may not use the Marks on any Internet domain name, e-mail address, Internet Website, our prior written consent. You may use the Marks on social media or other websites without consent as long as the content meets the guidelines set forth in the Manual.

D. Notification of Infringements and Claims. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take.

E. Discontinuance of Use of Marks. If it becomes advisable at any time, for any reason, for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute Marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing your TourScale Business’ signs or any printed collateral, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark.

F. Indemnification for Use of Marks. We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and any other directives from us. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

#### 14. YOUR ORGANIZATIONAL STRUCTURE

##### A. Representations.

(1) If you are a corporation, a limited liability company or a partnership (“**Entity**”), you make the following representations and warranties: (a) you are duly organized and validly existing under the laws of the state of formation; (b) you are qualified to do business in the state, county, and city in which your TourScale Business is located; (c) execution of this Agreement and the development and operation of your TourScale Business is permitted by your governing documents; (d) unless waived in writing by us, your Articles of Incorporation, Articles of Organization or written partnership agreement must at all times provide that your activities are limited to the development and operation of TourScale Business and other businesses operated by

you that are franchised by us or our affiliates; and (e) all interests in you are owned as set forth in attached Exhibit 4; (f) each person owning 5% interest in Franchisee has executed a guaranty agreement (Exhibit 5) undertaking to be bound by the provisions of the Agreement.

(2) If you are an individual, a group of individuals, or a partnership comprised solely of individuals, you make the following additional representations and warranties: (a) each individual has signed this Agreement; (b) each individual will be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement; and (c) notwithstanding any transfer for convenience of ownership, each individual will continue to be jointly and severally bound by, and personally liable for the timely and complete performance and breach of, each and every provision of this Agreement.

B. **Governing Documents.** If you are an Entity, then you must provide to us copies of your organizational and governing documents (“**governing documents**”). When any of these governing documents are modified or changed, you must promptly provide copies to us. You must maintain a current list of all of your owners, members or partners (and the percentage ownership of each owner, member or partner). You must comply with Section 16.B prior to any change in ownership interests and sign and deliver to us a revised Exhibit 4 to reflect any permitted changes in the information that Exhibit 4 now contains. If you are an Entity, you must maintain stop-transfer instructions against the transfer on your records of any voting securities, membership interests or ownership interests. If you are a publicly-held corporation, these requirements will apply only to the stock owned by your shareholders who have an ownership interest in you in excess of 10%.

C. **Personal Guaranty.** Each of your owners who hold an ownership interest in you of more than 5% at any point during the Term of this Agreement must sign a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Exhibit 5.

D. **Operating Principal.**

(1) If you are owned by more than one individual or you are an Entity, you must designate and retain an individual (which may be one of your owners) to serve as your Operating Principal. The Operating Principal as of the date of this Agreement is identified in Exhibit 4. The Operating Principal, at all times, must have at least a 10% equity ownership interest in you and must be responsible for overseeing and supervising the operation of your TourScale Business. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management, and operational matters, and the only person that we will recognize as having authority to communicate for and on your behalf. You may not change the Operating Principal without our prior written consent.

(2) If the Operating Principal does not meet our qualifications and requirements regarding experience in the industry, you will be required, prior to opening your TourScale Business for business, to retain a Business Manager that meets our qualifications and requirements. Our qualifications and requirements are identified in our Confidential Operations Manual.

(3) The Operating Principal and Business Manager must successfully complete the Initial Training Program and any additional training that we require. The Operating Principal or Business Manager must be the primary manager of your TourScale Business. He or she may not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility or time commitments, or that may otherwise conflict with the Operating Principal's obligations under the Franchise Agreement.

(4) If the relationship of the Business Manager terminates or materially changes, you agree to promptly designate a replacement Business Manager, and the Operating Principal must assume all of the obligations of the Business Manager during the interim period. The initial Business Manager must successfully complete our New Owner Training Program before your TourScale Business opens for business. Any replacement Business Manager must complete our initial training program before engaging in any business pertaining to your TourScale Business. The Operating Principal must maintain his or her primary residence within a reasonable driving distance of your TourScale Business.

(5) If the Operating Principal no longer qualifies as such, you must designate another qualified person to act as Operating Principal within 30 days after the date the prior Operating Principal ceases to be qualified. Your designee to become the Operating Principal must successfully complete the Initial Training Program and any additional training we require within 30 days after being designated as your Operating Principal.

15. TRANSFER BY US. We have the absolute, unrestricted right, exercisable at any time, to change our ownership or form and/or transfer and assign all or any part of our rights and obligations under this Agreement to any person or legal entity without your consent. After our transfer or assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

16. TRANSFER BY YOU

A. Transfer Generally. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual or Entity which directly or indirectly controls you may sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in you, this Agreement, the Franchise, your TourScale Business, the Primary Assets of your TourScale Business, the Operating Area, any leases for Primary Assets or any other assets pertaining to your operations under this Agreement (collectively "**Transfer**") without our prior written consent. Except as otherwise provided in this Agreement, any purported Transfer, by operation of law or otherwise, not having our prior written consent will have no effect with regard to us and will constitute a material breach of this Agreement, for which we may terminate this Agreement without providing you an opportunity to cure the breach.

B. Conditions for Approval of Transfer.

(1) You must advise us in writing of any proposed Transfer, submit (or cause the proposed transferee to submit) a franchise application for the proposed transferee, a copy of all contracts and all other agreements or proposals, and all other information requested by us, relating to the proposed Transfer. Along with that required information, you must pay to us a transfer fee described below in Section 16.B (2) equal to 50% of our then current Initial Franchise Fee (“**Transfer Fee**”). The Transfer Fee is non-refundable, however, if the proposed transfer transaction does not close, then we shall apply the Transfer Fee against the transfer fee for any subsequent transfer that you close within the 12-month period following your initial transfer application. If we do not exercise our right of first refusal (as set forth in Section 16.G), the decision as to whether or not to approve a proposed Transfer will be made by us in our sole discretion and will include numerous factors deemed relevant by us. These factors may include, but will not be limited to, the following:

(a) the proposed transferee meets our then-current standards for new franchisees and has sufficient business experience, aptitude, and financial resources to operate your TourScale Business;

(b) you have paid all amounts owed to us, our affiliates, and third party vendors and suppliers, have submitted all required reports and statements, and are not in violation of this Agreement;

(c) neither the proposed transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business (as defined in Section 3.C);

(d) the proposed transferee (or its Operating Principal) satisfactorily completes the Initial Training Program (and any other required training programs we require) and pays any then-current training fees;

(e) the proposed transferee has demonstrated an ability to obtain possessory rights in the Operating Area;

(f) you have corrected any existing deficiencies of your TourScale Business and Base of Operations of which we have notified you, and/or the proposed transferee agrees to upgrade, renovate, and refurbish your TourScale Business and Base of Operations in accordance with our then current requirements and specifications for TourScale Business within the time period we specify following the effective date of the Transfer (we will advise the proposed transferee before the effective date of the Transfer of the specific actions that are required and the time period within which such actions must be taken);

(g) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee’s obligations under promissory notes, agreements, or security interests reserved in your TourScale Business are subordinate to the transferee’s obligation to pay Royalties, Advertising Fund contributions, and other amounts due to us, our affiliates, and third party suppliers and vendors and otherwise to comply with this Agreement; and

(h) you (and your transferring owners) must sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, officers, directors, employees, and agents.

(i) you modify and/or upgrade certain fixtures, equipment, features, and computer hardware or software to our then current standards prior to the closing of the proposed transfer.

(2) If we approve a proposed Transfer, prior to the Transfer becoming effective:

(a) you or the proposed transferee must pay to us the balance of the nonrefundable Transfer Fee, to reimburse us for reasonable expenses associated with reviewing the Transfer. The Transfer Fee will be waived if the proposed transferee: (1) is an Entity formed by you for the convenience of ownership as set forth in Section 16.C; or (2) has obtained your TourScale Business as a result of your death or permanent incapacity as provided in Section 16.D;

(b) if the franchise candidate for the Transfer comes through the investigation process with a franchise sales broker that we have retained, then the transferee must pay our then-current Initial Franchise Fee. This enables us to pay the additional costs we incur, including the payment of the broker's commission.

(c) you and the proposed transferee must sign, at our election, either an assignment agreement and any amendments to this Agreement deemed necessary or desirable by us to reflect the Transfer or our then-current standard form of franchise agreement for a term ending on the expiration date of the Initial Term or Successor Term, as the case may be, of this Agreement. In either event, if the proposed transferee is an Entity, the transferee must complete Exhibit 4 as required by Section 14.B and all individuals who hold or will hold an ownership interest in Franchisee of more than 5% must sign the guaranty attached as Exhibit 5;

(d) the proposed transferee must sign our then-current license agreements or service agreements related to the Technology System; and

(e) you (and all of your owners) must, at our request, sign a written guaranty pursuant to which you will remain liable for all obligations to us incurred before the date of the Transfer.

(3) Following the effective date of the Transfer:

(a) you and your transferring owners agree not to engage in any of the activities proscribed Section 18.B below, for the Restricted Period in the Restricted Area; and

(b) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other TourScale Business you own and operate) identify yourself or themselves or any business as a current or former TourScale Business or as one of our franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a TourScale Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

C. **Transfer for Convenience of Ownership.** If you are an individual or a partnership and you would like to Transfer this Agreement to a corporation or limited liability company formed exclusively for the convenience of ownership, the requirements of Section 16.B will apply to such a Transfer; however, you will not be required to pay a Transfer Fee. Our approval also will be conditioned on the following: (1) the corporation or limited liability company must be newly organized; (2) prior to the Transfer, we must receive a copy of the documents specified in Section 14.B and the transferee must comply with the remaining provisions of Section 16; (3) you must own all voting securities of the corporation or membership interests of the limited liability company or, if you are owned by more than one individual, each person must have the same proportionate ownership interest in the corporation or the limited liability company as prior to the Transfer; and (4) you and your owners must agree to remain personally liable under this Agreement as if the Transfer to the corporation or limited liability company did not occur.

D. **Transfer upon Your Death or Permanent Incapacity.** If the Transfer is a transfer of ownership interests in you following the death or permanent incapacity (as reasonably determined by us) of one of your owners, that person's executor, administrator or other personal representative must apply to us in writing within 90 days after death or declaration of disability for consent to Transfer this person's interest to a third party that we have approved. We do not charge a Transfer fee under this Section 16.D. That Transfer must be completed within a reasonable time, not to exceed 6 months from the date of death or disability, and is subject to all of the terms and conditions in this Section 16. A failure to Transfer your interest in this Agreement or the Operating Principal's ownership interest in you within this time period will constitute a breach of this Agreement.

E. **No Rights to Grant a Security Interest.** You may not grant any security interest in your business entity, your TourScale Business, the Base of Operations, the Protected Territory or the Primary Assets without our prior written approval. Our approval may be conditioned, in our sole discretion, on the written agreement by the secured party that, in the event of a default by you under any agreement related to the security interest, we will have the right and option (but not the obligation) to purchase the rights of the secured party upon payment of the fair market value of the secured assets.

F. **Effect of Consent to Transfer.** Our consent to any Transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your TourScale Business' or the transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand your and your transferee's full compliance with this Agreement.

G. **Our Right of First Refusal.**

(1) We have the right, exercisable within 10 days after receipt of the notice specified in Section 16.B(1) to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to someone else either before or after we exercise it. Our right of first refusal will not apply with regard to Transfers for Convenience of Ownership under Section 16.C. If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected



to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser, and the appraiser's determination will be final. Any material change in the terms of the offer from a third party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

(2) If a Transfer to which our right of first refusal applies is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraisers' determination of fair market value.

(3) If we elect not to exercise our rights under this Section 16.G, the transferor may complete the Transfer after complying with this Section 16. Closing on the Transfer must occur within 60 days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was completed on terms substantially the same as those offered to us. You must provide to us copies of all fully-executed agreements and any other information we request relating to the Transfer.

H. Public Offering. Securities or partnership interests in you may be sold, by private or public offering, only with our prior written consent (whether or not our consent is required under any other provision of this Section), which consent will not be unreasonably withheld. In addition to the requirements of Section 16.B, prior to the time that any public offering or private placement of securities or partnership interests in you is made available to potential investors, you at your expense, must deliver to us a copy of the offering documents. You, at your expense, also must deliver to us an opinion of your legal counsel and an opinion of one other legal counsel selected by us (both of which shall be addressed to us and in a form acceptable to us) that the offering documents properly use the Marks and accurately describe your relationship with us and/or our affiliates. The indemnification provisions of Section 23 shall also include any losses or expenses incurred by us and/or our affiliates in connection with any statements made by or on behalf of you in any public offering or private placement of your securities.

17. GENERAL RELEASE. You (on behalf of yourself and your subsidiaries and affiliates), all individuals who execute this Agreement and all guarantors of your obligations under this Agreement (collectively "**Franchisee Releasors**") freely and without any influence forever release and covenant not to sue us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**TourScale Franchising Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively "**Claims**"), which you or any Franchisee Releasor now own or hold or may at any time have owned or held, including, without limitation, Claims arising under federal, state and local laws, rules and ordinances, and Claims arising out of, or relating to this Agreement and all other agreements between you or any Franchisee Releasor and any TourScale Franchising Releasee, the sale of a franchise to you or any Franchisee Releasor, the development and operation of your TourScale Business and the development and operation of all

other TourScale Business operated by you or any Franchisee Releasor that are franchised by any TourScale Franchising Releasee. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document or its exhibits or otherwise impair or affect any claims arising after the date of this Agreement. You (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

## 18. COVENANTS

A. Confidential Information. During and after the Term, you may not communicate, divulge or use for any purpose other than the operation of your TourScale Business any confidential information, knowledge, trade secrets or know-how which may be communicated to you or which you may learn by virtue of your relationship with us (“**Confidential Information**”). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate your TourScale Business. All Confidential Information, relating to us, our business plans, or the System are deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your Operating Principal and key employees and any other person or entity you wish to disclose any Confidential Information to sign agreements, in a form acceptable to us, that they will maintain the confidentiality of the disclosed information. The agreements must identify us as a third-party beneficiary with the independent right to enforce the agreements.

