

## FRANCHISE DISCLOSURE DOCUMENT

# COCKTAIL CLAW

Claw Events Franchising LLC  
1 Oakwood Avenue, Suite 542  
Dayton, Ohio 45409  
Telephone: 401-375-2529  
franchise@cocktailclaw.com  
www.cocktailclaw.com

The franchise offered in this Franchise Disclosure Document is for the operation of a business offering a claw machine entertainment service, including a claw machine distributing alcoholic cocktails.

The total investment necessary to begin operation of a Cocktail Claw business (hereinafter, "Cocktail Claw Business" or "Business") is between \$41,295 and \$98,245. This includes \$37,345 - \$86,845 that must be paid to Us or Affiliate.

The total investment necessary to begin operation of a Cocktail Claw Area Development Program (as defined below) for three to five Cocktail Claw Businesses is between \$71,195 and \$238,045, including \$67,245-\$226,645 that must be paid to Us or Affiliate. You must also pay a reduced franchise fee of \$14,950-\$34,950 for each franchise that must be paid to us or our affiliates when the Franchise Agreement is executed for each additional location.

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 this 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 Russell Gottesman at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409, franchise@cocktailclaw.com and 401-375-2529.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: March 20, 2023**

## 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 Exhibit D.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only Cocktail Claw 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 Cocktail Claw franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to 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 F.

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 Ohio. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Ohio than in your own state.

2. **Limited Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

4. **Mandatory Minimum Payments.** You must make minimum annual royalty payments regardless of your sales levels. Failure to make the payments may result in termination of your franchise and loss of your investment.

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

## MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
  - (iii) The unwillingness of the proposed transferee to agree in writing

to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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### **Exhibits**

- A Cocktail Claw Franchise Agreement (with exhibits)
- B Area Development Agreement (with exhibits)
- C Financial Statements

D	List of Current and Former Franchisees
E	Confidential Operations Manual Table of Contents
F	List of State Administrators/Agents for Service of Process
G	State Specific Addenda
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “Cocktail Claw,” “we,” “us,” and “our” means Claw Events Franchising LLC, doing business as Cocktail Claw, the franchisor. “You,” “your,” and “Franchisee” means the person who buys the franchise from Cocktail Claw and its owners, if the Franchisee is a business entity.

**Franchisor, Parent, and Affiliate**

Claw Events Franchising LLC is an Ohio limited liability company formed in September 2020. Our principal business address is 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409. We operate under our corporate name, “Cocktail Claw.” We do not conduct business under any other name. We offer and support franchises for the Cocktail Claw Business and have done so since January 2021. We have not offered and do not offer franchises in any other line of business and do not own or operate any Cocktail Claw Businesses.

We have affiliated entities, Claw Events LLC, Claw Events IP LLC, and Claw Events Merchandise LLC (the “Affiliated Entities” and each an “Affiliated Entity” or “Affiliate”). Claw Events LLC is an Ohio Limited Liability Company formed in October 2020, which has a principal place of business located at 1 Oakwood Avenue, Dayton, Ohio 45409. Our Affiliate, Claw Events LLC, owns and operates one (1) Businesses located at 1 Oakwood Avenue, Dayton, Ohio 45409. Our Affiliate, Claw Events LLC, has continuously owned and operated the business since October 2020. The Affiliate, Claw Events LLC, is substantially similar to the franchises offered under the Franchise Agreement. Our Affiliate, Claw Events LLC, does not offer franchises in any line of business or provide products or services to our franchises. We are party to an intellectual property license agreement with our affiliate, Claw Events LLC.

Our Affiliate, Claw Events IP LLC, an Ohio limited liability company formed on December 25, 2020 solely to be the holder of Cocktail Claw’s intellectual property. Claw Events LLC transferred ownership of Cocktail Claw’s intellectual property to Claw Events IP LLC. Claw Events IP LLC’s principal place of business is 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409. The franchisor has conducted a business of this type to be operated by the franchisee since 2019.

Our Affiliate, Claw Merchandise LLC, an Ohio limited liability company formed on December 25, 2020. Claw Events Merchandise LLC’s principal place of business is 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409. Claw Events Merchandise LLC will distribute to you products and merchandise for You to use in the operation of your Cocktail Claw Business.

Franchisor has no parent or predecessor entity. No affiliates have offered franchises in other lines of business.

### Agents for Service of Process

Exhibit F contains our agent for service of process.

### Cocktail Claw Franchises

We offer franchises for Cocktail Claw Businesses (collectively, the “Franchise”) using our trade names, trademarks, service marks, associated logos and symbols (“Marks”), business system, procedures and trade secrets (collectively, the “System”). You will conduct a business offering a private event rental claw machine entertainment service, including a claw machine distributing alcoholic cocktails (the “Approved Products and Services”) (the “Business”). You must sign one of our standard Franchise Agreements, which is attached to this Franchise Disclosure Document as Exhibit A (a “Franchise Agreement”). You may operate one (1) Cocktail Claw Business, for each Franchise Agreement you sign.

If you are interested in becoming a Cocktail Claw franchisee, you may be asked to complete a confidential application and questionnaire when applying for consideration. This may include your authorization for us to do, at our discretion, various background checks on you, including making criminal and financial inquiries. This information will remain confidential.

### Development Program

We offer and grant the right (the “Development Rights”) to develop and operate multiple Cocktail Claw Businesses within a certain defined geographic area (a “Development Area”) in keeping with a “Development Schedule.” We call this opportunity the “Area Development Program.” We use our form of Area Development Agreement, and require those seeking to participate in it to sign two Franchise Agreements at the time they chose to participate in the Development Program. The second Franchise Agreement will be in the same form as the Franchise Agreement included in this Disclosure Document, but additional Franchise Agreements will be in the then-current form of Franchise Agreement at the time of execution. The terms of the third and subsequent franchise agreements the franchisee will be required to sign may differ from the current franchise agreement included with the FDD. Under the Area Development Agreement, we defer the dates the franchisee has to open the Cocktail Claw Business for the second and third Cocktail Claw Businesses under their Development Schedule. We also agree not to place another Cocktail Claw Business in the Development Area during the Development Schedule, provided they are in compliance with the Development Agreement. The current form of Area Development Agreement is attached as Exhibit “B” to this Disclosure Document.

### Market Competition

Clients of a Cocktail Claw Business will range from individuals to companies who are hosting parties, weddings and events and seek assistance coordinating ancillary services. The market for businesses which provide event services is established and competitive, but can be fragmented. The market is often made up of local catering and event staffing businesses and party planners.

You will experience competition from these local businesses and, potentially, larger businesses that provide event staffing, planning, and entertainment services. You may even experience competition from other Cocktail Claw Businesses outside of your Protected Territory. The sale of the services offered by a Cocktail Claw Business is not seasonal.

### Industry Regulations

You must operate in full compliance with all laws that apply to the Cocktail Claw Business that you operate. The licensing requirements for a Cocktail Claw Business may vary from state-to-state. If required by state and local laws, you must secure and maintain a liquor license for your Business, and all servers in your Business must be licensed or otherwise certified. You are responsible for complying with these applicable federal, state and local laws, rules and regulations, as well as with all federal, state and local laws of a more general nature which affect the operation of your Business, such as Federal Wage and Hour Laws and the Occupational Safety and Health Act. You will need to understand and comply with both federal and state laws that regulate the compensation of your employees and staff (including minimum wage, overtime and tip compliance requirements). You should consult with your attorney, accountant and other advisors, especially regarding state and local laws, rules and regulations that may affect the operation of your Cocktail Claw Business. You are responsible for complying with employment, worker's compensation, immigration, health, insurance, corporate, taxing and licensing laws and similar laws and regulations.

## **ITEM 2** **BUSINESS EXPERIENCE**

### Russell Gottesman – Chief Executive Officer

Mr. Gottesman is the Owner and Chief Executive Officer of Claw Events Franchising LLC and has been since Cocktail Claw's formation in October 2020 located at 1 Oakwood Avenue, Dayton, OH 45409. Mr. Gottesman is also the Owner of our Affiliate Claw Events LLC located at 1 Oakwood Avenue, Dayton, OH 45409 and has served in that capacity since October 2020. Mr. Gottesman is the Owner of Closing Company LLC located at 1 Oakwood Avenue, Dayton, OH 45409 and has been since October 2018. Mr. Gottesman is also the Chief Executive Officer at Commuter Advertising Inc. located at 312 North Patterson Blvd., Dayton, OH 45402 and has been since October 2008.

Fern Visutvattanasak - Creator of Happiness. Ms. Visutvattanasak is the head of the marketing for Cocktail Claw, a position which she has held for almost five years. She is experienced in running social media campaigns, building brand strategy, supporting the sales teams and also helping with new market development and expansion. Fern graduated with a Master's Degree in Marketing Analysis from DePaul University. Fern currently lives in Chicago.