### B. Restrictions.

(1) You acknowledge and agree that: (a) pursuant to this Agreement, you will have access to the Confidential Information; (b) the System and the opportunities, associations and experience established by us and acquired by you under this Agreement are of substantial and material value; (c) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (d) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among TourScale Business if our franchisees were permitted to hold interests in “**Competing Businesses**” (defined in Section 3.C), unless you already owned and operated such business activity prior to joining the franchise and disclosed such prior operations to us in writing. Such prior operations shall not be deemed a Competing Businesses provided that you have disclosed such business activity in writing to us and received our written acknowledgment that such business

activity shall not be deemed a Competing Business. You acknowledge that restrictions on your right to hold interests in, or perform services for Competing Businesses will not hinder your activities. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive you of your personal goodwill or ability to earn a living.

(2) You therefore agree that, during the Term of this Agreement and for the **“Restricted Period”** following the expiration or earlier termination of this Agreement, you and your owners will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

(a) own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business; or

(b) divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any TourScale Business to a Competing Business.

(3) For purposes of this Agreement, the term **“Restricted Period”** shall be two (2) years from the date the Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Agreement expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Agreement expires or is terminated.

(4) During the Term of this Agreement, there is no geographical limitation on the restrictions contained in this Section 18.B. During the Restricted Period, these restrictions will apply in the Operating Area; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of the outer edge of any other TourScale Business Protected Territory existing as of the date of termination or expiration, in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which all persons restricted by Section 18.B begin to comply with Section 18.B (the **“Restricted Area”**).

(5) If, at any time during the Restricted Period, you or your owners fail to comply with your obligations contained in this Section 18.B, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 18.B. These restrictions also apply after Transfers, as provided in Section 16.B(3) above. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 18.B.

(6) If any restriction in this Section 18.B is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s

validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

(7) You agree to obtain similar covenants from the personnel and persons we specify, including your officers, directors, managers and other employees who attend our training programs or have access to Confidential Information and your immediate family members (which include spouses and domestic partners and such other persons as we may specify following our review of your franchise application and proposed operations and ownership structure). We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights.

## 19. TERMINATION

### A. Termination by You. Franchisee may terminate this Agreement:

(1) upon the material default by Franchisor of one or more provisions of this Agreement provided that the Franchisee provides written notice of the default to Franchisor along with no less than sixty (60) days to cure the default. If the default outlined in Franchisee's notice of default cannot be cured within sixty (60) days and Franchisor is making commercially reasonable efforts to cure the default, the cure period shall be extended for an additional sixty (60) days. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 20 and all other obligations that survive the expiration or termination of this Agreement; or

(2) without cause upon sixty (60) days' prior written notice, provided that:

(a) such notice is given after the second anniversary of the date you began operating your TourScale Business;

(b) you pay a "Termination Fee" of based on 50% of our then current Initial Franchise fee;

(c) you comply with all post termination obligations contained in any other agreements between us or our affiliates and you, including any post termination obligations contained in any leases for Equipment; and

(d) you execute and deliver a voluntary termination and separation agreement in form and substance satisfactory to us in our reasonable discretion.

B. Termination by Franchisor Without Cure Period. In addition to the grounds for termination that may be stated elsewhere in this Agreement, we may terminate this Agreement and the rights granted by this Agreement, upon written notice to you without an opportunity to cure upon the occurrence of any of the following events:

(1) you do not (i) secure a Base of Operations within the initial 6-month Search Area period or any approved extension thereof, or (ii) open your TourScale Business within the time period prescribed in Section 6.D after securing your Base of Operations;

(2) you abandon or fail actively to operate your TourScale Business for a period of three (3) or more consecutive weeks, unless you close your TourScale Business: (i) due to a reason we approve in writing; (ii) because of Force Majeure, as defined in Section 25.C; (iii) due to bona fide concern that operation of your TourScale Business will result in the spread of disease or exacerbation of a declared epidemic or pandemic, or other, similar health crisis; or (iv) due to historical seasonal demand fluctuations, such as those experienced during winter months in certain cold weather climates;

(3) you become insolvent; you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your TourScale Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your TourScale Business is not vacated within 30 days following the order's entry;

(4) there is a material breach by you of any covenant or obligation set forth in Section 18;

(5) any Transfer that requires our prior written approval occurs without your having obtained that prior written approval;

(6) we discover that you made a material misrepresentation or omitted a material fact in the information that you provided to us in connection with our decision to grant a Franchise to you;

(7) you knowingly falsify any report required to be furnished to us; make any material misrepresentation in your dealings with us; or fail to disclose any material facts to us;

(8) we make a reasonable determination that continued operation of your TourScale Business by you will result in an imminent danger to public health or safety;

(9) you lose the right to operate from your Base of Operations and you are unable to relocate within your Protected Territory or secure a new Base of Operations through the Phase 1 and Phase 2 process within twelve (12) months;

(10) you, the Operating Principal, your Business Manager or any of your owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System;

(11) you, or your Operating Principal, do not satisfactorily complete the Initial Training Program (after we provide a second opportunity as provided in Section 11.A(3));

(12) you understate the Net Sales of your TourScale Business for any period by 2% or more 3 or more times during any 3-year period, or by more than 5% on any one occasion,

(13) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation; you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to your TourScale Business; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to your TourScale Business; or (d) fail to pay when due any taxes or assessments relating to your TourScale Business or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

(14) you interfere with our relations with other franchisees, third parties and/or negatively impact our ability to operate and/or grant franchises under our System; or

(15) you materially breach any representation or warranty set forth in Section 30.

(16) You fail to maintain all insurance policies required by Section 12.I of this Agreement and/or you allow or communicate your intent to allow any policy of insurance required by this Agreement to expire, lapse, cancel or terminate; provided, however, that in the event that an insurance carrier drops you from coverage, you must cease operations and will be given ninety (90) days to seek and obtain replacement insurance coverage and resume operations.

#### C. Termination Following Expiration of Cure Period

(1) Except for those items listed in preceding Section 19.B or 19.C(2), you will have 30 days after written receipt of notice of default from us within which to remedy any default and provide evidence of that remedy to us. If any default is not cured within that time, this Agreement will terminate without further notice to you effective immediately upon expiration of that time, unless we notify you otherwise in writing. Notwithstanding the foregoing, if the default cannot be corrected within 30 days, you will have such additional time to correct the default as reasonably required (not to exceed 90 days) provided that you promptly begin taking the actions necessary to correct the default during the 30-day cure period and diligently and in good faith pursue those actions to completion. You will be in default under this Section 19.C(1) for any failure to materially comply with any of the requirements imposed by this Agreement, the Manual or otherwise in writing, or to carry out the terms of this Agreement in good faith.

(2) Notwithstanding the provisions of preceding Section 19.C(1), if you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing.

(3) If you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you an opportunity to remedy the default.

D. Termination Following Inspection. We (or our designee) may periodically conduct inspections of your TourScale Business to evaluate your compliance with the System and this Agreement. Following each Inspection, we will provide to you an Inspection report and Inspection score on the Inspection and those conditions at your TourScale Business that must be rectified. If you fail to achieve a passing score on an Inspection, the Inspection report will constitute a notice of default. If you fail to achieve a passing score on the next Inspection (which we will conduct at least 30 days after your receipt of the Inspection report for the prior Inspection), we may terminate this Agreement, without opportunity to cure, by providing you written notice of termination along with the Inspection report.

## 20. OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Your Obligations. Upon termination or expiration of this Agreement:

(1) The rights granted to you in the Protected Territory immediately will terminate, and we will have the right to operate, or license others to operate, TourScale Business anywhere in the Protected Territory;

(2) You and your owners must continue to abide by the covenants in Section 18;

(3) Within 15 days, or on any later date that we determine the amounts due to us and our affiliates, you must pay to us and our affiliates all sums due and owing to us and our affiliates;

(4) You must immediately discontinue all use of the Marks in connection with your TourScale Business and of any and all items bearing the Marks; remove the Marks from your TourScale Business and from clothing, signs, materials, motor vehicles and other items owned or used by you in the operation of your TourScale Business; cancel all advertising for your TourScale Business that contains the Marks; and take such action as may be necessary to cancel any filings or registrations for your TourScale Business that contain any Marks. You must comply with this Section 20.A before any items bearing the Marks are offered for sale or auction by you or your Franchisors or lienholders;

(5) You must immediately cease using any of our Confidential Information (including the Technology System or similar technology and digital passwords and identifications that we have licensed or loaned to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us the Technology System, your client list, your telephone numbers, your email addresses, your social media pages, all copies of the Manual, and any other confidential materials that we have loaned you;

(6) Within 30 days, you must deliver to us all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark, or otherwise identifying or relating to a TourScale Business that we request and allow us, without liability to you or third parties

for trespass or any other claim, to enter the Operating Area and remove these items from TourScale Business;

(7) You agree to promptly notify the telephone company, all telephone directory publishers, and all domain name registries, social media platforms, and internet service providers of the termination or expiration of your right to use any telephone numbers, facsimile numbers, URLs and domain names, or other numbers, names and telephone directory listings associated with any Mark; to authorize the transfer of these numbers, names and directory listings to us or to a third party, at our direction; and/or to instruct the telephone company, domain name registries and internet service providers to forward all calls, e-mails and electronic communications made to your names, numbers or addresses to names, numbers or addresses we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events;

(8) If we do not have or do not exercise an option to purchase the Assets (as defined in Section 21) of TourScale Business under Section 21 below, you agree promptly and at your own expense to make the alterations we specify in our Manual (or otherwise) to distinguish your TourScale Business clearly from its former appearance and from other TourScale Business in order to prevent public confusion. If you fail to promptly make these alterations and modifications, we will have the right (at your expense, to be paid upon your receipt of an invoice from us) to do so without being guilty of trespass or other tort; and

(9) If you are a party to any lease agreements for any Equipment from us or any of our affiliates, you agree to return all Equipment promptly in accordance with such lease agreements and comply with all other obligations contained therein.

B. Evidence of Compliance. You must furnish to us, within 30 days after the effective date of termination or expiration, evidence (certified to be true, complete, accurate and correct by you or by your chief executive officer if you are a corporation; by your manager, if you are a limited liability company; or by your general partner, if you are a partnership) satisfactory to us of your compliance with Sections 20.A.

C. Prohibition from Engaging in Future Conduct. Upon termination or expiration of this Agreement and your satisfaction of the covenants set forth in Section 18, you agree that you will not, except with respect to a business franchised by us or our affiliates which is then open and operating pursuant to an effective franchise agreement: (1) operate or do business under any name or in any manner that might tend to give the public the impression that you are connected in any way with us or our affiliates or have any right to use the System or the Marks; (2) make, use or avail yourself of any of the materials or Confidential Information furnished or disclosed by us or our affiliates under this Agreement or disclose or reveal any such materials or Confidential Information or any portion of those materials or Confidential Information to anyone else; or (3) assist anyone not licensed by us or our affiliates to construct or equip a business substantially similar to a TourScale Business.

D. Continuing Obligations. All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full



force and effect subsequent to and notwithstanding the expiration or termination and until the obligations are satisfied in full or by their nature expire.

E. No Exclusive Remedy. No right or remedy conferred upon or reserved to us in this Section 20 is exclusive of any other right or remedy provided or permitted by law or equity.

## 21. OUR OPTION TO PURCHASE CERTAIN ASSETS OF YOUR TOURSCALE BUSINESS

A. Scope. Upon the expiration or termination of this Agreement for any reason, we will provide written notice to you, within 30 days after the effective date of termination or expiration, if we intend to exercise our option to purchase from you some or all of your Assets used in your TourScale Business. As used in this Agreement, the term “**Assets**” means and includes, without limitation, leasehold improvements, equipment, vessels, vehicles, furnishings, fixtures, signs and inventory (non-perishable products, materials and supplies) used in your TourScale Business, real or personal property leases, and any licenses necessary to operate your TourScale Business. We will have the unrestricted right to assign this option to purchase the Assets. We or our assignee will be entitled to all customary representations and warranties that the Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise.

B. Purchase Price. The purchase price for the Assets (“**Purchase Price**”) will be their fair market value, determined as of the effective date of purchase in a manner that accounts for customary depreciation and condition of the Assets; provided, however, that the Purchase Price will take into account the termination of this Agreement. Further, the Purchase Price for the Assets will not contain any factor or increment for any of the Marks, or other trademarks, service marks or commercial symbols used in connection with the operation of your TourScale Business nor any goodwill or “**going concern**” value for your TourScale Business. We may exclude from the Assets purchased in accordance with this Section any equipment, vehicles, vessels, furnishings, fixtures, signs, and inventory that are not approved as meeting then-current standards for a TourScale Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

C. Certified Appraisers. If we and you are unable to agree on the fair market value of the Assets within 30 days after your receipt of our notice of our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the valuations set by the two appraisers differ by more than 10%, the two appraisers will select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The Appraiser shall consider, among other things: (1) the ownership, condition and title of the Assets; (2) liens and encumbrances on the Assets; (3) environmental and hazardous substances at or upon the Operating Area; and (4) the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price. The appraisers will be given full access to your TourScale Business, the Operating Area and your books and records during customary business hours to conduct the appraisal and will value the Assets to be purchased in accordance with the standards of this Section 21. The appraisers’ fees and costs will be borne equally by you and us.

D. **Exercise of Option.** Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by so notifying you in writing (“**Purchase Notice**”). The Purchase Price will be paid in United States Dollars. You will give us and our representatives access to your TourScale Business and the Operating Area at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with your operations of your TourScale Business. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title search, lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection, defect in the working condition of the Assets or any other objection, we will have the option to either accept the condition of the Assets as it exists or rescind our Purchase Notice, on or before the Closing.

E. **Site Leases.** If a storage unit or area, storefront, or slip is leased, you agree to use reasonable efforts to effect a termination of the existing lease. If the lease is assigned to us or we sublease the site from you, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the site, and you will indemnify and hold us harmless from any liability under the lease prior to and including that date.

## 22. RELATIONSHIP OF THE PARTIES

A. **Independent Contractors.** You and we agree and acknowledge that this Agreement is intended solely to create an independent contractor relationship between us. Nothing in this Agreement will be deemed or construed to create a joint venture, partnership, or agency relationship between you and us for any purpose.

B. Except as otherwise explicitly set forth herein, you and we do not have any authority to bind or commit the other to any agreement, commitment, or obligation. You and we agree and acknowledge that you and only you shall possess and/or exercise substantial direct and immediate control over the essential terms and conditions of employment of your employees. You are, subject to compliance with applicable local, state, and federal laws, solely responsible for: (1) setting the wages, benefits, and related compensation of your employees; (2) setting the work schedules and hours requirements for your employees; (3) assigning work duties to your employees; (4) establishing, communicating, and enforcing rules, directions, means and methods of performance, and employee discipline to your employees; (5) hiring and firing your employees; and (6) establishing and maintaining safety standards for your employees. You shall defend, indemnify, and hold us harmless against any and all damages, costs, fees, expenses, settlements, payments, or liabilities incurred by us as a result of or in connection with claims, investigations, demands, suits, actions, inquiries, or allegations made by one or more of your employees, contractors, or subcontractors, or by a governmental authority that we are, in any manner for any purpose, an employer or joint employer of one or more of your employees, contractors, or subcontractors.

C. **Taxes.** We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your TourScale Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us.

## 23. INDEMNIFICATION

A. You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, owners, managers, directors, officers, employees, agents, successors, and assignees (“**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your TourScale Business, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those claims alleged to be or found to have been caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our own gross negligence, fraud or willful misconduct, or pursuant to strict liability, in a final, unappealable ruling issued by a court with competent jurisdiction.

B. For purposes of this Section 23, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this Section 23.

C. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this Section 23. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 23.

## 24. SEVERABILITY AND CONSTRUCTION

A. Severability. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

B. Alteration to Agreement by Rule of Law. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement’s termination or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant

imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. No Third Party Beneficiaries. Except as otherwise provided in Section 23, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than us and you as the parties to this Agreement and our affiliates and such of our heirs, successors and assigns, any rights or remedies under or by reason of this Agreement.

D. Interpretation. No provision of this Agreement should be interpreted in favor of, or against any party because of the party that drafted this Agreement.

E. Our Discretion. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests. This also applies if we are deemed to have a right and/or discretion. Our judgment of what is in the best interests of the System, at the time our decision is made or its right or discretion is exercised, can be made without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (2) our decision or the action taken promotes our financial or other individual interest; (3) our decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (4) our decision or the action taken is adverse to your interests. We will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

## 25. CONSENTS, APPROVALS AND WAIVERS

A. Consents. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us for that approval or consent, and any approval or consent received, in order to be effective and binding upon us, must be obtained in writing and be signed by one of our authorized officers.

B. Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before the expiration of its Term) because of: any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon

the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other TourScale Business; the existence of agreements for other TourScale Business which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction.

C. Variance by Reason of Force Majeure. If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure, which cannot be overcome by reasonable commercial measures, the parties will be relieved of their respective obligations (to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure must give prompt written notice of such Force Majeure event to the other party by setting forth the nature of the Force Majeure and an estimate as to its duration. As used in this Agreement, the term "**Force Majeure**" means any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, fire or other catastrophe, act of any government or other third party and any other cause not within the control of the party affected thereby; provided, however, that epidemics, diseases, pandemics (including but not limited to COVID-19), and any would-be Force Majeure caused by the foregoing exceptions, directly or indirectly, shall not be included within this definition. Additionally, your inability to obtain financing (regardless of the reason) may not constitute Force Majeure.

26. ENTIRE AGREEMENT. We and you acknowledge that each element of this Agreement is essential and material and that, except as otherwise provided in this Agreement, you and we will deal with each other in good faith. This Agreement and its attachments, the Manual, and the documents referred to in this Agreement constitute the entire, full and complete agreement between the parties concerning your rights, and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Agreement other than those set forth in this Agreement and its attachments, the Manual, and the documents referred to in this Agreement (including our Franchise Disclosure Document). No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by you and us and executed in writing. Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

## 27. ENFORCEMENT

A. Mediation. Before you or we may bring an action in court, against the other, you and we must first meet to mediate the dispute (except as otherwise provided below). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. Notwithstanding anything to the contrary, this Section 27.A will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against

threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

B. **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of Section 18 shall be interpreted and construed under the laws of the jurisdiction in which your TourScale Business is located.

C. **Consent to Jurisdiction and Venue.** You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your TourScale Business is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

D. **Waiver of Certain Damages and Rights.** You and we waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against each other and agree that, in the event of a dispute between us, we each will be limited to the recovery of actual damages sustained. You and we waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury.

E. **Reimbursement of Costs and Expenses.** If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

F. **Rights and Remedies Cumulative.** No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 27 shall survive the expiration or earlier termination of this Agreement.

G. **Limitations of Claims.** Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your TourScale Business, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon

which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales, and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

H. Injunctive Relief. You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

## 28. MISCELLANEOUS

A. Gender and Number. All references to gender and number will be construed to include such other gender and number as the context may require.

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

C. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

D. Time. Time is of the essence of this Agreement for each provision in which time is a factor. Whenever this Agreement refers to a period of days or months, the first day or month to be counted will be the day or month of the designated action, event or notice. Days will be measured by calendar days, except that if the last day of a period is a Saturday, Sunday or national holiday, the period automatically will be extended to the next day that is not a Saturday, Sunday or national holiday.

E. Delegation of Performance. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

F. Compliance with Anti-Terrorism Laws. You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. The term “**Anti-Terrorism Laws**” means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, the rules, orders and guidelines promulgated by the Office of Foreign Assets Control (“**OFAC**”) and

all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. 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, will constitute good cause for immediate termination of this Agreement, as provided in Section 19.B(13) above.

29. NOTICES AND PAYMENTS. No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and: (A) if to us, is sent to 323 West Davie St Raleigh, North Carolina 27601 (Attn: Legal Department); or (B) if to you, is sent to the address and to the individual specified on Exhibit 4 or is sent to the Operating Area of your TourScale Business. Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first refusal of delivery) and may be: (1) delivered personally; (2) transmitted by facsimile or electronic mail to the e-mail address(es) or number(s) set forth above (or in Exhibit 4) with electronic confirmation of receipt; (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (4) mailed via overnight courier.

30. ACKNOWLEDGMENTS. You represent, acknowledge and warrant to us (and you agree that these representations, acknowledgements and warranties will survive termination of this Agreement) that:

A. you have independently investigated the TourScale Business franchise opportunity and recognize that, like any other business, the nature of the business of TourScale Business may, and probably will, evolve and change over time;

B. an investment in a TourScale Business involves business risks that could result in the loss of a significant portion or all of your investment;

C. your business abilities and efforts are vital to your success;

D. attracting customers for your TourScale Business will require you to make consistent marketing efforts in your community through various methods, including media advertising, and direct mail advertising;

E. you must maintain a high level of customer service, and adhere strictly to the System and our System Standards, and that you are committed to maintaining System Standards;

F. you have not received from us or any person or entity representing or claiming to represent us, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a TourScale Business, and that any financial information that may appear in our Franchise Disclosure Document is not a representation or guarantee as to potential volume, sales, income, or profits that you may achieve at a TourScale Business;

G. you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the rights under this Agreement;



H. you have read this Agreement and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each TourScale Business, and to protect and preserve the goodwill of the Marks;

I. we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors;

J. you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the TourScale Business franchise opportunity, and that we have not refused to answer any questions, inquiries, or requests;

K. you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or chosen not to do so; and

L. we may modify the offer of our franchise opportunity to other franchisees in any manner and at any time, and these offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

Title:  
\_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT 1**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**

**FRANCHISE INFORMATION**

1. **The “Operating Area” (Sections 3.A)** The TourScale Business will be authorized to operate within the following geographic area: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. **The Protected Territory (Sections 3.A).** Franchisor will not operate or authorize another person or entity to operate a TourScale Business in the following geographic area: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. **The Selection Area (Section 5.A):** If the Protected Territory has not been determined as of the Effective Date, we will identify the Selection Area on a map attached to this Exhibit 1. Your rights in the Selection Area are subject to the limitations described in Section 5 of the Agreement. Any boundaries contained in the description of the Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries and will terminate immediately, without any further action, upon your identification of a site for your TourScale Business.
4. **Base of Operations.** The TourScale Business will have a Base of Operations located at: \_\_\_\_\_  
\_\_\_\_\_
5. **Maps; Discrepancies.** The Protected Territory, Operating Area, and if applicable, the Selection Area, are reflected on maps attached to this Exhibit 1. If there is any discrepancy between the geographic area described in this Exhibit 1 and the maps attached hereto, this Exhibit 1 shall control.
6. **The Initial Franchise Fee (Section 7.A):** \$ \_\_\_\_\_.

**FRANCHISEE:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Its

\_\_\_\_\_  
Date

## **SEARCH AREA**

Your rights in the Selection Area are subject to the limitations described in Section 5 of the Agreement. Any boundaries contained in the description of the Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries.

**The Selection Area is depicted in the map above:**

**FRANCHISEE**

**TOURSCALE FRANCHISING, LLC**

**Initials:**

**Initials:**

## **OPERATING AREA AND PROTECTED TERRITORY**

Your rights in the Protected Territory are subject to the limitations described in Section 3.A and 3.C.

**[Franchisee's Protected Territory is depicted in the map or list below]**

**[Franchisee's Operating Area is depicted in the map or list below]**

**FRANCHISEE**

\_\_\_\_\_  
**Initials:**

**TOURSCALE FRANCHISING, LLC**

\_\_\_\_\_  
**Initials:**

**EXHIBIT 2**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**  
**FORM OF COLLATERAL ASSIGNMENT OF LEASE**

THIS COLLATERAL ASSIGNMENT OF LEASE (“**Assignment**”) is entered on \_\_\_\_\_, 20\_\_\_\_ between TourScale Franchising, LLC, a North Carolina limited liability company (“**Franchisor**”), and \_\_\_\_\_ (“**Franchisee**”) located at \_\_\_\_\_, and \_\_\_\_\_ (“**Landlord**”), located at \_\_\_\_\_.

Subject to the provisions of this Assignment, Franchisee, to secure its obligations to Franchisor to affect various provisions of the Agreement dated \_\_\_\_\_ between Franchisor and Franchisee (“**Franchise Agreement**”), and for other reasons, hereby assigns, transfers and sets over unto Franchisor and/or such person(s)/entity(ies) as Franchisor may from time-to-time designate, all of Franchisee’s right, title and interest, whether as tenant or otherwise, in, to, and under that certain lease dated \_\_\_\_\_, \_\_\_\_, (“**Lease**”), as attached to this Assignment for the Operating Area located at \_\_\_\_\_, between Franchisee and Landlord, respecting that property commonly known as the TourScale Business (“**TourScale Business**”). Franchisor shall have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, or otherwise (including, but not limited to, any obligation to pay rent and/or other amounts) until and unless Franchisor, in its reasonable discretion, takes possession of the TourScale Business pursuant to the terms hereof and expressly (and in writing) assumes the rights and obligations of Franchisee under the Lease, Franchisor only being responsible for those obligations accruing after the date of such assumption.

Franchisor will not take possession of the TourScale Business until and unless Franchisee defaults, and/or receives notice of default, (and/or until there is a termination, cancellation or rescission of Franchisee’s rights) under the Lease, any sublease, Franchise Agreement, any other document or instrument, or otherwise. In such event, Franchisor (or its designee) shall have the right (but not the obligation) to take possession of the TourScale Business, expel Franchisee from the TourScale Business, and, in such event, Franchisee shall have no further right, title or interest in or under the Lease or to the TourScale Business, all such rights thereby passing to Franchisor or its designee, in each case without Landlord’s further consent. Franchisee agrees to do all acts necessary or appropriate to accomplish such assignment on Franchisor’s request.

Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor. Throughout the Term of the Agreement, Franchisee agrees that it shall elect and exercise all options to extend the Term of, or renew or assume in bankruptcy, the Lease not less than 30 days prior to the last day that any option must be exercised, unless Franchisor otherwise agrees in writing. If Franchisee fails to extend, renew, or assume the Lease, Franchisee hereby appoints Franchisor as its true and lawful attorney-in-fact to exercise such options for the sole purpose of effecting any extension, renewal or assumption, in each case for the account of Franchisee and without any liability or obligation of Franchisor.