Ilayda Bergin - Director of Claw Engagement. Ms. Bergin graduated from DePaul University in 2022 and has been a part of the marketing team for Cocktail Claw for over a year. She works with

building brand strategy, creating marketing materials, and is behind all of Cocktail Claw's social media content. She directly works with all franchise partners in ensuring they have all the right materials to get started.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed at this time.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy is required to be disclosed at this time.

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

**Initial Franchise Fees**

**Cocktail Claw Business Initial Franchise Fee**

If you are purchasing a Cocktail Claw Business, You must pay us an initial franchise fee (the “Initial Franchise Fee”) of \$29,900-\$69,900 when you sign the Franchise Agreement. The Initial Franchise Fee is deemed fully earned by us once paid and is non-refundable. The Initial Franchise Fee of \$29,900-\$69,900 is for one territory, which is an area composed of a geographic area containing 400,000 people. You may purchase multiple territories, with each territory consisting of an area composed of a geographic area containing 400,000 people.

**Claw Machines and Accessories.**

You must purchase at least one Claw Machine from our Affiliate, Claw Events Merchandise, LLC before opening for business. The price for each machine ranges from \$6,950 to \$14,950 depending on the model you select. Cocktail reserves the right to use up to 35% of available advertising space, including but not limited to television screen space, on any Claw Machine purchased by You, for promotional or marketing purposes, including the placing of advertisements for the sale of any product or service related or unrelated to the System. Cocktail Claw intends to share a portion of net revenue generated from any such promotion or marketing agreement that requires the use of Claw Machines owned by franchisees within the System with such franchisees and, in the future, may create such a program.

You must also purchase from our affiliate, Claw Events Merchandise, LLC, certain claw machine equipment (“accessories”) necessary for operating your Cocktail Claw machine, including trays to hold products in the machine.

### Training Fee

All managers of any Cocktail Claw Business shall participate via Zoom for an approximately one (1) week training prior to opening or operating any Business. The training fee for the initial Operating Principal, Manager, and two (2) others is free and training for other persons is \$250 per person, per day, not including any traveling, lodging, or other costs. This training is required only one (1) time per person and we reserve the right to pre-approve all individuals who seek to participate in our training program.

### Development Rights

If you sign an ADA and become a Cocktail Claw Business area developer, you will pay us the \$29,900-\$69,900 Cocktail Claw Business Initial Franchise Fee for your first franchise and a development fee (the “Development Fee”) based on the number of Businesses to be developed. The number of Businesses required by the Development Schedule will be determined by a number of factors such as: the size of the Development Area, population of the Development Area and your financial capacity and expertise in developing businesses.

The Development Fee for each Business that you develop will be \$14,950, if operating a Cocktail Claw Business, in addition to a reduced Franchise Fee of \$14,950-\$34,950 if operating a Cocktail Claw Business when each subsequent Franchise Agreement is signed. You will be required to sign our then-current Franchise Agreement for each Business. The Development Fee is paid in a lump sum at the time the ADA is signed, is not refundable and will not be credited against any other fees paid to us our affiliates. We base our qualifications on whether or not we will also offer you’re the opportunity to become an area developer, based on your financial resources, your experience in the insurance industry, your business experience, as well as your marketing and sales plans.

**ITEM 6**  
**OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Continuing Service Royalty <sup>(2)</sup>	5% of Gross Revenues or a minimum amount each year, whichever is greater. For purposes of calculating the minimum annual requirement, a year is to be considered the 12-month period from the date of the franchise agreement and each 12-month period subsequent thereto. In Year 1 the annual minimum payment is \$750; in Years 2 and 3 the annual minimum payment is \$1,500; and in Year 4 the annual minimum payment is \$2,500.	Monthly via ACH by the 10 <sup>th</sup> of the month for the previous month.	Based on Gross Revenues (as defined herein) during the previous week.
Brand Fund	0% initially, we reserve the right to require up to 2% of Gross Revenues	Paid with the first royalty payment of each month via ACH.	Based on Gross Revenues during the previous month. See Item 11 for a detailed discussion about the Brand Fund.
Local Marketing Requirement	4% of Gross Revenues	As incurred.	Local marketing requirements are discussed in Item 11. Any marketing materials you wish to use must first be approved by us. If you fail to spend the local marketing requirement in any given period, you will be required to pay the difference to the Brand Fund Contribution.

Bridal Show Marketing	At least \$2,500/year for at least 2 bridal shows	As incurred.	Bridal show marketing requirements are discussed in Item 11. Any marketing materials you wish to use must first be approved by us. If you fail to spend the bridal show marketing requirement in any given year, you will be required to pay the difference to the Brand Fund Contribution.
Cooperative Advertising Programs	0% initially, we reserve the right to require up to 2% of Gross Revenues	As Cooperative Program directs	
National Franchise Convention Fee	\$500	Annually	Payable to us.
Owners' Manual Replacement Fee	\$250	As incurred.	Payable to us if you lose or destroy the Owners' Manual.
Additional Training or Assistance	Currently, we charge \$250 per person, per day plus expenses for training via Zoom.	When training or assistance begins.	We may charge you for training newly-hired personnel; for refresher training courses; for the annual convention; and for additional or special assistance or training you need or request. For all training sessions and conferences, you must pay for your trainees' and representatives' salaries and benefits, and for their travel, lodging and meal expenses.
Transfer Fee	The greater of 20% of our then-current initial franchise fee or 5% of the sales price	Before transfer completed.	No charge if Franchise Agreement transferred to an entity you control.
Renewal Fee	\$5,000	At time of renewal.	
Relocation Assistance	Cost of relocation	At time of assistance	If you need our assistance to relocate.

Product and Service Purchases	See Item 8	See Item 8	You must buy products and services from us, our affiliates, and designated and approved vendors whose items meet our standards and specifications. We may permit you to buy from other suppliers to the industry.
Testing of Products or Approval of new Suppliers	Not to exceed \$1,000	When billed.	This covers the costs of testing new products or inspecting new suppliers you propose to us.
Audit	Cost of inspection	15 days after billing.	Due if you do not give us reports, supporting records or other required information, or if you understate required Continuing Support and Royalty payments or Fund contributions by more than 2%.
Interest	Lesser of 1.5% per month or highest commercial contract interest rate law allows	15 days after billing.	Due on all overdue amounts.
Maintenance and Refurbishing of Business	You must reimburse our expenses	15 days after billing.	If, after we notify you, you do not undertake efforts to correct deficiencies in Business appearance, then we can undertake the repairs and you must reimburse us.
Insurance	You must reimburse our costs	15 days after billing.	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us.
Insufficient Funds	\$75	As incurred.	Due if you have insufficient funds in your EDTA to cover a payment, or if you pay by check, a check is returned for insufficient funds.



Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand.	You must reimburse us for all costs in enforcing obligations if we prevail, under both the Franchise Agreement and Regional Area Development Agreement.
Management Fee	\$250 per person per day (plus costs and expenses)	As incurred.	Due when we (or a third party) manage your Business after your managing owner's death or disability, or after your default or abandonment.
Indemnification	Will vary	As incurred.	You must reimburse us if we are held liable for claims from your Business' operation.
Strategic Account Commissions (Note 3)	30% of the Gross Revenues from any paid service	Promptly (within 7 days) of receipt by you of customer payment on which commission is due	None

Notes:

1. All fees paid to us pursuant to this Franchise Disclosure Document are uniform and non-refundable. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We can require an alternative payment method and frequency for any fees or amounts owed to us under the Franchise Agreement.
2. As used in the Franchise Agreement, "Gross Revenues" means the total selling price of all services and products sold at or from your Cocktail Claw Business (not adjusted for credit card fees), including the full value of any gift certificate redeemed at your Cocktail Claw Business or coupon sold for use at your Cocktail Claw Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from calculation), and all income and revenue of every other kind and nature related to the Cocktail Claw Business operation, whether for cash or credit, but excluding taxes collected from customers and paid to taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks the Business in good faith gives to customers.
3. When you receives and fulfill a rental in your Territory that results from an initial solicitation by Cocktail Claw, you will be required to pay a commission (the "Strategic Account Commission") to the Cocktail Claw on all of your Gross Revenues generated by such service or by subsequent orders received from the same customer, in accordance with Cocktail Claw's Strategic Account Policies as established by Cocktail Claw from time to time. Such customer

is hereinafter referred to in this Agreement as a “Strategic Account.” The Strategic Account Policies established by Cocktail Claw from time to time may also cover other matters concerning Strategic Accounts (such as requiring central billing by Cocktail Claw and charges imposed by Cocktail Claw for central billing and other administrative services), and you will adhere to such policies.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**Cocktail Claw Business**