Franchisor's failure to exercise any remedy hereunder shall not be construed or deemed a waiver of any of its rights hereunder. The rights and remedies of Franchisor under this Assignment are cumulative and are not in lieu of, but are in addition to, any other rights and remedies which Franchisor shall have under or by virtue of the Agreement or otherwise. The terms, covenants, and conditions contained herein shall bind Franchisee, and inure to the benefit of Franchisor, and their respective successors and assigns. In the event of any dispute between the parties regarding this Assignment, or any matter related in any way to it, the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Agreement between Franchisor and Franchisee shall apply. If there is more than one Franchisee, their obligations hereunder will be joint and several.

This document may be recorded by, and at the expense of, Franchisor.

**TOURSCALE FRANCHISING, LLC**

Signature: \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**FRANCHISEE:** \_\_\_\_\_

Signature \_\_\_\_\_

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

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

Date: \_\_\_\_\_

**LANDLORD:** \_\_\_\_\_

Signature \_\_\_\_\_

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

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

Date: \_\_\_\_\_

[ATTACH COPY OF EXECUTED LEASE]

**EXHIBIT 3**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**

**EDTA FORM**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)**

\_\_\_\_\_ (Name of Person or Legal Entity)

\_\_\_\_\_ (FEIN Number)

The undersigned depositor (“**Depositor**” or “**Franchisee**”) hereby authorizes TourScale Franchising, LLC and/or TourScale Enterprises, LLC (“**Franchisor**”) 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**” or “**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions. A voided check to the Depositor’s account must be included with this EDTA form.

\_\_\_\_\_

Bank

\_\_\_\_\_

Branch

\_\_\_\_\_

City

\_\_\_\_\_

State

\_\_\_\_\_

Zip Code

\_\_\_\_\_

Routing Number

\_\_\_\_\_

Account Number

This authority is to remain in full and force and effect until 60 days after Franchisor has received written notification from Franchisee of its termination or expiration.

\_\_\_\_\_

**Depositor**

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

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Attach a voided check to Depositor’s account here.



**EXHIBIT 4**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**  
**LISTING OF OWNERSHIP INTERESTS**

**Effective Date:** This Exhibit 4 is current and complete as of \_\_\_\_\_

**1. Form of Ownership.**

**(a) Individual Proprietorship.** Your owner(s) (is) (are) as follows:

\_\_\_\_\_  
\_\_\_\_\_

**(b) Corporation, Limited Liability Company, or Partnership.** You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. The following is a list of your directors, if applicable, and officers as of the Effective Date shown above:

Name of Each Director/Officer	Position(s) Held
_____	_____
_____	_____

**2. Owners.** The following list includes the full name of each person who is one of your owners (as defined in the Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	Percentage/Description of Interest
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**3. Contact Information of Person to Receive Notice for You**

**Name:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**Email Address:** \_\_\_\_\_  
**Phone Number:** \_\_\_\_\_

**4. Operating Principal.** Your Operating Principal is \_\_\_\_\_

**5. Business Manager.** If applicable, your Business Manager is \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT 5**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**  
**AGREEMENT TO BE BOUND AND TO GUARANTEE**

This Agreement to Be Bound and to Guarantee (“**Guaranty**”), dated as of the date stated at the end of this Guaranty, executed by the guarantors identified in Section 19 of this Guaranty (each a “**Guarantor**”) in favor of **TourScale Franchising, LLC** (“**Franchisor**”).

**WHEREAS**, as an inducement for Franchisor to execute and deliver, and to perform its obligations under, that certain Franchise Agreement (“**Franchise Agreement**”), dated as of the date stated in Section 19 of this Guaranty, by and between Franchisor and the Franchisee identified in Section 19 of this Guaranty (“**Franchisee**”), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Franchisor and its affiliates (including, without limitation, obligations under the Franchise Agreement (and any equipment leases or leases between Franchisee and Franchisor or any of Franchisor’s affiliates, if applicable) and to be bound by certain of the provisions contained in the Franchise Agreement.

**WHEREAS**, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

**WHEREAS**, Guarantor acknowledges and agrees that Franchisor will materially rely upon Guarantor’s obligations under this Guaranty.

**NOW, THEREFORE**, in consideration of the foregoing and the execution and delivery of the Franchise Agreement by Franchisor, and the performance of Franchisor’s obligations thereunder, Guarantor agrees, for the benefit of Franchisor and its affiliates, as follows:

1. Guaranty. Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its affiliates and to perform, for the benefit of Franchisor and/or its affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchise Agreement as well as any other agreements executed by Franchisee in conjunction with the Franchise Agreement, if applicable and including but not limited to any equipment lease or similar agreements with any affiliate of Franchisor, executed in connection therewith and/or any other agreement with Franchisor or its affiliates.

2. Confidentiality.

A. Guarantor acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information, processes, materials and rights relating to the development, promotion and operation of the TourScale Business (as defined in the Franchise Agreement), including, without limitation, Franchisor’s Confidential Operations Manual, method of operation, processes, techniques, formulae and procedures (collectively, the “**Proprietary Information**”). Guarantor further acknowledges that the Proprietary Information constitutes valuable trade secrets.

B. Guarantor agrees not to use for any purpose, or disclose or reveal (and must cause all of Franchisee’s directors, officers and employees not to use for any purpose, or disclose or reveal), during the Term of this Guaranty or forever thereafter, to any person any contents of

Franchisor's Confidential Operations Manual, any Proprietary Information or any other information relating to the operation of the TourScale Business. Guarantor must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information.

C. Guarantor acknowledges that to breach her or her obligations under this Section 2 would cause damage to Franchisor and to Franchisor's other franchisees and that Guarantor would be liable for this damage.

D. Notwithstanding the foregoing, Guarantor may disclose Proprietary Information to a person who is bound by the confidentiality obligations to Franchisor and the covenants contemplated by Section 18 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee.

E. Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 2:

(1) Information which is in the public domain as of the date of receipt by Franchisee;

(2) Information which is known to Franchisee prior to the date of receipt by Franchisee;

(3) Information which becomes known to the public without a breach of the provisions of this Section 2 of the Guaranty or any other agreement executed in connection with the Franchise Agreement; and

(4) Information which is required by law to be disclosed or revealed, but only strictly to the extent required by law.

3. **Covenant Not to Compete.** Guarantor acknowledges and agree that: (1) pursuant to this Guaranty, you will have access to the Confidential Information; (2) the System and the opportunities, associations and experience established by us and acquired by you under this Guaranty are of substantial and material value; (3) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (4) we would be unable to adequately protect the System and the Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among TourScale Business if our franchisees were permitted to hold interests in "**Competing Businesses**" (which are defined in Section C). Guarantor acknowledges that restrictions on his/her right to hold interests in, or perform services for Competing Businesses will not hinder his/her activities. Guarantor expressly acknowledges that he/she possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the restrictions contained in this Section will not deprive Guarantor of the ability to earn a living. Guarantor therefore agrees that, during the Term of the Guaranty and for the "**Restricted Period**" following the expiration or earlier termination of this Guaranty, Guarantor will not, either directly or indirectly, for yourself, or through, on behalf of, or

in conjunction with, any person, firm, partnership, corporation, limited liability company, or other entity:

A. own, maintain, operate, engage in, franchise or license, advise, help, make loans to, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business;

B. knowingly employ or seek to employ any person then employed by us or employed by any TourScale franchisee as a manager or higher, or otherwise directly or indirectly induce such person to leave his or her employment; or

C. divert or attempt to divert, by direct or indirect inducement or otherwise, any actual or potential business or customer of any TourScale Business to a Competing Business.

D. For purposes of this Guaranty, the term “**Restricted Period**” shall be two (2) years from the date the Guaranty expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Guaranty expires or is terminated; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end six (6) months from the date the Guaranty expires or is terminated.

E. During the Term of the Guaranty, there is no geographical limitation on the restrictions contained in this Section 3. During the Restricted Period, these restrictions will apply in the Operating Area; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of any other TourScale Business in operation or under construction on the later of: (i) the date of the termination or expiration of this Guaranty; or (ii) the date on which you begin to comply with Section 3 (the “**Restricted Area**”).

F. If, at any time during the Restricted Period, you fail to comply with your obligations contained in this Section 3, that period of noncompliance will not be credited toward the satisfaction of your obligations under this Section 3. These restrictions also apply after Transfers, as provided in the Franchise Agreement. Equity ownership of less than 2% of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 3.

G. If any restriction in this Section 3 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

4. Use of Name and Likeness. Franchisor will be entitled to use the name, likeness and voice of Guarantor for purposes of promoting the franchise, Franchisor and its products, including, without limitation, all photos and audio and video recordings, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Franchisor will own all right, title and interest, to

the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as moral rights, artist's rights, publicity rights or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

5. Innovations. Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, services, equipment, formulae, products, packaging or other concepts and features relating to the manufacturing, production, marketing and sale of products or services in connection with the TourScale Business (the "**Innovations**"). Guarantor assigns any and all of its rights, title and interest in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

6. Copyrights; Works-for-Hire; Solicitation. All advertising and promotional materials generated by or for Franchisee or its officers, managers or employees for the TourScale Business will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising and promotional materials are hereby assigned to Franchisor. In addition, Guarantor will cooperate in the protecting any items or materials suitable for copyright protection by Franchisor. Guarantor must not solicit other franchisees or Franchisees, or use the lists of franchisees and Franchisees, for any commercial or other purpose other than purposes directly related to the operation of the TourScale Business.

7. Guaranty of Payment. This is a guaranty of payment and not of collection. This Guaranty will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally and irrevocably performed in full.

8. Waiver. Guarantor waives: (a) Any right to require Franchisor to (i) proceed against any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Franchisor may exercise or not exercise any right or remedy it has against Franchisee or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting Guarantor's liability hereunder; (b) any defenses from disability or other defense of Franchisee or from the cessation Franchisee's liabilities; (c) any setoff, defense or counterclaim against Franchisor; (d) any defense from the absence, impairment or loss of any right of reimbursement or subrogation or any other rights against Franchisee. Until Franchisee's obligations (except inchoate indemnification obligations) to Franchisor have been paid in full, Guarantor has no right of subrogation or reimbursement or other rights against Franchisee; (e) Any right to enforce any remedy that Franchisor has against Franchisee; (f) any rights to participate in any security held by Franchisor' (g) any demands for performance, notices of nonperformance or of new or additional indebtedness incurred by Franchisee to Franchisor. Guarantor is responsible for being and keeping itself informed of Franchisee's financial condition; (h) the benefit of any act or omission by Franchisor which directly or indirectly results in or aids the discharge of Franchisee from any of the obligations by operation of law or otherwise; (i) the benefit of California Civil Code Section 2815 permitting the revocation of this Guaranty as to future transactions and the benefit of California Civil Code Sections 2809, 2810, 2819, 2839, 2845, 2848, 2849, 2850, 2899 and 1432 with respect to certain suretyship defenses.

9. Subrogation. Guarantor hereby agrees that he will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Agreement unless and until all amounts payable to Franchisor or its affiliates, and all obligations for the benefit of Franchisor or its affiliates, shall have been validly, finally and irrevocably paid and performed in full.

10. Reasonable Restraints; Remedies. Guarantor acknowledges that the covenants contained in this Guaranty (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that her failure to adhere strictly to the restrictions contained herein will cause substantial and irreparable damage to Franchisor, Franchisee and to Franchisor's other franchisees. In the event of any breach by Guarantor of any of the terms of this Guaranty, Franchisor and/or Franchisee will be entitled to institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Guaranty and to pursue any other remedy to which Franchisor and/or Franchisee may be entitled. Guarantor agrees that the rights conveyed by this Guaranty are of a unique and special nature and that Franchisor's and Franchisee's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision hereof, without the necessity of posting bond therefor or proof of actual damages.

11. Enforceability. If the scope of any restriction contained in this Guaranty is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Guaranty is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

12. No Waiver. No failure or delay on the part of Franchisor or its affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

13. Attorneys' Fees. Guarantor will pay reasonable attorneys' fees and expenses and all other costs and expenses that may be incurred by Franchisor or its affiliates in connection with enforcing this Guaranty.

14. Arizona law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived; Statute of Limitations.

A. This Guaranty will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary. Each party agrees

that any litigation between the parties will be commenced and maintained only in the courts located in Phoenix, Arizona, and each party consents to the jurisdiction of those courts; provided, however, that Franchisor may seek to obtain injunctive relief in any court that Franchisor may select.

B. GUARANTOR HEREBY WAIVES THE RIGHT TO A JURY TRIAL, WAIVES THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION, AND WAIVES THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING, WITHOUT LIMITATION, ARBITRATION. NOTWITHSTANDING ANYTHING CONTAINED IN THIS AGREEMENT TO THE CONTRARY, GUARANTOR AGREES THAT ANY CLAIMS UNDER, ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE BROUGHT WITHIN TWO YEARS OF THE DATE ON WHICH THE UNDERLYING CAUSE OF ACTION ACCRUED, AND GUARANTOR HEREBY WAIVES ANY RIGHT TO BRING ANY SUCH ACTION AFTER SUCH TWO-YEAR PERIOD.

15. Binding Nature of Agreement. This Guaranty will be binding upon Guarantor and her respective successors, heirs and assigns and will inure to the benefit of Franchisor, its affiliates and their respective successors and assigns.

16. Joint and Several. If more than one person signs this Guaranty as a Guarantor, her, her or its obligation will be joint and several.

17. Entire Agreement; Amendment. This Guaranty contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Guaranty may not be modified or amended other than by an agreement in writing signed by each of the parties. The provisions of Section 18 are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[SIGNATURES ON FOLLOWING PAGE]



## SIGNATURE PAGE

Date of Franchise Agreement: \_\_\_\_\_

Printed Name(s) of Guarantor(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Name of Franchisee: \_\_\_\_\_

## GUARANTORS

Signature: \_\_\_\_\_

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

(Print Name)

Date \_\_\_\_\_

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

\_\_\_\_\_

Signature: \_\_\_\_\_

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

(Print Name)

Date \_\_\_\_\_

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

\_\_\_\_\_

Signature: \_\_\_\_\_

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

(Print Name)

Date \_\_\_\_\_

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

\_\_\_\_\_

Signature: \_\_\_\_\_

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

(Print Name)

Date \_\_\_\_\_

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

\_\_\_\_\_

**CONFIDENTIALITY AGREEMENT**

THIS AGREEMENT is made as of \_\_\_\_\_, (“**Effective Date**”), by and between TourScale Franchising, LLC, an Arizona limited liability company (“**TourScale Franchising**”) and \_\_\_\_\_ (“**Franchise Applicant**”) and certain of Franchise Applicant’s employees identified below (“**Employees**”) in favor of and for the benefit of TourScale Franchising.

**RECITALS**

As a result of the expenditure of considerable time, skill, effort and money, TourScale Franchising and its affiliates have developed and own a unique system (“**System**”) for the development and operation of a mobile entertainment and tourism business under the names “**Trolley Pub**”, “**Paddle Pub**”, “**Cruisin’ Tikis**”, and “**TourScale**” that offers pedal-powered entertainment and tourism services and related products (“**TourScale Businesses**”).

Franchise Applicant has expressed interest in purchasing a TourScale Business franchise from TourScale Franchising to operate one or more TourScale Businesses.

In order to evaluate the possibility of entering into a franchise agreement with TourScale Franchising to establish and operate one or more TourScale Businesses, Franchise Applicant and Employees desire to receive from TourScale Franchising certain confidential business information including, but not limited to the information contained in the TourScale Business Operations Manual (“**Operations Manual**”). Franchise Applicant and Employees recognize the importance of maintaining the confidentiality of this information.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchise Applicant and Employees agree as follows:

1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term “**Confidential Information**” means all information that has been created, discovered or developed by TourScale Franchising and/or its affiliates including but not limited to Kaapro & Cole Ventures, LLC, TourCraft, LLC, and KCH Sales, LLC, that is in any way proprietary to TourScale Franchising and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, customer lists, the Operations Manual, as amended from time to time, and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting TourScale Businesses, information contained in the Operations Manual, information regarding the retail and commercial operations of TourScale Franchising and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.

**Exhibit D**  
**Confidentiality Agreement**

B. Exclusion from Definition of Confidential Information. The term “**Confidential Information**” does not include: (1) information that is now or hereafter becomes publicly known through no fault of Franchise Applicant or any Employee, or by any other person, firm or corporation affiliated with Franchise Applicant or any Employee; (2) information that was in Franchise Applicant’s or any Employee’s possession before the Effective Date; and (3) information that comes into Franchise Applicant’s or any Employee’s possession after the Effective Date from a source not under an obligation of secrecy to TourScale Franchising. As used in this Agreement, the phrase “**publicly known**” means readily accessible to the public in a written publication, and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

C. Treatment of Confidential Information. Franchise Applicant and Employees hereby acknowledge, understand and agree that the Confidential Information: (1) is the exclusive and confidential property of TourScale Franchising or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives TourScale Franchising and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of TourScale Franchising and its affiliates; and (3) is not generally known by non-TourScale Franchising personnel. Franchise Applicant and Employees shall at all times treat the Confidential Information in accordance with this Agreement.

D. No License. This Agreement entitles Franchise Applicant and Employees to use the Confidential Information solely in connection with Franchise Applicant’s exploration of the TourScale Business franchise opportunity. No license, express or implied, in the Confidential Information is granted to Franchise Applicant or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.

2. Covenants of Franchise Applicant and Employees. As a consequence of Franchise Applicant’s and Employees’ acquisition or anticipated acquisition of Confidential Information, Franchise Applicant and Employees will occupy a position of trust and confidence with respect to TourScale Franchising’s affairs and business. In view of the foregoing, Franchise Applicant and Employees agree that it is reasonable and necessary that Franchise Applicant and Employees agree, while this Agreement is in effect, to the following:

A. Limited Use. Franchise Applicant and Employees shall use the Confidential Information solely for purposes of evaluating whether or not Franchise Applicant will invest in a TourScale Business franchise. Neither Franchise Applicant nor Employees shall make any other uses of the Confidential Information. If Franchise Applicant does not invest in a franchise, the obligations set forth in this Section 2 will remain in effect for three (3) years from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end two (2) years from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable,

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the Restricted Period shall end six (6) months from the date the Franchise Applicant decides not to invest in a TourScale Business franchise.

B. No Disclosure. Franchise Applicant and Employees shall not disclose the Confidential Information to any person or entity other than Franchise Applicant's attorney or accountant as necessary to evaluate the opportunity provided by TourScale Franchising and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information.

C. No Use, Copying or Transfer. Franchise Applicant and Employees shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services which embody or are derived from Confidential Information. Franchise Applicant and Employees further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

D. Applicability. These covenants shall apply to all Confidential Information disclosed to Franchise Applicant or Employees by TourScale Franchising prior to the date of this Agreement.

E. Solicitation. Franchise Applicant and Employees agree that neither they nor any of their agents, employees or representatives shall knowingly employ or seek to employ any person then employed by TourScale Franchising or any affiliate, subsidiary or franchisee of TourScale Franchising, or otherwise directly or indirectly induce such person to leave his or her employment without TourScale Franchising's prior written consent.

3. Return of Confidential Information. Nothing in this Agreement obligates either TourScale Franchising or Franchise Applicant to enter into a franchise agreement for the operation of a TourScale Business. Franchise Applicant acknowledges that TourScale Franchising's decision to consider Franchise Applicant for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts, will be made by TourScale Franchising in its sole discretion. If, at any time, TourScale Franchising determines that it does not wish for Franchise Applicant to become a franchisee, or Franchise Applicant determines that it does not wish to invest in a TourScale Shop franchise, or if TourScale Franchising requests, at any time and for any reason, that Franchise Applicant and Employees do so, Franchise Applicant and Employees agree to: (A) immediately cease to use the Confidential Information; (B) immediately return to TourScale Franchising the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (C) at the request of TourScale Franchising, certify in writing that Franchise Applicant, Employees and all others to whom Franchise Applicant has provided such Confidential Information, have complied with Subsections (A) and (B) above.

**Exhibit D**  
**Confidentiality Agreement**

4. Notice to TourScale Franchising. Franchise Applicant and Employees shall immediately notify TourScale Franchising of any information that comes to their attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

5. Waiver. Franchise Applicant and Employees acknowledge that no waiver by TourScale Franchising of any breach by Franchise Applicant or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

6. Enforcement.

A. Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to conflicts of laws principles.

B. Forum. To the extent any disputes cannot be resolved directly between Franchise Applicant, Employees and TourScale Franchising, Franchise Applicant and Employees agree to file suit against TourScale Franchising only in the federal or state court having jurisdiction where TourScale Franchising's principal offices are located at the time suit is filed. Franchise Applicant and Employees acknowledge that TourScale Franchising may file suit in the federal or state court located in the jurisdiction where Franchise Applicant's principal offices are located at the time suit is filed or in the jurisdiction where Franchise Applicant resides or does business or where the claim arose. Franchise Applicant and Employees consent to the personal jurisdiction of those courts and to venue in those courts.

C. Injunctive Relief. It is hereby understood and agreed that: (1) a breach of this Agreement by Franchise Applicant or Employees would result in irreparable harm to TourScale Franchising, the extent of which would be difficult to ascertain; (2) monetary damages would be an inadequate remedy for such a breach; and (3) TourScale Franchising shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to TourScale Franchising at law or in equity or by statute.

7. Reimbursement of Costs and Expenses. If TourScale Franchising brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, then TourScale Franchising will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

8. Third Party Beneficiary. Franchise Applicant and Employees hereby acknowledge and agree that TourScale Franchising is an intended third-party beneficiary of this Agreement with the right to enforce it.

9. Miscellaneous.

(A) Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

(B) Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

(C) Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

[THE REMAINDER OF THE PAGE IS INTENTIONALLY BLANK]

**Exhibit D**  
**Confidentiality Agreement**

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

**APPLICANT:**

**(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**(IF APPLICANT IS AN INDIVIDUAL)**

\_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EMPLOYEE**

\_\_\_\_\_

Signature

\_\_\_\_\_

Print Name

Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

**Exhibit D**  
**Confidentiality Agreement**

**EMPLOYEE**

---

Signature

---

Print Name

Date: \_\_\_\_\_



**Exhibit E**  
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**Table of Contents of Operations Manual**

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**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF CALIFORNIA**

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

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 DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

TOURSCALE USES THE WEBSITES TOURSCALE.COM; TROLLEYPUB.COM; PADDLEPUB.COM; TIKIPUB.COM; AND CRUISINTIKIS.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS 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).

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 1, INDUSTRY SPECIFIC REGULATIONS**

The following statement is added to the “**Industry Specific Regulations**” section in Item 1.

Franchisees must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

**ITEM 3, LITIGATION.**

The following statement is added to Item 3:

Neither Franchisor nor any person listed in Item 2 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 parties from membership in such association or exchange.

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**ITEM 5, INITIAL FEES.**

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

**ITEM 6, OTHER FEES.**

The highest interest rate allowed in California is ten percent (10%) per annum.

**ITEM 17, ADDITIONAL DISCLOSURES.**

The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the TourScale Business. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

You must sign a general release if you transfer or renew your franchise. These provisions may not be enforceable under California law. 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 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF ILLINOIS**

**Cover Page, Risk Factors.**

The following statement is added at the end of the first Risk Factor:

SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT WHICH DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID WITH RESPECT TO ANY CAUSE OF ACTION WHICH OTHERWISE IS ENFORCEABLE IN ILLINOIS.

The following statement is added at the end of the second Risk Factor:

Notwithstanding the foregoing, Illinois law shall govern the Franchise Agreement.

**Item 17, Additional Disclosures.**

The following statements are added to Item 17:

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF INDIANA**

Indiana law prohibits us from operating a substantially identical business to that conducted by you pursuant to the franchise agreement within a reasonable area, regardless of the trade name used by franchisor.

Indiana law prohibits us from requiring you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana deceptive franchise practices act or requiring any controversy between us to be referred to any person, if referral would be binding upon franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

Indiana law prohibits us from limiting litigation brought for breach of the terms of the franchise agreement. Accordingly, certain provisions of the franchise agreement (such as the reservation of right to injunctive relief, the designation of forum and venue and specification or limitation of remedies) may not be enforceable. Indiana law may prohibit us from designating Arizona law to govern the franchise agreement. If it is so construed, Indiana law will govern the franchise agreement.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**Item 5, Initial Fees.** The following statement is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

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

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to modify any liability under the Maryland Franchise Registration and Disclosure Law.

The provision in the franchise agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

**Exhibit L, Compliance Questionnaire.** The following sentence is added to the end of Exhibit L:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

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 CAN NOT 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:

With the exception of what is stated 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, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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



**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

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

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or 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 earlier 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.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF VIRGINIA**

THE FOLLOWING IS INCLUDED AS A RISK FACTOR:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$55,150 to \$205,150. This amount exceeds the franchisor's stockholders' equity as of December 31, 2022, which is \$-68,398.

THE FOLLOWING PARAGRAPH IS ADDED TO ITEM 5:

The Virginia State Corporation Commission Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

**ADDENDUM TO DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WASHINGTON**

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

This Addendum to the Franchise Disclosure Document is set forth below in order to amend and revise the Franchise Disclosure Document as follows:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Any performance criteria in the Franchise Agreement will not apply to Washington franchisees if the criteria are not supplied to the franchisee prior to signing the Franchise Agreement.

Based upon the franchisor's financial condition, the state of Washington has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business.

Exhibit J of the Franchise Disclosure Documents is amended as follows:

The General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder in accordance with RCW 19.100.200(2).

Pursuant to RCW 19.100, no statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of waiving any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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.

**State Specific Disclosure and Addenda to Franchise Agreement****ADDENDUM TO FRANCHISE AGREEMENT  
FOR CALIFORNIA FRANCHISES**

The following sentence is added to the end of Section 7 of the Franchise Agreement:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

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.

**TOURSCALE FRANCHISING, LLC****FRANCHISEE:** \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR ILLINOIS FRANCHISES**

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Illinois; (B) you are a resident of the State of Illinois; and/or (C) the Squeeze Shop will be located or operated in the State of Illinois.

2. No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The following sentence is added at the end of Section 27(B):

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

4. The following sentence is added to the end of Section 27(C):

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

5. The following sentence is added at the end of section 27(G):

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.

6. The following sentence is added to the end of section 25(B):

Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act is void.

7. Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE:** \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
FOR INDIANA FRANCHISES**

This Agreement, by and between TOURSCALE FRANCHISING,, LLC, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee") is amended as follows.

1. Indiana law prohibits Franchisor from operating a substantially identical business to that conducted by Franchisee pursuant to that certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee within a reasonable area, regardless of the trade name used by Franchisor.

2. Indiana law prohibits Franchisor from requiring Franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between Franchisee and Franchisor to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

3. Indiana law prohibits Franchisor from limiting litigation brought for breach of the terms of the Franchise Agreement.

4. Indiana law may prohibit Franchisor from designating Arizona law to govern the Franchise Agreement. If it is so construed, Indiana law will govern the Franchise Agreement.

The undersigned does hereby acknowledge receipt of this Rider.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_ .

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; (C) part or all of the Protected Territory is located in the State of Maryland; and/or (D) the TourScale Business will be located or operated in the State of Maryland.