Expenditure	Estimated Range		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee <sup>(1)(2)</sup>	\$29,900	\$69,900	As arranged	As incurred	Us
Claw Machine	\$6,950	\$14,950	As arranged	As incurred	Our Affiliate Claw Events Merchandise LLC
Equipment <sup>(3)</sup>	\$495	\$1995	As arranged	As incurred	Our Affiliate Claw Events Merchandise LLC
Business Licenses and Permits <sup>(4)</sup>	\$500	\$2,000	As arranged	As incurred, before signing any lease	To third party
Grand Opening Advertising	\$2,000	\$3,000	As arranged	As incurred	To third party
Insurance (3 months) <sup>(5)</sup>	\$400	\$400	As arranged	As incurred	To third party
Accountant and Attorney Fees <sup>(6)</sup>	\$250	\$3,000	As arranged	As incurred	To third party
Additional Funds (3 Months) <sup>(7)</sup>	\$800	\$3,000	As arranged	As incurred	To third party
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(8)</sup></b>	<b>\$41,295</b>	<b>\$98,245</b>			
Area Development Fee <sup>(9)</sup>	\$29,900	\$139,800	Lump Sum	Upon entering into Area Development Agreement	To Us
<b>TOTAL ESTIMATED INITIAL INVESTMENT UNDER THE AREA DEVELOPMENT PROGRAM<sup>(9)</sup></b>	<b>\$71,195</b>	<b>\$238,045</b>			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Cocktail Claw Business for three (3) months. We do not offer direct or indirect financing for these items. The availability and terms of financing from third-parties depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and the lending policies of financial institutions from which you may request a loan. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Cocktail Claw Business may be greater or less than the estimates given depending upon the location of your Cocktail Claw Business and current relevant market conditions. We did not include state or local sales taxes in any of the above estimates.

1. All fees paid to us pursuant to this Franchise Disclosure Document are uniform and non-refundable. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers.
2. We discuss the Initial Franchise Fees in detail in Item 5 of this Franchise Disclosure Document. Your estimated total investment for each additional Cocktail Claw Business will be reduced by the reduction in Initial Franchise Fees and possibly other costs such as professional fees and travel expenses.
3. You must purchase from our affiliate, Claw Events Merchandise, LLC, certain claw machine equipment (“accessories”) necessary for operating your Cocktail Claw machine, including trays to hold products in the machine.
4. The estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Business’s location. In many states you will need a license or certification to operate a business serving alcohol.
5. You must obtain and maintain, at your own expense, the insurance coverage we require and satisfy other insurance-related obligations. The amounts listed in this table reflect our estimate of basic insurance for your first month of operation, and is based upon the experience of our Affiliated Entity. Additional information regarding insurance needs, including coverage limits, can be found in Item 8 to this Franchise Disclosure Document.
6. We recommend that you consult with an attorney, accountant, and/or other advisor prior to purchasing a franchise. You must obtain state and local licenses and business licenses. You may have to post bonds in order to obtain certain governmental permits.
7. The figures set forth herein are estimates of a complete investment in opening a Cocktail Claw Business and operating it for three (3) months after you open for business. We base this estimate on our management’s experience operating our affiliate. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our methods and procedures;

your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during this initial phase. You may also incur expenses for business license fees, legal fees, accounting fees, and local permits and operating authorizations necessary to start your business, which may vary considerably from one area to another.

8. The total figure listed in the above chart does not include compensation for your time or labor. Neither does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the chart above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business (see Note 8 above). You should review these figures carefully with a business advisor before making any decision to purchase the franchise.
9. The low estimate represents the Area Development Fee for the development of three Cocktail Claw Businesses and the high estimate represents the Area Development Fee for the development of five Cocktail Claw Businesses. If you enter into an Area Development Agreement, you must pay the Initial Franchise Fee for Your first location at the time you enter into the Area Development Agreement.

## **ITEM 8**

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

You must operate your Cocktail Claw Business according to our System and specifications. Except as described below, however, we do not require you to purchase or lease goods, services, supplies, fixtures, equipment or inventory for your Cocktail Claw Business from us or any affiliate, or an Approved Supplier.

#### Approved Products and Services

You may only market, offer, sell, and provide the approved services, as well as any related merchandise and other products that we authorize for sale in conjunction with the Approved Products and Services. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

#### Approved Suppliers

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

Our Officer, Russell Gottesman, owns an interest in our affiliate, Claw Events Merchandise LLC, from whom you will purchase all Claw Machines and Claw Machine accessories.

We may develop proprietary products for use in your Franchised Business, including private-label products that bear our Marks, and require you to purchase these items from us or our affiliate(s).

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully in this Item. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

#### Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases, purchases from Approved Suppliers and purchases that must meet our specifications in total will be about 60% of your total purchases to establish the Business and about 40% of your purchases to continue the operation of the Business. Please be advised that these percentages do not include any lease payments that you make in connection with your premises.

We and our affiliates reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business. In our last fiscal year, ending on December 31, 2022, Claw Events Merchandise LLC received \$10,440 in revenue from all required purchases and leases of products and services by franchisees, including purchases of items to be resold in the Business, and rebates we receive from third-parties. This was 45% of the total revenue of our affiliate Claw Events Merchandise LLC of \$23,200, as reported in our most recent audited financial statements.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers’ dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to

purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

#### Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request, as well as cover our costs incurred in evaluating your request. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products and/or services, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (although are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

## Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Businesses in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and/or our franchisees.

We reserve the right to create additional purchasing cooperatives in the future. We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment needed to operate the Business.

## Franchise Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

## Specifications and Standards

### *Equipment and Supplies*

You must purchase or lease certain equipment and supplies meeting our specifications. Also, you must purchase or lease initial equipment and supplies in amounts that we recommend, to use our experience in the business and to provide proper initial planning, training, operation and record keeping. The initial equipment and supplies that must meet our specifications are identified in our manuals. Any signs, logos, emblems, or pictorial materials using our trademarks must meet our specifications. Pursuant to Section 4.6.2(d) of the Franchise Agreement, franchisees are required to replace and modernize the equipment and signs used in the business to meet then-current standards upon the renewal of their franchise.

## Insurance

You must obtain and maintain insurance, at your expense, as we require, in addition to any other insurance required by applicable law, your landlord, or otherwise. We may periodically change the amounts of coverage required under the insurance policies and require different or additional kinds of insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances, if the changes apply to all Cocktail Claw Business. Each insurance policy must name us and entities and persons affiliated with us as additional insureds. On our request, you must provide us with copies of all insurance policies together with proof of payment for insurance. You must send to us current certificates of insurance and copies of all insurance policies on an annual basis. Before you open your Cocktail Claw Business, you must furnish us with a certificate of insurance showing compliance with the insurance requirements. Currently, you must have the following insurance at a minimum:

- Comprehensive general liability insurance with limits of at least \$1,000,000 per person per occurrence (and \$2,000,000 aggregate for bodily injury) and at least \$50,000 for property damage per occurrence;
- Personal injury and advertising injury insurance with limits of at least \$1,000,000 per occurrence;
- Employer Practices Liability insurance with limits of at least \$1,000,000;  
Alcohol indemnification insurance with limits of at least \$1,000,000;
- An Umbrella Liability insurance policy with a limit of at least \$1,000,000;
- “All risk” insurance on the premises, equipment and supplies, for loss or damage by fire, windstorm, flood, casualty, theft and other risk usually insured against by the owners or lessors of similar property, for at least 100% of the replacement cost of the property. Unless you obtain a written waiver from us, any Cocktail Claw Business sustaining loss or damage must be repaired, restored, or rebuilt within 60 days after the date of the loss or damage;
- Automobile liability insurance on each vehicle used in the business within the minimum coverage limits as required by the law of the state or jurisdiction in which you are engaged in business; and
- Worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of your Cocktail Claw Business, if required by your state or jurisdiction.



## Computer System

You must purchase the computer system that we specify, if any, including computer hardware, software, point of sale system, inventory control systems, and high-speed network connections (collectively, the “Computer System”). We may, in the future, designate an approved supplier for computer components. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must sign any software license agreements that we or the licensor of the software require and any related software maintenance agreements. The Computer System is described in more detail in Item 11 of this Disclosure Document.