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.

The following sentence is added to the end of Section 7.A of the Franchise Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The following sentences are added to the end of Sections 16 and 17:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

The following sentence is added to the end of Section 27.C:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following sentence is added to the end of Section 27.G:

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.

Section 30 of the Franchise Agreement is deleted in its entirety.:

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR NEW YORK FRANCHISEES**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN 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 CAN NOT 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:

With the exception of what is stated 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, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

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; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

5. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum,"** and Item 17(w), titled **"Choice of law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or 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 earlier 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.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR VIRGINIA FRANCHISEES**

The following sentence is added to the end of Section 7.A of the Franchise Agreement:

The Virginia State Corporation Commission Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

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, The Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

This Addendum to the Franchise Agreement is set forth below in order to amend and revise the Franchise Agreement as follows:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Any performance criteria in the Franchise Agreement will not apply to Washington franchisees if the criteria are not supplied to the franchisee prior to signing the Franchise Agreement.

**Exhibit F**

**State Specific Disclosure and Addenda to Franchise Agreement**

Based upon the franchisor's financial condition, the state of Washington has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee is open for business.

Section 24(E) of the Franchise Agreement is Amended. This provision will not apply in Washington. Washington's Franchise Act (RCW 19.100.180(1)) states: "the parties shall deal with each other in good faith."

Section 17 of the Franchise Agreement is amended as follows:

The General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder in accordance with RCW 19.100.200(2).

Section 30 of the Franchise Agreement does not apply in Washington.

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.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

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

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

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

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

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

**LIST OF FRANCHISEE OWNED TOURSCALE BUSINESSES  
AS OF DECEMBER 31, 2024**

<b>Franchisee</b>	<b>Address</b>	<b>Outlets</b>	<b>Phone Number</b>
<b>CALIFORNIA</b>			
Paddle Pub MDR, LLC	13645 Fiji Way, Marina Del Rey, CA 90292	Paddle Pub Marina Del Rey	(323) 459-9342
<b>CONNECTICUT</b>			
Pedal Cruise, LLC	Pacific St, Stamford, CT 06902	Pedal Cruise Connecticut - Stamford	(203) 208-9513
Pedal Cruise, LLC	1 Shipyard Ln, Milford, CT 06460	Pedal Cruise Connecticut - Milford	(877) 777-9322
<b>FLORIDA</b>			
Paddle Pub Broward LLC	220 SW 3rd Ave Suite 1 Fort Lauderdale FL 33312	Paddle Pub Fort Lauderdale	(954) 372-2900
Paddle Pub Clearwater Beach, LLC	455 E Shore Dr, Clearwater Beach, FL 33767	Paddle Pub Clearwater Beach	(833) 386-3862
Trolley Pub St Petersburg LLC	1661 Central Ave #6013 St. Petersburg FL 33713	Trolley Pub St Petersburg	(727) 322-4608
Gulf Coast Brew Group, LLC	1251 Mahogany Mill Rd, Pensacola, FL 32507	Paddle Pub Pensacola	(850) 483-1405
Excursions Marina, Inc.	18450 San Carlos Blvd, Fort Myers Beach, FL 33931	Tiki Pub Fort Myers Beach	(239) 800-8454
<b>IOWA</b>			
Trolley Pub Quad Cities, LLC	221 E 2nd St, Davenport, IA 52801	Trolley Pub Quad Cities	(563) 293-6172
<b>MISSOURI</b>			
TD Capital, LLC	1000 Sidney St. St. Louis, MO 63104	Trolley Pub St Louis/STL Cycle Saloon	(314) 925-3933
<b>OHIO</b>			
Cruisin Comfort, LLC	19 E 4th Ave, Columbus, OH 43219	Trolley Pub Columbus	(614) 808-6544
<b>NEW YORK</b>			

**Exhibit G**  
**Franchisee List**

Zax Lessons Inc.	1 Anchorage Ln. Huntington, NY 11743	Paddle Pub Long Island - Huntington	(631) 778- 1433
Zax Lessons Inc.	325 River Ave Patchogue NY 11772	Paddle Pub Long Island - Patchogue	(631) 778- 1433
Zax Lessons, Inc.	118 W Broadway, Port Jefferson, NY 11777	Paddle Pub Long Island - Port Jefferson	(631) 778- 1433
Zax Lessons, Inc.	495 New St., Suite A, Oceanside, NY 11572	Paddle Pub Long Island – Oceanside	(631) 778- 1433
Paddle Pub Lower Hudson, LLC	695 Piermont Ave, Piermont, NY 10968	Paddle Pub Lower Hudson - Piermont	(914) 729- 7800
Paddle Pub Lower Hudson, LLC	236 Green St, Tarrytown, NY 10591	Paddle Pub Lower Hudson - Tarrytown	(914) 729- 7800
Paddle Pub Newport Beach, LLC	2901 West Coast Hwy, Newport Beach, CA 92663	Paddle Pub Newport Beach	(949) 427- 7251
<b>NORTH CAROLINA</b>			
HyLyfe, LLC	860 N Liberty St, Winston- Salem, NC 27101	Trolley Pub Winston-Salem	(919) 809- 5171
<b>SOUTH CAROLINA</b>			
Prestige Pub Tours, LLC	2111 Little River Neck Rd, North Myrtle Beach, SC 29582	Paddle Pub Myrtle Beach	(843) 491- 9899
<b>TENNESEE</b>			
Smoky Mountain Pedal Party, LLC	808 State St, Knoxville, TN 37902	Trolley Pub Knoxville	(865) 333- 8816
<b>TEXAS</b>			
Pedal Powered Austin, LLC	702 Shady Ln Suite A, Austin, TX 78702	Trolley Pub Austin	(512) 710- 8801
<b>WISCONSIN</b>			
River Town Pedal Tours LLC	401 North 3rd Street La Crosse WI 54601	Trolley Pub La Crosse	(608) 799- 2493
River Town Pedal Tours LLC	1835 Rose St, La Crosse, WI 54603	Paddle Pub La Crosse	(608) 799- 2493

**LIST OF COMPANY OWNED TOURSCALE BUSINESSES  
AS OF DECEMBER 31, 2024**

<b>Franchisee</b>	<b>Address</b>	<b>Outlets</b>	<b>Phone Number</b>
<b>CALIFORNIA</b>			
Paddle Pub California LLC	1441 Quivira Rd San Diego CA 92109	Paddle Pub San Diego	(888) 231-4404
<b>FLORIDA</b>			
Trolley Pub of North Carolina LLC	450 Basin St Daytona Beach FL 32114	Paddle Pub Daytona Beach	(386) 478-9207
Trolley Pub of North Carolina LLC	Inlet Harbor Rd, Ponce Inlet, FL 32127	Tiki Pub Ponce Inlet	(386) 478-9207
<b>NORTH CAROLINA</b>			
Trolley Pub of North Carolina LLC	323 West Davie St. Raleigh NC 27601	Trolley Pub Raleigh	(919) 300-7111
Trolley Pub of North Carolina LLC	2500 Dunavant St Charlotte NC 28203	Trolley Pub Charlotte	(919) 300-7111
Trolley Pub of North Carolina LLC	16 Princess St Wilmington NC 28401	Trolley Pub Wilmington	(919) 300-7111
Trolley Pub of North Carolina LLC	501 Washington St Unit K-2 Durham NC 27701	Trolley Pub Durham	(919) 300-7111
Trolley Pub of North Carolina LLC	216 E 9th St Winston-Salem NC 27601	Trolley Pub Winston-Salem	(919) 300-7111
<b>OREGON</b>			
Trolley Pub of North Carolina LLC	737 SE Sandy Blvd. Portland, OR 97214	Trolley Pub Portland	(971) 400-5950
Trolley Pub of North Carolina LLC	2001 S River Dr. Portland, OR 97201	Paddle Pub Portland	(971) 400-5950
<b>TENNESSEE</b>			
Trolley Pub of North Carolina LLC	2101 Chestnut St Suite 101A Chattanooga TN 37408	Trolley Pub Chattanooga	(423) 380-8359
<b>TEXAS</b>			
Pedal Powered Austin, LLC	702 Shady Ln Suite A, Austin, TX 78702	Trolley Pub Austin	(512) 710-8801
Trolley Pub San Antonio, LLC	930 Broadway San Antonio, TX 78215	Trolley Pub San Antonio	(210) 693-9706
<b>VIRGINIA</b>			



**Exhibit G**  
**Franchisee List**

Trolley Pub of North Carolina, LLC	809 Moseley Ln Norfolk VA 23510	Trolley Pub Norfolk	(833) 733-2548
<b>WISCONSIN</b>			
Capitol Pedicycle, LLC	802 Regent St, Madison WI 53715	Trolley Pub Madison	(608) 513-3882
Capitol Pedicycle, LLC	Marina Slip #5, 6308 Inland Wy Monona WI 53713	Paddle Pub Madison	(608) 513-3882
Capitol Pedicycle, LLC	W1147 River Bay Rd, Lyndon Station, WI 53944	Paddle Pub The Dells	(608) 513-3882

**LIST OF FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT  
BUT NOT OPENED A TOURSCALE BUSINESS AS OF DECEMBER 31, 2024**

Franchisee	Address	Outlets	Phone Number
DTH I, LLC	530 Harbor Blvd, Destin, FL 32541	Tiki Pub Destin	(850) 786-2439
Trolley Pub Fayetteville, LLC	218 Robeson St, Fayetteville, NC 28301	Trolley Pub Fayetteville	(910) 222-7716

**LIST OF FRANCHISEES WHO CEASED OPERATIONS DURING 2024**

Franchisee	Address	Outlet	Phone Number
Cycle Fun Boats, LLC	455 E Shore Dr, Clearwater Beach, FL 33767	Paddle Pub Clearwater Beach	(833) 386-3862
Paddle Pub Broward LLC	220 SW 3rd Ave Suite 1 Fort Lauderdale FL 33312	Paddle Pub Miami	(954) 372-2900
Paddle Pub Cocoa Beach, LLC	400 W Cocoa Beach Causeway, Cocoa Beach, FL 32931	Paddle Pub Cocoa Beach	(321) 209-1909

**LIST OF CRUISIN' TIKIS FRANCHISEES AS OF DECEMBER 31, 2024**

Franchisee	Address	Outlet	Phone Number
<b>ALABAMA</b>			
Orange Beach Tiki Boats, LLC	2230 University Blvd Tuscaloosa, AL 35401	Crusin' Tikis - Orange Beach, AL	205-394-2965
<b>DELAWARE</b>			

**Exhibit G**  
**Franchisee List**

P & L Entertainment	36109 Joseph Dr Rehoboth Beach, DE 19971	Crusin' Tikis - Rehoboth Bay, DE	302-981-9671
<b>FLORIDA</b>			
Sarasota Tikis, LLC	23317 Airway Ave Punta Gorda, FL 33980	Crusin' Tikis - Sarasota, FL	609-289-7722
Cruisin Tikis Key West LLC	1200 Trumen Ave Apt 4 Key West, FL 33040	Crusin' Tikis - Key West, FL	833-845-4759
Cruisin Tikis West Palm Beach, LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - West Palm Beach/Jupiter, FL	502-609-1089
Cruisin Tikis West Palm Beach, LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - Islamorada, FL	502-609-1089
Destin Tikis, LLC	702 N Lakeside Dr Destin, FL 32541	Crusin' Tikis - Destin, FL	850-200-0573
Upper Keys Water Sports LLC	1 Bass Ave Key Largo, FL 33037	Crusin' Tikis - Key Largo, FL	734-395-9998
Tea Key Tikis, LLC	1116 Varela St Key West FL, 33040	Crusin' Tikis - St. Augustine, FL	954-328-9182
Cruisin Tiki's Clearwater, LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - Clearwater, FL	727-403-2914
Cruisin Tikis Tampa Bay LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - Tampa	727-403-2914
Tampa Bay Tiki's, LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - St Peter, FL	727-403-2914
Cruisin Tiki's Transportation Services LLC	3560 NW 53rd St Ft. Lauderdale, FL 33309	Crusin' Tikis - Fort Lauderdale, FL	833-386-8454
Mac Getaways, LLC	18117 Biscayne Blvd. #1160 Aventura, FL 33160	Crusin' Tikis - Miami, FL	305-222-8454
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Cape Coral, FL	630-615-9233
Tikis Lake Dora, LLC	15378 Sandfield Loop Winter Garden, FL 34787	Crusin' Tikis - Lake Dora, FL	321-287-3352
JW Cruisin, LLC	4738 White Bay Circle Wesley Chapel,, FL 33545	Crusin' Tikis - Port Charlotte, FL	352-424-1381
Space Coast Tikis, LLC	1872 E. Merritt Island Causeway Merritt Island, FL 32952	Crusin' Tikis - Space Coast, FL	321-514-5294