### **ITEM 9** **FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in Area Development Agreement</b>	<b>Item in Franchise Disclosure Document</b>
a. Site selection and acquisition/lease	Sections 4.2, 7.2	Section 4	Items 5, 7 & 11
b. Pre-opening purchases/leases	Sections 4.2 and 7.2	Not Applicable	Items 7
c. Site development and other pre-opening requirements	Section 7.2	Section 4	Items 7 & 11
d. Initial and ongoing training	Section 5.2	Not Applicable	Items 11
e. Opening	Sections 7.2, 7.3 and 7.6.1	Exhibit B	Items 6 & 7
f. Fees	Section 6	Section 3	Items 5, 6 & 7
g. Compliance with standards and policies/ Operations Manual	Sections 5.4, 5.6, 7.1 and 7.3	Section 4	Items 11
h. Trademarks and proprietary information	Section 8.1	Not Applicable	Items 13 & 14
i. Restrictions on products/services offered	Sections 5.6 and 7.3.3	Not Applicable	Items 8 & 16
j. Warranty and customer service requirements	Sections 7.3.3 and 7.3.5	Not Applicable	Not Applicable
k. Territorial development & sales quotas	Not Applicable	Section 4	Not Applicable
l. Ongoing products/service purchases	Sections 7.3.3 and 7.5.4.2	Not Applicable	Items 8 & 16

m.	Maintenance, appearance, and remodeling requirements	Section 7.3.6	Not Applicable	Items 11
n.	Insurance	Section 7.7	Not Applicable	Items 7
o.	Advertising	Sections 5.5 and 7.1.3	Not Applicable	Items 6 & 11
p.	Indemnification	Section 8.5	Not Applicable	Items 6, 13 & 14
q.	Owner's participation/management/staffing	Sections 7.4 and 7.5	Not Applicable	Items 11 & 15
r.	Records and reports	Section 7.6	Not Applicable	Items 6
s.	Inspections and audits	Sections 6.5 and 7.3.4	Not Applicable	Items 6 & 11
t.	Transfer	Sections 6.8 and 9	Section 9	Items 17
u.	Renewal	Section 4.6.2	Not Applicable	Items 17
v.	Post-termination obligations	Section 10.3	Section 8	Items 17
w.	Non-competition covenants	Sections 8.6 and 10.3	Not Applicable	Items 17
x.	Dispute resolution	Section 11	Section 10	Items 17

### **ITEM 10** **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or any of your obligations.

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

**Except as listed below, Claw Events Franchising LLC is not required to provide you with any assistance.**

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

Before you open your Cocktail Claw Business, we (or our designee) will provide the following assistance and services to you:

- (1) Designate your Territory (See Sections 4.3 and 7.2 of the Franchise Agreement);

- (2) Loan you one (1) copy of the Confidential Operations Manual. The Confidential Operations Manual contains 87 pages. The table of contents for the Confidential Operations Manual is attached to this Franchise Disclosure Documents as Exhibit E (See Section 5.4 of the Franchise Agreement);
- (3) Assist you in implementing an opening marketing initiative for your Cocktail Claw Business (See Section 5 of the Franchise Agreement);
- (4) We, or our designee, will provide instruction and assistance prior to the opening of your Cocktail Claw Business and immediately following the opening by telephone or in-person, as we determine in our sole discretion (See Sections 5.2 and 5.5 of the Franchise Agreement); and
- (5) Provide an initial training program (“Initial Training Program”) as described below.

### Post-Opening Obligations

During the operation of your business, we may:

- (1) Provide periodic telephone and electronic mail assistance on daily operations, marketing, advertising, personnel and other operating issues that you encounter, and provide review and analyses of your operations (See Section 5.3 of the Franchise Agreement);
- (2) Update the manuals to incorporate improvements and new developments in the System. These revisions may be made at any time (See Section 5.4 of the Franchise Agreement);
- (3) Make available to you initial training of replacement managers at a location that we determine. We may charge you a fee for this training. (See Section 5.2.1 of the Franchise Agreement);
- (4) Advise as to source of supply for equipment, services, supplies, products and materials, and make reasonable efforts to negotiate, enter into and maintain contracts for equipment, supplies and services for your purchase (See Sections 5.6 and 7.3.3 of the Franchise Agreement);
- (5) Assist you with sales promotions and administer a system-wide Brand Fund (See Section 7.5.3 of the Franchise Agreement) (See Brand Fund below);
- (6) At our option, provide access to our manuals, franchisee resources and company news (See Sections 5.2.3 and 5.4 of the Franchise Agreement);
- (7) At our option, maintain a website and provide you with a standard web page on the website (See Section 7.5.4 of the Franchise Agreement); and

- (8) Provide you access to print and television advertisements, if and when they exist, for use by you (See Section 5.5 of the Franchise Agreement).

### Advertising and Promotion

#### *Brand Fund*

Currently, we do not require you to contribute to a system-wide advertising fund but reserve the right to require you to contribute up to 2% of Gross Revenues each month to our system-wide advertising and promotions fund (“Brand Fund”). All franchises will contribute on an equal basis to the Brand Fund. The Brand Fund will be intended to promote the services of the System. We will administer the Brand Fund and all programs that the Brand Fund finances. We will use the Brand Fund for public relationships and the development and placement of print, electronic media and web-based advertising. We will not use the Brand Fund to solicit prospective franchisees, but we may use the Brand Fund to develop a website and social media platforms. We may use an outside advertising agency to create and place advertising and handle public relations. The Brand Fund will advertise within the territory, regionally and nationally, as we decide in our sole discretion, to promote the System.

We will account for the Brand Fund separately from our other funds each year. The Brand Fund will not be audited, but we will prepare an annual unaudited financial statement of the Brand Fund that will be available on your request about 120 days after the end of the fiscal year. Other than reimbursement for reasonable costs and overhead incurred in activities for the administration or direction of the Brand Fund, which may include prorated salary and benefits of any personnel who manage and administer the Brand Fund, meeting costs and similar expenses, neither we nor any affiliate will receive any payment for providing services or products to the Brand Fund. We may, but are not required to, collect for deposit into the Brand Fund any advertising, marketing or similar allowances paid to us for that purpose by suppliers who deal with your Cocktail Claw Business.

#### Franchisee Advisory Council

We do not currently have a Franchisee Advisory Council.

#### Local Advertising

You are not currently required to participate in a local or regional advertising cooperative, but we may require you do so in the future. You are required to spend at least 4% of Gross Revenue per month on local advertising each month, as outlined in Item 7 of this Franchise Disclosure Document. You are also required to spend at least \$2,500 per year for and related to attendance at no less than 2 bridal shows per year.

You must submit to us, for our approval, all media and materials to be used for local advertising, unless the media and/or materials have been approved before or unless we provided the materials to you. All materials containing our proprietary marks must include the designation service mark

<sup>SM</sup>, trademark <sup>TM</sup>, registered trademark <sup>®</sup>, copyright <sup>©</sup>, or any other designation we specify. If you do not receive written or oral approval of any materials submitted within 30 days from the date we receive the materials, the materials are disapproved. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising. Your submission of advertising for our approval does not affect your right to determine the prices at which you sell your services.

You may have as many telephone numbers and telephone directory listing for the franchised business as you choose; however, you acknowledge and agree that we will own all rights and interest in each telephone number (regardless of whether such telephone number pre-existed any Franchise Agreement) and telephone directory listing, email address, domain name, social media platform, and comparable electronic identify that is associated in any manner with your Franchise and/or with any Mark (“Listing”). You acknowledge and agree that all goodwill arising from or in connection with the use of each Listing will inure to our benefit. Promptly after expiration, termination, repurchase or transfer of the Franchise, you will notify each telephone or Internet Service Provider (“ISP”) with whom you have any Listing and direct them to transfer the Listing to us, or any persons we designate, at your expense; and you agree to execute all documents necessary to complete these transfers.

You must include in any significant display advertisements, and in marketing materials for your Cocktail Claw Business, a notice that your Cocktail Claw Business is individually owned and operated. Subject to any legal restrictions, you also are required to display or make available in your Cocktail Claw Business’s reception area, marketing materials that we may provide to you about the purchase of Cocktail Claw franchises, but you have no responsibility or authority to act for us in franchise sales.

You may not solicit business outside your Territory through the use of a toll-free number, direct mail, website, social media platform, or other advertising method without our prior written approval. You may not establish your own website or social media platforms without approval.

### System Website

At our option, we may establish one or more websites to advertise, market and promote the System and the franchise opportunity. We currently maintain the website [www.cocktailclaw.com](http://www.cocktailclaw.com); however, we are not obligated to continue to maintain that website, and are not barred from (or required to) creating additional or replacement websites. In any website now in existence or hereinafter-created, we may provide you with a listing for your location, or a web page to promote your business, if you provide us with the information that we request to develop your web page. We will provide you the ability to use a Website within our Website, which will be [www.CocktailClaw.com/<insert city>](http://www.CocktailClaw.com/<insert city>). Our system standard will apply to any website advertising. We may provide a secure intranet for our franchisees, but do not currently have one.