**Exhibit G**  
**Franchisee List**

Bluulite, LLC	414 Arredondo Ave St. Augustine, FL 32080	Crusin' Tikis - Amelia Island, FL	720-476-8659
Panama City Beach Tikis, LLC	702 N Lake St Destin, FL 32541	Crusin' Tikis - Panama City, FL	336-287-2517
Treasure Coast Tikis LLC	122 Yacht view Ln Fort Pierce, FL 34946	Crusin' Tikis - Treasure Coast, FL	815-582-2044
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Fort Myers, FL	630-615-9233
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Captiva, FL	630-615-9233
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - St James City, FL	630-615-9233
Sandford Tiki LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - Marathon, FL	609-290-4210
Beezin Doozin Cruisin, LLC	4028 W Alamo Dr Beverly Hills, FL 34465	Crusin' Tikis - Homossassa, FL	610-322-7395
Salty Dogs Holdings Group LLC	1408 Maldonado Dr Pensacola Beach, FL 32561	Crusin' Tikis - Pensacola, FL	850-384-4294
<b>MARYLAND</b>			
Bahia Marina, Inc.	2107 Herring Way Ocean City, MD 21842	Crusin' Tikis - Ocean City, MD	410-289-0990
Creek Cruises, LLC	696 Rockhold view Rd Deale, MD 20751	Crusin' Tikis - South County, MD (Deale)	<<Missing Phone>>
Cruisin Solomons LLC	11205 Ruby Ct Lusby, MD 20657	Crusin' Tikis - Solomon Islands, MD	888-406-1716
<b>MISSISSIPPI</b>			
<<Missing Owner>>	1900 Old Mandeville Ln Mandeville, LA 70448	Crusin' Tikis - Bay St. Louis, MS	305-504-3054
<b>NEW JERSEY</b>			
Capt Bob Tiki Cruises, LLC	430 Woodbine Rd Woodbine, NJ 08270	Crusin' Tikis - Sea Isle, NJ	609-780-7824
Cruisin Tiki's Long Beach Island	9 Lally lane West Creek, NJ 08092	Crusin' Tikis - Long Beach Island, NJ	609-290-4210
Capt Bob's Tiki Cruises LLC	43 Woodbine Rd Woodbine, NJ 08270	Crusin' Tikis - Margate, NJ	609-780-7824
MJ Charters LLC	9 Lally Lane West Creek, NJ 08092	Crusin' Tikis - Point Pleasant, NJ	609-290-4210
<b>NORTH CAROLINA</b>			
Carolina Adventures, LLC	2650 Liberty Lane SW Supply, NC 28462	Crusin' Tikis - Holden Beach, NC	910-408-9829
<b>PENNSYLVANIA</b>			

**Exhibit G**  
**Franchisee List**

Pittsburgh Tikis LLC	4017 Washington Rd Suite 120 McMurray PA 15317	Crusin' Tikis - Pittsburgh, PA	412-853-5046
<b>SOUTH CAROLINA</b>			
Cruisin Tikis Charleston, LLC	625 Antebellum Lane Mount Pleasant, SC 29464	Crusin' Tikis - Charleston, SC	843-452-9124
Myrtle Beach Tikis, LLC	1973 Bay Road Milford, DE 19963	Crusin' Tikis - Myrtle Beach, SC	843-902-8454
<b>TENNESSEE</b>			
Jab Boating, LLC	5790 Benders Ferry Rd Mt.Juliet, TN 37122	Crusin' Tikis - Nashville, TN	615-686-0109
<b>TEXAS</b>			
Lake Conroe Tikis, LLC	18910 Shaw Rd Cypress, TX 77429	Crusin' Tikis - Lake Conroe, TX	281-215-5134
Starla's Adventures, LLC	353 Los Santos Dr Garland TX 75043	Crusin' Tikis - Lake Ray Hubbard, TX	214-649-8781
<b>VIRGINIA</b>			
Ship Faced Charters LLC	207 Memosa Ave Colonial Beach, VA 22443	Crusin' Tikis - Colonial Beach, VA	877-228-4547
<b>WISCONSIN</b>			
Oshkosh Tikis, LLC	233 Oak Manor Drive Oshkosh, WI 54904	Crusin' Tikis - Oshkosh, WI	920-203-3152

GENERAL RELEASE

**THIS GENERAL RELEASE (“Release”)** is executed on \_\_\_\_\_ by \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_ (“**Guarantors**”) as a condition of [PICK ONE: the transfer of a TourScale Business between Franchisee and TOURSCALE FRANCHISING, LLC (“**TourScale**”) [or] the renewal of a Franchise Agreement between TourScale and Franchisee dated \_\_\_\_\_ (“**Franchise Agreement**”) between Franchisee and TourScale [or] the termination of a TourScale Business Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) between Franchisee and TOURSCALE FRANCHISING, LLC (“**TourScale**”)].

**1. Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “**Franchisee Releasors**”) freely and without any influence forever release and covenant not to sue TourScale and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “**TourScale Releasees**”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**Claims**”), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any TourScale Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIM OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

**2. Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

**Exhibit H**  
**General Release**

**3. No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

**4. Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

**5. Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

**6. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of TourScale and each Franchisee Releasor.

**7. Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. TourScale, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where TourScale's principal offices are located. TourScale may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

**8. Miscellaneous**

A. This Release constitutes the entire, full and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

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

**Exhibit H**  
**General Release**

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

The above does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURES ON FOLLOWING PAGE]

**Exhibit H**  
**General Release**

**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed this Release as of the date shown below.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit I**  
**Financial Statements**

**TOURSCALE FRANCHISING, LLC**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2024 and 2023**

**Exhibit I**  
**Financial Statements**

TOURSCALE FRANCHISING, LLC

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December 31, 2024

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Statement of Cash Flows	7
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Christopher A. Tikvart, CPA  
Timothy E. Noser, CPA  
Shayne Beasley, CPA  
Michael D. Clonch, CPA



James E. Neal, CPA, CVA, CFE



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MEMBERS

American Institute of Certified  
Public Accountants

North Carolina Association of  
Certified Public Accountants

Associations of Certified  
Fraud Examiners

National Association of Certified  
Valuation Analysts

**INDEPENDENT AUDITORS' REPORT**

To the Members  
TourScale Franchising, LLC  
Raleigh, North Carolina

We have audited the accompanying Financial Statements of TourScale Franchising, LLC (an Arizona Limited Liability Company), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of income, members' capital, and cash flows for the years then ended, and the related notes to the financial statements.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of TourScale 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 Statements**

Management is responsible for the preparation and fair presentation of these 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 TourScale Franchising, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of TourScale 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 statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about TourScale 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Neal, Bradsher & Taylor*

CERTIFIED PUBLIC ACCOUNTANTS  
Durham, North Carolina

April 23, 2025



# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC BALANCE SHEET For the Years Ended December 31, 2024 and 2023

	ASSETS	
	2024	2023
CURRENT ASSETS:		
Cash	\$ 16,205	\$ 473
Accounts receivable	5,849	2,043
Due from Kaapro and Cole Ventures, LLC	<u>98,460</u>	<u>65,620</u>
Total Current Assets	120,514	68,136
OTHER ASSETS:		
Website, net of amortization	<u>3,667</u>	<u>4,667</u>
Total Assets	<u>\$ 124,181</u>	<u>\$ 72,803</u>
	LIABILITIES AND MEMBERS' CAPITAL	
CURRENT LIABILITIES:		
Accounts payable	\$ 18,192	\$ 39,648
Options deposit	30,000	30,000
Notes payable	-	26,951
Deferred revenue – Other	6,723	8,711
Deferred franchise revenue	<u>30,711</u>	<u>18,000</u>
Total Current Liabilities	85,626	123,310
LONG-TERM LIABILITIES:		
Deferred franchise revenue	<u>183,049</u>	<u>142,963</u>
Total Liabilities	268,675	266,273
MEMBER CAPITAL:	<u>( 144,494 )</u>	<u>( 193,470 )</u>
Total Liabilities and Member Capital	<u>\$ 124,181</u>	<u>\$ 72,803</u>

See Notes to Financial Statement.

# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC

#### INCOME STATEMENT

For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUE:		
Franchise fee	\$ 30 000	\$ 13 333
Royalty income	214 822	171 964
Service income	631	4 878
Tech fee income	68 538	46 371
Sale of product income	-	497
Rebate income	<u>86 417</u>	<u>82 747</u>
Total Revenue	<u>400 408</u>	<u>319 790</u>
OPERATING EXPENSES:		
General and administrative expenses	270 000	248 636
Travel	-	6 135
Amortization expense	1 000	333
Interest paid	<u>2 833</u>	<u>995</u>
Total Expenses	<u>273 833</u>	<u>256 099</u>
NET INCOME	<u>\$ 126 575</u>	<u>\$ 63 691</u>

See Notes to Financial Statement.

**Exhibit I**  
**Financial Statements**

TOURSCALE FRANCHISING, LLC  
STATEMENT OF MEMBERS' CAPITAL  
For the Years Ended December 31, 2024 and 2023

Balance - January 1, 2023	\$ ( 72 176)
Income	63 691
Withdrawals	<u>( 184 985)</u>
Balance – December 31, 2023	( 193 470)
Income	126 575
Withdrawals	<u>( 77 599)</u>
Balance – December 31, 2024	<u>\$ ( 144 494)</u>

See Notes to Financial Statement.

# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC STATEMENT OF CASH FLOWS For the Years Ended December 31, 2024 and 2023

	2024	2023
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash Flows from Operating Activities:		
Cash received from franchises	\$ 364 800	\$ 368 774
Cash received from other income	82 611	85 324
Cash paid for interest	( 2 833)	( 995)
Cash paid to suppliers and vendors	( 291 456)	( 215 123)
Net Cash Provided by Operating Activities	<u>153 122</u>	<u>237 980</u>
Cash Flows from Investing Activities:		
Cash paid for intangibles	<u>-</u>	<u>( 5 000)</u>
Cash Flows from Financing Activities:		
Cash received from affiliates	-	3 774
Cash paid to affiliates	( 32 840)	( 83 775)
Cash paid for member withdrawals	( 77 599)	( 184 985)
Cash received from loan	-	30 000
Cash paid for loan	( 26 951)	( 3 049)
Net Cash Used by Financing Activities	<u>( 137 390)</u>	<u>( 238 035)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	15 732	( 5 055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>473</u>	<u>5 528</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16 204</u>	<u>\$ 473</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 126 575	\$ 63 691
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Amortization expense	1 000	333
(Increase) decrease in Current Assets:		
Accounts receivable	( 3 806)	2 080
Increase (decrease) in Liabilities Assets:		
Accounts payable	( 21 456)	39 648
Options deposit	-	30 000
Deferred revenue – Other	( 1 988)	3 727
Deferred franchise revenue	<u>52 797</u>	<u>98 501</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 153 122</u>	<u>\$ 237 980</u>

See Notes to Financial Statements



# Exhibit I

## Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**1. NATURE OF OPERATIONS:**

TourScale Franchising, LLC is a subsidiary of Kaapro & Cole Ventures, LLC.

The Company was organized in Arizona on April 27, 2020 and derives its revenues through the franchising of Trolley Pub and Paddle Pub businesses throughout the United States.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**CASH AND CASH EQUIVALENTS**

For purpose of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**REVENUE RECOGNITION**

Revenue from franchise fees are recognized on a straight-line basis of the life of the agreement, which is normally 10 years. Royalties and tech fees are recognized in the month earned. All revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

**ACCOUNTS RECEIVABLE**

Accounts Receivables are recorded when invoices are issued and are presented in the balance sheet. Account receivables are written off when they are deemed uncollectible. The Company believes no allowance for doubtful accounts are necessary as of December 31, 2024 and 2023.

**WEBSITE**

Web development is stated at cost and amortized when placed in service. Amortization is calculated using straight-line method over the estimated useful lives of the asset. Ongoing maintenance is charged to expense when incurred. The balance in web development as of December 31, 2024 and 2023 is as follows:

	2024	2023
Web development	\$ 5 000	\$ 5 000
Accumulated amortization	( 1 333 )	( 333 )
Total	<u>\$ 3 667</u>	<u>\$ 4 667</u>

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

USE OF ESTIMATES

Management uses estimates and assumptions in preparing this financial statement in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates that were used.

INCOME TAX STATUS

TourScale Franchising, LLC is solely owned by Kaapro & Cole Ventures, LLC so all company activity is reported as a separate activity on the tax return of Kaapro & Cole Ventures, LLC. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

FINANCIAL STATEMENT PRESENTATION

The financial statements are reported on an accrual basis of accounting and only include the activity of TourScale Franchising, LLC.

**3. RELATED PARTY TRANSACTIONS:**

Kaapro and Cole Ventures, LLC owed TourScale, LLC \$98,460 and \$65,620 as of December 31, 2024 and 2023, respectively.

The Company has shared expenses with the related parties such as rent, equipment, travel, and other office expenses that are charged in the form of a management fee. Management fees paid as of December 31, 2024 and 2023 were \$270,000 and \$168,000, respectively.

Kaapro & Cole Ventures, LLC owns wholly or partially 11 franchises. These franchises paid royalties and technology fees in the amount of \$79,054 and \$128,347 for the years ended December 31, 2024 and 2023, respectively.

TourScale Franchising, LLC is under common control of Kaapro and Cole Ventures, LLC. If the entities were reported in combination, the results of the balance sheet and income statement would be significantly different.

## Exhibit I

### Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2024 and 2023

**4. OPTIONS DEPOSIT:**

Options deposits consist of amounts collected by TourScale Franchising, LLC from potential franchisees. The amount is refundable if the purchase of the franchise is not completed. The balance sheet reflected \$30,000 and \$30,000 as of December 31, 2024 and 2023, respectively.

**5. DEFERRED REVENUE:**

The initial fees received from the franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 10 years.

**6. NOTES PAYABLE:**

On November 2, 2023, TourScale Franchising, LLC received a loan in the amount of \$30,000 payable in monthly payments of \$3,711.88 starting December 2, 2023 and bearing interest of 26.50%. The payments will continue through August 2, 2024. The balance at December 31, 2024 and 2023 was \$-0- and \$26,951, respectively.

**7. CONCENTRATION OF CREDIT RISK:**

The Company maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC). There were no amounts in excess of insured limits as of December 31, 2024 and 2023.

**8. SUBSEQUENT EVENTS:**

The Company evaluated the effect subsequent events would have on the financial statements through the date of the report, April 23, 2025, which is the date the financial statements were available to be issued.