## Computer System and Internet Access

You must purchase and use a particular POS System and certain other computer hardware and software we designate before opening for business. Currently, we do not require you to use a specific POS System; however, we reserve the right to do so at any time. Beyond the POS System, you are required to obtain other, necessary computer services, tablets, an office printer, and a laptop or desktop computer. Currently, the approximate annual cost to you for the POS System and other, required equipment, is \$500. This cost is subject to increases by the vendors. Any maintenance, repair or updates due to the computer system are Your responsibility. (See Section 7.3.8 of the Franchise Agreement).

You must have broadband Internet access, which will permit you to use web-based technology, gather information, exchange ideas and transfer data. You may use any independent Internet Service Provider of your choosing that provides broad-band access. You must maintain a functioning email address so that we can communicate with you electronically.

We may upgrade our minimum computer system requirements at any time in order to keep pace with technology. There are no contractual limitations on the frequency or cost of this obligation, but we expect you will need to upgrade at least every five (5) years. If we modify or impose a requirement, we will notify you in our manuals or other written communications and will give you a reasonable time in which to comply at your expense. We estimate that the cost of upgrading and replacing a computer system is approximately \$500 annually.

We may assist you in obtaining the computer system and related services, but we are not obligated to do so. We may, in the future, designate an approved supplier for computer components.

We disclaim all implied warranties to the extent permitted by law. Neither we nor any affiliate is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You should determine for yourself whether or not any third-party supplier from whom you purchase any component of your computer system is obligated to provide ongoing maintenance, repairs, upgrades or updates to any component of your computer system and determine the additional cost for the services.

## Manuals

After you sign your Franchise Agreement, and prior to initial training, we will give you electronic access to or lend you a paper or read-only disk copy of a single copy of our manuals. The manuals contain proprietary information, and you must keep this information confidential as described in Item 14. A copy of the Table of Contents for the Operations Manual, which contains 101 pages, is attached hereto as Exhibit E.

**Independent Access to Information.** We have a right, and you are required to provide us with independent access, to the information that will be generated or stored in your computer systems, which includes, but is not limited to, customer, transaction, and operational information. We have the right to review your business operations, in person, by mail, or electronically, and to inspect

your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business.

Initial Training Program

You will receive the following training before you open your Cocktail Claw Business:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Introduction to Cocktail Claw	3-4 hours	N/A	Zoom
Understanding Cocktail Claw & it's Services	3-4 hours	N/A	Zoom
Claw Machine Assembly & Maintenance	2 hours	N/A	Zoom
Product Ordering & Machine Re-Stock	As needed (approximately 3-5 hours)	N/A	Zoom
Bookkeeping	As needed (approximately 2-4 initial hours)	N/A	Zoom
Do's and Don'ts	As needed (approximately 2-4 initial hours)	N/A	Zoom
Marketing and Advertising	As needed (approximately 2-4 initial hours)	N/A	Zoom
<b>Totals</b>	<b>17-27 hours</b>	<b>0 hours</b>	

The hours devoted to each subject are estimates only and may vary substantially based on how quickly trainees grasp the material, their prior experience with the subject, and scheduling. Our training program lasts one (1) week virtually, via Zoom. We will train up to four (4) people (including your Operating Principal, Manager, and two (2) others. Prior to scheduling training, key pre-opening tasks must be completed such as hiring staff and any business-related licenses. We typically schedule training ten (10) to twelve (12) times a year, between four (4) and six (6) weeks apart, as needed.

Russell Gottesman will oversee initial training and he has 2 years of experience in the field and with the franchisor's affiliate. Trainees are expected to read and have reviewed the Operations Manual prior to attending training. Supplemental training will be provided in a review of the material along with hands-on, observational and visual instruction on our daily procedures and best practices for operating the Business and event center.

If you are an individual, you and your original manager, if any, must attend and complete our initial training program to our satisfaction. If you are a legal entity, your Operating Principal and your original manager, if any, must attend and successfully complete initial training. We recommend that you plan to attend training before you sign any lease for your business.

We do not currently conduct, but may in the future, regional and/or national conferences. If and when we do, you (or your Operating Principal) must attend a regional or national conference, which shall not occur more than one time per year. At our option, we may charge you a conference fee or a proportionate share of our out-of-pocket costs for each annual conference.

You (or your Operating Principal) and/or any previously-trained manager must attend any refresher or follow-up training that we designate. We will not charge you a fee for this training, however, you may incur out-of-pocket costs in attending same.

Training for replacement managers or employees is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for replacement managers will occur at a time we schedule on a space-available basis and may not be available immediately after the replacement manager (or employee) is hired. You will be responsible for all expenses incurred by you and your employees in connection with attending all training programs, including the cost of transportation, lodging, meals and wages.

Training for transferees of your franchised business is required and provided on the same terms as the initial training provided to you, except that there may be a fee. Training for transferees will occur at a time we schedule on a space-available basis but must be completed before the transfer takes place.

You must pay our travel, lodging, and meal expenses during training. You must also pay travel, lodging, and meal expenses for trainees and any compensation or benefits due trainees during initial training, or during any regional or national conferences, or any additional or refresher training.

### Opening Business

The maximum time to open, after the Effective Date, is 120 days. The typical length of time between the signing of a Franchise Agreement and the opening of a business is 60 days. Factors that may affect this time include your ability to obtain business licenses and permits, receive delivery of supplies, and when you complete training.

## **ITEM 12** **TERRITORY**

The Approved Location for each Business granted shall be identified in the Franchise Agreement itself or an addendum, as the case may be. You will have the license to operate a Business within your Territory.



The Territory will be an area composed of a geographic area containing 400,000 people.

We grant you a franchise for a specific Territory to be operated out of the Approved Location. The Approved Location may not be changed without our written approval, and you may not operate out of any location other than the Approved Location without our written approval. Because the Business is a business offering a private event rental claw machine entertainment service, all services will be provided by You at a location other than the Approved Location. Cocktail Claw has no physical requirements for the Approved Location.

You may not solicit business outside your Territory through other channels of distribution, such as the use of a toll-free number, direct mail, Internet website, social media platform or other advertising method without our prior written approval.

During the term of your franchise, your Territory may not be modified except by a written agreement between you and us.

Continuation of the rights provided in your Territory pursuant to this Agreement is not depending upon achieving a certain sales volume, market penetration, or other contingency. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

On renewal or transfer of your franchise, the Territory may be modified. Depending on the then-current demographics of the Territory, and on our then-current standards for territories, if the Territory is larger than our then-current standard Territory, we may require you or the transferee to accept a renewal Territory or a transfer Territory smaller than the Territory.

Your territorial rights restrict us from establishing or operating, or granting any person other than you the right to establish or operate, a Cocktail Claw Business at any physical location in your Territory. However, we may: (a) at locations outside your Territory, including locations near the boundaries of your Territory, establish and operate, and grant others the right to establish and operate, a Cocktail Claw Business; (b) at locations outside your Territory, establish and operate, and grant others the right to operate, businesses similar to the Cocktail Claw Business; (c) at any location, license the use of alternative proprietary marks or methods in connection with the operation of businesses that may be similar to or different from the Cocktail Claw Business; (d) sell, rent and distribute any Proprietary Services directly or indirectly, and/or license others to sell and distribute, any Proprietary Services, directly or indirectly, from any location to any purchaser (including, but not limited to, sales made to purchasers in the Approved Territory through retail establishments, mail order, independent distributors, wholesale distribution, phone order, and on the Internet, and/or sales to delivery customers), except that Cocktail Claw shall not do so from a Cocktail Claw Business inside the Approved Territory; (e) establish, operate, sell or rent, and license others to establish, operate, sell or rent, any Proprietary Services in a Fixed Outlet in Your Approved Territory, regardless of proximity to or competitive impact upon your Cocktail Claw Business, with a "Fixed Outlet" being an airport, hotel or other loading facility, sports arena, student center, shopping mall or other special use facility; and (f) use other channels of distribution,

including the Internet; and we are not required to pay you if we exercise any of these reserved rights. Currently, we do not operate or franchise, and do not have any plans to operate or franchise, any other businesses under alternative proprietary marks.

As a single-unit Cocktail Claw Business franchisee, you do not receive the automatic right to acquire additional franchises.

### Area Development Rights

If you participate in the Development Program, we will designate a “Development Area” for each Franchise Agreement you sign in the Area Development Agreement. The Development Area under each Franchise Agreement is the same as the Site Selection Area, unless otherwise negotiated. Factors that influence the scope of the Development Area are the same as for Site Selection Areas. During the Development Schedule, that Development Area will be afforded the same protections as your Designated Area. But, once you open each Cocktail Claw Business under the Development Agreement, the Development Schedule and the Development Area ceases to exist and your rights and protections are governed only by your Franchise Agreements as each relates to your Designated Area for each of your Cocktail Claw Businesses. You will not receive an exclusive territory. You may face competition from other franchisees, from agencies we own, or from other channels of distribution or competitive brands that we may own or control. 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.

## **ITEM 13** **TRADEMARKS**

We grant you the right to operate a business using our System, which is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin (the “Marks”), as are designated by us in writing for use in connection with the System. Our right to use and license others to use the Marks is exercised pursuant to a ninety-nine (99) year intellectual property license agreement with our affiliate, Claw Events IP LLC (the “IP Agreement”), which, if not renewed, ends on January 29, 2120, and which can be terminated upon thirty-days’ notice for a material breach. Under the IP Agreement, we are granted the right to use and to permit others to use the Marks. We have the right to license the use of the registered trademark to you for the term of the Franchise Agreement, including any extensions or renewals.

We have registered the service mark as noted below on the United States Patent and Trademark Office principal register.

Trademark	Filing Date	Serial Number	Principal or Supplemental Register
COCKTAIL CLAW	January 10, 2020  Reg. Date 02/16/2021	88754911  Reg. No 6269539	Principal

You must follow our rules when you use the Marks. You cannot, under any circumstances, use any Mark with modifying words, designs or symbols, except for those which we license to you or have expressly approved in writing. You cannot modify a Mark in any way without our express written consent. You may not use any Mark in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You may not, under any circumstances, use any of the Marks, including “Cocktail Claw,” in any manner, in the name of your corporation, limited liability company, partnership, or other legal entity.

In connection with the establishment of our trademarks, we operate a website for the promotion of the marks and Cocktail Claw Businesses. This website lists the location, operating hours, and other facts regarding our Businesses. You may not register any domain name nor operate any website that includes the terms “Cocktail Claw.” You may request the establishment of a web page within the Cocktail Claw website to include additional information specific to your franchised Cocktail Claw Business. You may not use any electronic media, including the Internet, or any social media, for viewing by the public that contains our registered trademarks without our prior written approval. You may not establish a Facebook®, MySpace®, SnapChat®, or similar page, post through Instagram® or on YouTube®, or utilize other, similar social media, without our prior written approval. You may not establish a Twitter® feed or other social media without our prior, written approval. We will allow you to open a sub-account on Facebook® to create a local Cocktail Claw Facebook account so long as you provide us with administrator privileges for such account.

The confidentiality provisions of the Franchise Agreement apply to all uses of electronic media.

There are no other license agreements in effect that significantly limit our right to use or license the use of the principal trademarks that are material to the franchise.

## Determinations

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the above-described Marks which are relevant to your use of these Marks.

No currently effective material determinations or agreements limit our right to use or license the use of the trademarks listed in this section in a manner material to the franchise.

We do not know of any pending material state or federal court litigation regarding our use or ownership rights in the trademarks.

## Protection of Rights

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. We will take the action we think is appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks. While we are not required to defend you against a claim arising from your use of our Marks, we will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark in accordance with the Franchise Agreement and the Operations Manual, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

You must promptly notify us in writing of any claim, demand, or suit against you or your principals in connection with your use of the Marks. We have the right to select legal counsel and to control the proceedings. In certain cases, as described in Section 8.5 of the Franchise Agreement, we will indemnify and hold you harmless.

## Modification of Trademarks

You must modify or discontinue the use of a trademark if we modify or discontinue it at your own cost. Because your telephone listings and email addresses will be associated with our trademarks, we will own all rights to the telephone listings, and all goodwill generated from the use of the telephone listings will inure to our benefit.

We may acquire or develop additional trademarks, and may use those trademarks ourselves, make those trademarks available for use by you and other Cocktail Claw franchisees or make those trademarks available for use by other persons or entities. You may not directly or indirectly contest

our rights in our trademarks. We may require you to use and display a notice in a form we approve that you are a franchisee under the System using the trademarks under a Franchise Agreement.

You may not directly or indirectly contest our rights to our trademarks, trade secrets or business techniques that are part of our business.

#### Superior Prior Rights or Infringing Uses

We do not know of any superior rights of infringing uses that could materially affect your use of our principal trademarks.

### **ITEM 14** **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

#### Patents

No patents are material to the franchise.

#### Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and other materials that we have created are and will be protected under the U.S. Copyright Act, whether or not we have obtained registrations. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of promoting your franchised business.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. All of the provisions in Item 13 under the heading “Protection of Rights” also apply to copyrights; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

We do not know of any superior rights in or any infringing uses of our copyrighted materials that could materially affect your use of the copyrighted materials.

#### Proprietary Information

We have proprietary, copyrighted manuals that include guidelines, standards and policies for the operation of your business, and other proprietary, copyrighted materials. Item 11 and Exhibit E to

this Franchise Disclosure Document describe the manuals and the manner in which you may use them. All proprietary manuals and materials provided to you are for your exclusive use during the term of the franchise, and may not be reproduced, copied, loaned to, used by or shown to any person outside the System without our permission.

Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of the System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees' businesses. Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

### **ITEM 15** **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE** **FRANCHISED BUSINESS**

If you are an individual, you or a trained manager must personally manage the franchised business at all times. You and your manager, if any, must attend and successfully complete initial training.

If you are a legal entity, you must designate a managing shareholder, partner, or member ("Operating Principal"). If you are a legal entity, your Operating Principal or a trained manager must personally manage the franchised business at all times. Your Operating Principal and your manager, if any, must attend and successfully complete initial training. You or your Operating Principal are required to devote a minimum of fifteen hours per week to the management and operation of your Cocktail Claw Business

Any replacement manager must attend and successfully complete initial training. Neither an original manager nor a replacement manager needs to have an equity interest in the franchised business. Each Operating Principal, manager, supervisory employee, independent contractor, or other person attending initial training must sign an agreement in which he or she agrees to the confidentiality of System, agrees not to use any information about the system for his or her own benefit, and agrees not to compete in certain respects with your business and other franchisees' businesses Each of these persons must sign the confidentiality agreement (see Exhibit E to the Franchise Agreement), before you grant him or her access to our manuals or any other confidential information.

If you are a legal entity, each shareholder, principal officer, partner, or member must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for breach of, the Franchise Agreement (see Exhibit C to the Franchise Agreement).

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

You must offer for sale and sell only services and products that we have approved or authorized. You may not offer for sale or sell services or products that would detract from or be inconsistent with the System. You may use services or products not purchased from us, but those services or products must be of comparable quality and must be approved by us in writing before use to ensure maintenance of proper quality standards. You may not use or permit the use of your premises for any other purpose or activity at any time without first obtaining our written consent.

You must offer for sale all approved services and products; must not deviate from our specifications for the approved services and products without our written consent; and must discontinue offering any items that we disapprove in writing.

We may change the types of services and products that we approve or authorize, if the services and products are compatible with the System. There are no other limits on our right to make these changes.

You are not restricted in the customers to whom you may sell approved services or products or the prices the services are rendered or products are sold. However, all sales must occur at or from your Business. You may not solicit business outside your Territory through the use of a toll-free number, direct mail, Internet website or other advertising method without our prior written approval.

You may not enter into any agreement for the sale or other paid use of space on any Claw Machine by a third party without our consent

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 4.6.1	Not Applicable	Five (5) years from the Effective Date of the Franchise Agreement.

b. Renewal or extension of the term	Section 4.6.2	Not Applicable	If you are in good standing, and have met the conditions set forth in row (c), below, you have the right to renew the Franchise Agreement for one (1) Five (5) year term (or the length of your then-current lease term if applicable, whichever is shorter), with payment of any franchise renewal fee that is in effect at the time of renewal. The current renewal fee is \$5,000.
c. Requirements for you to renew or extend	Section 4.6.2	Not Applicable	Good standing; timely advance notice; pay any then-current renewal fee; sign new Franchise Agreement that may contain materially different terms and conditions than the Franchise Agreement in this Disclosure Document; be current in payments; sign release; and modernize Business to meet then-current standards.
d. Termination by you	Not Applicable	Not Applicable	The franchisee is able to terminate the franchise agreement under any grounds allowed by state law.
e. Termination by us without cause	Not Applicable	Not Applicable	The franchisee is able to terminate the franchise agreement under any grounds allowed by state law.
f. Termination by us with cause	Section 10.2	Sections 7 and 8	We can terminate only if you default. If we terminate the ADA we can not terminate any single unit franchise agreements in place at the time based upon that termination.