**Exhibit I**  
**Financial Statements**

**TOURSCALE FRANCHISING, LLC**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2023 and 2022**

**Exhibit I**  
**Financial Statements**

TOURSCALE FRANCHISING, LLC

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MEMBERS

American Institute of Certified  
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North Carolina Association of  
Certified Public Accountants

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Fraud Examiners

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Valuation Analysts

INDEPENDENT AUDITORS' REPORT

To the Members  
TourScale Franchising, LLC  
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of TourScale Franchising, LLC (an Arizona Limited Liability Company), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of income, member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TourScale 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 Statements

Management is responsible for the preparation and fair presentation of these 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 TourScale Franchising, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of TourScale 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TourScale 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Neal, Bradsher & Taylor*

CERTIFIED PUBLIC ACCOUNTANTS  
Durham, North Carolina

July 4, 2024



# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC BALANCE SHEETS December 31, 2023 and 2022

#### ASSETS

	2023	2022
CURRENT ASSETS:		
Cash	\$ 473	\$ 5,528
Accounts receivable, as restated	2,043	4,123
Due from Kaapro and Cole Ventures, LLC	<u>65,620</u>	<u>-</u>
Total Current Assets	68,136	9,651
OTHER ASSETS:		
Website, net of amortization	<u>4,667</u>	<u>-</u>
Total Assets	<u>\$ 72,803</u>	<u>\$ 9,651</u>

#### LIABILITIES AND MEMBER CAPITAL

CURRENT LIABILITIES:		
Due to TourScale Leasing, LLC	\$ -	\$ 4,909
Due to Kaapro and Cole Ventures, LLC	-	9,472
Accounts payable	39,648	-
Options deposit	30,000	-
Notes payable	26,951	-
Deferred revenue – Other, as restated	8,711	4,984
Deferred franchise revenue	<u>18,000</u>	<u>13,333</u>
Total Current Liabilities	123,310	32,698
LONG-TERM LIABILITIES:		
Deferred franchise revenue	<u>142,963</u>	<u>49,129</u>
Total Liabilities	266,273	81,827
MEMBER CAPITAL:	<u>( 193,470 )</u>	<u>( 72,176 )</u>
Total Liabilities and Member Capital	<u>\$ 72,803</u>	<u>\$ 9,651</u>

See Notes to Financial Statements



# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC

#### INCOME STATEMENTS

For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE:		
Franchise fee	\$ 13 333	\$ 22 988
Royalty income	171 964	128 537
Service income	4 878	-
Tech fee income	46 371	5 280
Sale of product income	497	-
Rebate income, as restated	<u>82 747</u>	<u>142 332</u>
Total Revenue	319 790	299 137
OPERATING EXPENSES:		
General and administrative expenses	248 636	191 636
Travel	6 135	204
Amortization expense	333	-
Interest paid	<u>995</u>	<u>-</u>
Total Operating Expenses	256 099	191 840
Net Income, as restated	<u>\$ 63 691</u>	<u>\$ 107 297</u>

See Notes to Financial Statements

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# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC STATEMENTS OF MEMBER'S CAPITAL For the Years Ended December 31, 2023 and 2022

BALANCE JANUARY 1, 2022:	\$ ( 37 973 )
Income, as restated	107 297
Withdrawals	<u>( 141 500 )</u>
BALANCE DECEMBER 31, 2022:	\$ ( 72 176 )
Income	63 691
Withdrawals	<u>( 184 985 )</u>
BALANCE DECEMBER 31, 2023:	<u>\$ ( 193 470 )</u>

See Notes to Financial Statements

-6-

# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash Flows From Operating Activities:		
Cash received from franchisees	\$ 368 774	\$ 157 235
Cash received from other income	85 324	146 971
Cash paid for interest	( 995)	-
Cash paid to suppliers and vendors	( 215 123)	( 191 840)
Net Cash Provided by Operating Activities	<u>237 980</u>	<u>112 366</u>
Cash Flow From Investing Activities:		
Cash paid for intangibles	( 5 000)	-
Cash Flows From Financing Activities:		
Cash received from affiliates	3 774	17 100
Cash paid to affiliates	( 83 775)	( 110 000)
Cash paid for member withdrawals	( 184 985)	( 141 500)
Cash received from loan	30 000	-
Cash paid for loan	( 3 049)	-
Net Cash Used by Financing Activities	<u>( 238 035)</u>	<u>( 234 400)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	( 5 055)	( 122 034)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5 528</u>	<u>127 562</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 473</u>	<u>\$ 5 528</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 63 691	\$ 107 297
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization expense	333	-
(Increase) Decrease in Current Assets:		
Accounts receivable, as restated	2 080	( 345)
(Increase) Decrease in Current Liabilities:		
Accounts payable	39 648	-
Options deposit	30 000	-
Deferred revenue – Other, as restated	3 727	4 984
Deferred franchise revenue	<u>98 501</u>	<u>430</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 237 980</u>	<u>\$ 112 366</u>

See Notes to Financial Statements

# Exhibit I

## Financial Statements

### TOURSCALE FRANCHISING, LLC NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

#### 1. NATURE OF OPERATIONS:

TourScale Franchising, LLC is a subsidiary of Kaapro & Cole Ventures, LLC.

The Company was organized in Arizona on April 27, 2020 and derives its revenues through the franchising of Trolley Pub and Paddle Pub businesses throughout the United States.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

##### REVENUE RECOGNITION

Revenue from franchise fees are recognized on a straight-line basis of the life of the agreement, which is normally 10 years. Royalties and tech fees are recognized in the month earned. All revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

##### ACCOUNTS RECEIVABLE

Accounts Receivables are recorded when invoices are issued and are presented in the balance sheet. Account receivables are written off when they are deemed uncollectible. The Company believes no allowance for doubtful accounts are necessary as of December 31, 2023 and 2022.

##### WEBSITE

Web development is stated at cost and amortized when placed in service. Amortization is calculated using straight-line method over the estimated useful lives of the asset. Ongoing maintenance is charged to expense when incurred. The balance in web development as of December 31, 2023 and 2022 is as follows:

	2023	2022
Web development	\$ 5 000	\$ -
Accumulated amortization	( 333)	-
Total	<u>\$ 4 667</u>	<u>\$ -</u>

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

USE OF ESTIMATES

Management uses estimates and assumptions in preparing this financial statement in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates that were used.

INCOME TAX STATUS

TourScale Franchising, LLC is solely owned by Kaapro & Cole Ventures, LLC so all company activity is reported as a separate activity on the tax return of Kaapro & Cole Ventures, LLC. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

FINANCIAL STATEMENT PRESENTATION

The financial statements are reported on an accrual basis of accounting and only include the activity of TourScale Franchising, LLC.

**3. RELATED PARTY TRANSACTIONS:**

As of December 31, 2023 and 2022, the Company had a liability due to Kaapro & Cole Ventures, LLC of \$-0- and \$9,472, respectively. The Company is also related to TourScale Leasing, LLC as both companies are subsidiaries of TourScale, LLC. As of December 31, 2023 and 2022, TourScale Franchising, LLC had a payable due to TourScale Leasing, LLC of \$-0- and \$4,909, respectively. Kaapro and Cole Ventures, LLC owed TourScale, LLC \$65,620 and \$-0- as of December 31, 2023 and 2022, respectively.

The Company has shared expenses with the related parties such as rent, equipment, travel, and other office expenses that are charged in the form of a management fee. Management fees paid as of December 31, 2023 and 2022 were \$168,000 and \$168,000, respectively.

Kaapro & Cole Ventures, LLC owns wholly or partially 14 franchises. These franchises paid royalties and technology fees in the amount of \$128,347 and \$70,744 for the years ended December 31, 2023 and 2022, respectively.

TourScale Franchising, LLC is under common control of Kaapro and Cole Ventures, LLC. If the entities were reported in combination, the results of the balance sheet and income statement would be significantly different.

## Exhibit I

### Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022

**4. OPTIONS DEPOSIT:**

Options deposits consist of amounts collected by TourScale Franchising, LLC from potential franchisees. The amount is refundable if the purchase of the franchise is not completed. The balance sheet reflected \$30,000 and \$-0- as of December 31, 2023 and 2022, respectively.

**5. DEFERRED REVENUE:**

The initial fees received from the franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 10 years.

**6. NOTES PAYABLE:**

On November 2, 2023, TourScale Franchising, LLC received a loan in the amount of \$30,000 payable in monthly payments of \$3,711.88 starting December 2, 2023 and bearing interest of 26.50%. The payments will continue through August 2, 2024. The balance at December 31, 2023 and 2022 was \$26,951 and \$-0-, respectively.

**7. CONCENTRATION OF CREDIT RISK:**

The Company maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC). There were no amounts in excess of insured limits as of December 31, 2023 and 2022.

**8. RECLASSIFICATION:**

Deferred revenue has been reclassified to reflect current year presentation. No adjustments to capital were necessary.

**9. CORRECTION OF ERROR:**

During the year ended December 31, 2022, an overstatement of accounts receivable was discovered. The effect of the correction was a decrease in member capital by \$3,778 and a decrease in accounts receivable by the same amount. December 31, 2022 has been restated to reflect the changes.

**10. SUBSEQUENT EVENTS:**

The Company evaluated the effect subsequent events would have on the financial statements through the date of the report, July 4, 2024, which is the date the financial statements were available to be issued.

## **COMPLIANCE QUESTIONNAIRE**

**This Questionnaire does not apply to franchises who intend to operate the franchised business in the State of California. Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.**

Questionnaire is not applicable in Maryland. Do not sign this Statement if you are a resident of Maryland or the business is to be operated in Maryland.

The Questionnaire is not applicable in Washington and Washington franchisees should not sign the Questionnaire.

Pursuant to RCW 19.100, no statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of waiving any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

As you know, TourScale Franchising, LLC and you are preparing to enter into a Franchise Agreement for the establishment and operation of a TourScale Business in a Protected Territory where you will operate an agreed number of TourScale Businesses (“**Franchised Business**”). The purpose of this Compliance Questionnaire is to determine whether any statements or promises were made to you that TourScale has not authorized and that may be untrue, inaccurate or misleading. Please review each question and statement carefully and provide honest and complete responses to each question and statement.

<b>Question</b>	<b>Yes</b>	<b>No</b>
1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
2. Have you received and personally reviewed the Disclosure Document we provided?		
3. Did you sign a receipt for the Disclosure Document indicating the date you received it?		
4. Do you understand all of the information contained in the Disclosure Document and all of the terms of the Franchise Agreement?		
5. Have you reviewed the Disclosure Document and the Franchise Agreement with a lawyer, accountant, or other professional advisor?		
6. Have you discussed the benefits and risks of developing and operating a TourScale Business Franchised Business with existing TourScale Business Franchises?		
7. Do you understand the risks of developing and operating a TourScale Franchised Business?		
8. Do you understand that the success or failure of your TourScale Franchised Business will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		

**Exhibit J**  
**Compliance Questionnaire**

Question	Yes	No
9. Do you understand that, subject to applicable state law, any applicable mediation, arbitration or litigation must take place in Arizona?		
10. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating a TourScale Franchised Business, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
11. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue a TourScale Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
12. Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement and the Disclosure Document contain the entire agreement between us and you concerning your purchase of a TourScale Franchised Business and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?		

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

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**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION AND STATEMENT CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS AND STATEMENTS.**

FRANCHISE APPLICANT

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Printed Name

\_\_\_\_\_, 20\_\_\_\_\_  
Date



**State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<b>State</b>	<b>Effective Date</b>
California	
Illinois	
Indiana	
Maryland	
Michigan	
New York	
Virginia	
Washington	
Wisconsin	

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.

**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 TourScale 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 payment to, TourScale Franchising, LLC or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

New York and Rhode Island require that TourScale Franchising, LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that TourScale Franchising, LLC 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 TourScale Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

Issuance Date: May 1, 2025

The franchise sellers for this offering are TourScale Franchising, LLC, Kai Kaapro, 323 West Davie Steet, Raleigh, North Carolina 27601 and \_\_\_\_\_.

TourScale Franchising, LLC authorizes the respective state agencies listed in Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 1, 2025 that included the following exhibits:

- |  |                             |
|--|-----------------------------|
| A. List of State Administrators                  | G. Franchisee List          |
| B. List of Agents for Service of Process         | H. General Release          |
| C. Franchise Agreement                           | I. Financial Statements     |
| D. Confidentiality Agreement                     | J. Compliance Questionnaire |
| E. Table of Contents-TourScale Operations Manual | K. State Effective Dates    |
| F. Addenda Required by Certain States            | L. Receipts (2 Copies)      |

Date of Receipt: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Company Name

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

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

\_\_\_\_\_  
City, State

\_\_\_\_\_  
Zip Code

**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 TourScale 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 payment to, TourScale Franchising, LLC or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

New York and Rhode Island require that TourScale Franchising, LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that TourScale Franchising, LLC 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 TourScale Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

Issuance Date: May 1, 2025

The franchise sellers for this offering are TourScale Franchising, LLC, Kai Kaapro, 323 West Davie Steet, Raleigh, North Carolina 27601 and \_\_\_\_\_.

TourScale Franchising, LLC authorizes the respective state agencies listed in Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 1, 2025 that included the following exhibits:

- |  |                             |
|--|-----------------------------|
| A. List of State Administrators                  | G. Franchisee List          |
| B. List of Agents for Service of Process         | H. General Release          |
| C. Franchise Agreement                           | I. Financial Statements     |
| D. Confidentiality Agreement                     | J. Compliance Questionnaire |
| E. Table of Contents-TourScale Operations Manual | K. State Effective Dates    |
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