g.	“Cause” defined – curable defaults	Section 10.2.2	Not Applicable	You have 30 days to cure noticed curable defaults other than for non-payment of fees. You have five (5) days to cure non-payment of fees.
h.	“Cause” defined – non-curable defaults	Section 10.2.1	Section 8	FA: Non-curable defaults include misuse of trademarks; breach of non-competition; unauthorized assignment or transfer of any rights of the Franchise Agreement; material misrepresentation; lack of prior consent when required; abandonment; repeated defaults even if cured; threat to public health or safety; bankruptcy; plead guilty or no contest to or conviction of a felony. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 1101, <i>et seq.</i> ). ADA: If we terminate a single unit franchise agreement, we can terminate the ADA.
.	Your obligations on expiration, termination or non-renewal	Section 10.3	Section 8	Obligations include final accounting, complete de-identification, our option to purchase assets, and payment of amounts due. See row (r) below.
j.	Our transfer of Franchise Agreement	Section 9.1	Section 9	No restriction on our right to assign.
k.	“Transfer” by you – definition	Section 9.2	Section 9	Includes transfer of contract or assets, or any change of ownership.
l.	Our approval of your transfer	Section 9.3	Section 9	We have the right to approve all transfers.

m.	Conditions for our approval of transfer	Section 9.3	Section 9	New franchisee qualifies, payment of all of your outstanding debts to us, cure of any defaults, then-current agreement signed by new franchisee or assumption of existing agreement, transfer fee paid; training completed; and release signed by you and your Related Parties.
n.	Our right of first refusal to acquire your business	Section 9.4	Section 9	We or our designee can match any offer for your business.
o.	Our option to purchase your business	Section 9.4	Section 9	We or our designee may, but are not required to, purchase your inventory and equipment at the lesser of the fair market value or depreciated value, if franchise is terminated for any reason.
p.	Your death or disability	Section 9.5	Section 9	Heirs or beneficiaries must demonstrate within 90 days ability to operate franchise. Otherwise, franchise must be assigned by estate to approved buyer within six (6) months.
q.	Non-competition covenants during the term of the franchise	Section 8.6.1	Not Applicable	No competing business during the Term.
r.	Non-competition covenants after the franchise expires, is terminated, or is not renewed	Sections 8.6.2 and 10.3	Not Applicable	No competing business for two (2) years: (i) at the Approved Location, (ii) within 25 miles of the Approved location, or (iii) within 25 miles of another Cocktail Claw Business (including after assignment).
s.	Modification of the Franchise Agreement	Section 11.4	Not Applicable	No modification, generally, unless on consent of both parties, but Operations Manual subject to change.

t. Integration/merger clause	Section 11.6	Not Applicable	Only the terms of the Franchise Agreement are binding (subject to this Disclosure Document and applicable state law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 11.7 and 11.8	Section 10	Except for certain claims, claims must first be mediated prior to arbitration or litigation. All disputes must be litigated in Ohio. The arbitration will occur with each respective party paying their own costs.
v. Choice of forum	Section 11.2.2	Section 10	Arbitration in Montgomery County, Ohio, or, if litigated, the Montgomery County Court of Common Pleas or United States District Court for the Southern District of Ohio (subject to applicable state law).
w. Choice of law	Section 11.2.1	Section 10	Ohio law applies (subject to applicable state law).

**ITEM 18**  
**PUBLIC FIGURES**

We do not use any public figures to promote any Cocktail Claw Business.

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Russell Gottesman at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409, franchise@cocktailclaw.com and 401-375-2529, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table 1**  
**Systemwide Outlet Summary for Years 2020 to 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets at End of Year</b>	<b>Net Change</b>
<b>Franchised</b>	2020	0	0	0
	2021	0	1	1
	2022	1	4	3
<b>Company-Owned</b>	2020	1	1	0
	2021	1	4	3
	2022	4	4	0
<b>Total Outlets</b>	2020	1	1	0
	2021	1	5	4
	2022	5	8	3

**Table 2**  
**Transfers of Outlet From Franchisees to New Owners**  
**(Other than Franchisor or an Affiliate) for Years 2020 to 2022**

State	Year	Number of Transfers
<b>Total</b>	2020	0
	2021	0
	2022	0

**Table 3**  
**Status of Franchised Outlets for Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Other reasons	Outlets at End of Year
<b>Arizona</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
<b>Ohio</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	1	1	0	0	0	1	1
<b>Pennsylvania</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
<b>Texas</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
<b>Total</b>	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	4	0	0	0	1	4

**Table 4**  
**Status of Company-Owned Outlets For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
<b>Illinois</b>	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
<b>Nevada</b>	2020	0	0	0	0	0	0

	2021	0	1	0	0	0	1
	2021	1	0	0	0	0	1
<b>Ohio</b>	2020	1	0	0	0	0	1
	2021	1	1	0	0	0	2
	2022	2	0	0	0	0	2
<b>Total</b>	2020	1	0	0	0	0	1
	2021	1	3	0	0	0	4
	2022	4	0	0	0	0	4

**Table 5**  
**Projected Openings as of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Florida	0	1	0
Illinois	0	1	0
Michigan	0	1	0
Texas	0	1	0
<b>Total</b>	0	6	0

Attached as Exhibit D to this disclosure document is a list of the names, addresses and telephone numbers of our current franchised businesses. Also attached as Exhibit D to this disclosure document is a list of the names and city, state and last known business telephone number, of every franchisee who had an outlet terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the previous fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**NOTICE:** Contact information of franchisees may be disclosed if a franchise is purchased and then that franchisee later leave the franchise system. If you buy a franchise from us, your contact information may be disclosed to other buyers when you leave the system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses with us that would restrict them from speaking openly with you about their experience with us.

**There are no trademark-specific franchisee organizations associated with our franchise system.**

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

Exhibit C to this Franchise Disclosure Document is our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021 and December 31, 2022. Our fiscal year end is December 31.

We used a new auditor for our financial statements for our fiscal year ended December 31, 2021, so there is not a tabular comparison between fiscal years ended December 31, 2020 and December 31, 2021.

**ITEM 22**  
**CONTRACTS**

Copies of all proposed agreements regarding the Cocktail Claw franchise offering are included in Exhibit A. These include:

The Franchise Agreement and the following exhibits:

- Exhibit A – Franchise Data Sheet
- Exhibit B – Statement of Ownership
- Exhibit C – Principal Owner’s Guaranty
- Exhibit D – Sample Release Agreement,  
Waiver and Release of Claims
- Exhibit E – Nondisclosure, Nonsolicitation and  
Noncompetition Agreement
- Exhibit F – Sample Confidentiality Agreement
- Exhibit G – Sample Approval of Requested Assignment
- Exhibit H – ACH Payment Agreement
- Exhibit I – SBA Addendum
- Exhibit J – State Specific Addenda

Copies of all proposed agreements regarding the Cocktail Claw franchise area development offering are included in Exhibit B. These include:

The Area Development Agreement and the following exhibits:

- Exhibit A – Development Territory
- Exhibit B – Development Schedule
- Exhibit C – Owner’s Guaranty and Assumption of  
Developer’s Obligations
- Exhibit D – List of Principals

**ITEM 23**  
**RECEIPTS**

Exhibit I to this Franchise Disclosure Document includes detachable documents acknowledging your receipt of this disclosure document. Please sign one (1) copy of the receipt and return it to us at the following address:

Russell Gottesman  
Claw Events Franchising LLC  
1 Oakwood Avenue, Suite 542  
Dayton, Ohio 45409  
franchise@cocktailclaw.com

The duplicate receipt is for your records.



**EXHIBIT A TO CLAW EVENTS FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**COCKTAIL CLAW**

**COCKTAIL CLAW FRANCHISE AGREEMENT**

Franchise Owner: \_\_\_\_\_

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

Franchise Location: \_\_\_\_\_

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## EXHIBITS

# **COCKTAIL CLAW FRANCHISE AGREEMENT**

## **1. PARTIES**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between Claw Events Franchising LLC, an Ohio limited liability company, with its principal place of business at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409 (“Cocktail Claw”, “Franchisor”, “we”, “us”, or “our”), and \_\_\_\_\_, a \_\_\_\_\_ [state of organization], located at \_\_\_\_\_ (collectively, “You” or “Franchisee”).

## **2. RECITALS**

### **2.1 Ownership of the System**

Cocktail Claw has the right to license You certain intellectual property rights, trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the Cocktail Claw trademarks, the words “Cocktail Claw.” Cocktail Claw has spent a considerable amount of time, effort, and money to construct, and continues to develop, use, and control business methods, technical knowledge, marketing concepts, trade secrets, purchasing arrangements, commercial ideas, advertising materials, marketing strategies, information on sources of supply, administrative procedures, business forms, distinctive signs, trade dress, architectural designs and uniforms, and employee training techniques that, taken together, make up a proprietary system for the operation of the Business (the “System”).

### **2.2 Objectives of Parties**

You desire to enter into the business of operating a Cocktail Claw Business under the System using the Trade Name and Marks (as those are defined in Sections 3.17 and 3.11, below), and You wish to obtain from Cocktail Claw, and Cocktail Claw wishes to grant to You, a franchise for that purpose.

## **3. DEFINITIONS**

### **3.1 Approved Location**

“Approved Location” means the street address approved in writing by Cocktail Claw out of which You will operate the Cocktail Claw Business under this Agreement, which shall be set forth in Exhibit A to this Agreement. Because the Cocktail Claw Business is a business offering a private event rental claw machine entertainment service, all services will be provided by You at a location other than the Approved Location. Cocktail Claw has no physical requirements for the Approved Location.

### **3.2 Approved Territory**

“Approved Territory” or “Territory” means the area set forth in Exhibit A of this Agreement.

### **3.3 Brand Fund**

“Brand Fund” means a fund established by Cocktail Claw for purposes of increasing brand awareness and national advertising.

### **3.4 Cocktail Claw**

“Cocktail Claw” means Claw Events Franchising LLC or any person or entity to which Cocktail Claw allocates all or part of its rights and obligations under this Agreement.

### **3.5 Cocktail Claw Business**

“Cocktail Claw Business” or the “Business” or the “Franchise Business” means the single “Cocktail Claw” business that Cocktail Claw authorized You to conduct under the Trade Name, Marks, and System within the Approved Territory, at the Approved Location, under this Agreement.

### **3.6 Expiration**

“Expiration” means expiration of the Term of this Agreement, the non-renewal of this Agreement.

### **3.7 Franchise Network**

“Franchise Network” means the interdependent network composed of Cocktail Claw Businesses, all Cocktail Claw franchisees, Cocktail Claw Related Parties, any other persons or business entities that Cocktail Claw has licensed to use the Trade Name, Marks, System, or any of them.

### **3.8 Good Standing**

“Good Standing” means timely compliance by You and Your Related Parties with all provisions of this Agreement and the Manual, specifically including provisions for timely payment of amounts You owe to Cocktail Claw and its Related Parties.

### **3.9 Gross Revenues**

“Gross Revenues” means the total selling price of all services and products sold at or from your Cocktail Claw Business (not adjusted for credit card fees), including the full value of any gift certificate redeemed at your Cocktail Claw Business or coupon sold for use at your Cocktail Claw Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from calculation), and all income and revenue of every other kind and nature related to the Cocktail Claw Business operation, whether for cash or credit.

### **3.10 Manual**

“Manual” means the confidential Operations Manual and all other manuals that Cocktail Claw will lend to You, or authorize You to use, during the term of this Agreement and that contains information, forms and requirements for the establishment and operation of the Cocktail Claw Business, and for use of Cocktail Claws Trade Name and Marks, along with communications from Cocktail Claw to You, including, but not limited to, bulletins, e-mails, and text messages.

### **3.11 Marks**

“Marks” means selected trademarks, service marks, trade dress, logotypes, slogans, and other commercial symbols licensed by Cocktail Claw to You under this Agreement.

### **3.12 Operating Principal**

“Operating Principal” means the managing shareholder, partner, or member that You must designate if you are a legal entity.

### **3.13 Proprietary Service**

“Proprietary Service” means any product or service that is composed of or in accordance with Cocktail Claw’s specifications or that bears or has been labeled with any of the Marks.

### **3.14 Related Party**

“Related Party” or “Related Parties” means persons and companies affiliated with Cocktail Claw or You, as the context indicates, including, but not limited to, owners (as defined herein), general partners, limited partners, shareholders, or members, owning an interest in (i) Cocktail Claw or in You; (ii) corporations or limited liability companies in which Cocktail Claw or You have an interest; (iii) corporations or limited liability companies in which any person or entity owning an interest in You also has an interest; or (iv) officers, directors, members, or agents of Cocktail Claw or of You

### **3.15 Termination**

“Termination” means the termination of this Agreement under the circumstances described in Section 10 of this Agreement before the expiration of the Term.

### **3.16 Transfer**

“Transfer” means any direct or indirect transfer, pledge, encumbrance, sale, gift, hypothecation, mortgage, sublicense, transfer through bequest or inheritance, transfer in trust, divorce or by operation of law or by any other means, or disposition of (i) any of the rights granted under this Agreement (ii) any part of this Agreement, (in) any rights or privileges incidental to this Agreement, (iv) the Business or any interest therein, or (v) any ownership interest in you, including, without limitation, any arrangement whereby you sell or pledge accounts receivable or any other assets of the Franchised Business (each a “Transfer”). Without limiting the foregoing the term, “Transfer” includes any sale, resale, pledge, encumbrance transfer or assignment of: (a) any fractional partnership ownership interest if You are a partnership (b) any

membership interest in you if you are a limited liability company and (c) any beneficial or economic ownership interest in you, any transfer of any fractional portion of your voting stock, or any increase in the number of outstanding shares of your voting stock which results in a change of ownership, if you are a corporation.

### **3.17 Trade Name**

“Trade Name” means the commercial names Cocktail Claw, individually or collectively.

### **3.18 You**

“You” means the person or entity that is named as “You” in Section 1 of this Agreement. In addition, “You” means all persons or entities that succeed to Your interest by Transfer, other transfer, or operation of law.

**NOW, THEREFORE**, the parties agree as follows:

## **4. GRANT OF FRANCHISE**

### **4.1 Granting Clause**

Cocktail Claw grants to You the right and You hereby undertake the obligation upon the terms and conditions set forth in this Agreement: (a) to establish the Cocktail Claw Business that will be operated out of the Approved Location that includes the provision of such products and services as designated by Cocktail Claw, and (b) to use solely in connection therewith the Trade Name, Marks, and System, as they may be changed, improved and further developed from time-to-time. You shall not engage in any other business at the Approved Location without the prior written consent of Cocktail Claw.

### **4.2 Location**

Because the Cocktail Claw Business is a business offering a private event rental claw machine entertainment service, all services will be provided by You at a location other than the Approved Location. Cocktail Claw has no physical requirements for the Approved Location.

### **4.3 Approved Territory**

During the term of this Agreement, and except as otherwise provided in this Agreement, Cocktail Claw agrees that it shall not establish, nor license any other person to establish another Cocktail Claw Business at any location within Your Approved Territory. Except as set forth in this Section 4.3, You have no exclusivity. You have no right to exclude development of concepts owned, franchised, or licensed by Cocktail Claw or its affiliates.

#### **4.4 Rights Reserved**

Cocktail Claw retains all rights that are not expressly granted to you under this Agreement. Without limiting this broad retention, and without granting You any rights therein, Cocktail Claw shall have the right to:

- (a) Offer Cocktail Claw franchises to others for any area outside Your Approved Territory regardless of how close the boundaries of that area are to Your Approved Territory;
- (b) Sell, rent and distribute any Proprietary Services directly or indirectly, and/or license others to sell and distribute, any Proprietary Services, directly or indirectly, from any location to any purchaser (including, but not limited to, sales made to purchasers in the Approved Territory through retail establishments, mail order, independent distributors, wholesale distribution, phone order, and on the Internet, and/or sales to delivery customers), except that Cocktail Claw shall not do so from a Cocktail Claw Business inside the Approved Territory;
- (c) Establish, operate, sell or rent, and license others to establish, operate, sell or rent, any Proprietary Services in a Fixed Outlet in Your Approved Territory, regardless of proximity to or competitive impact upon your Cocktail Claw Business, with a “Fixed Outlet” being an airport, hotel or other loading facility, sports arena, student center, shopping mall or other special use facility.
- (d) Develop, operate, and franchise others to operate, any business concept except a Cocktail Claw Business at any place, including within the Approved Territory, and use the Marks or any other trademarks owned, licensed, or developed by Cocktail Claw or its Affiliate in connection with those concepts, even if such concepts sell products and services similar to, the same as or competitive with, the Proprietary Services;
- (e) In its sole discretion, approve or disprove other franchisees’ requests to purchase local advertising that penetrates Your Approved Territory; and
- (f) Merge with, acquire or be acquired by, any business of any kind under other systems and/or other marks, which business may offer, sell, operate or distribute and/or license others to offer, sell, operate and distribute goods and services through franchised or non-franchised businesses, at wholesale or retail, within and outside the Approved Territory.

#### **4.5 Relocation**

At Cocktail Claw’s option, You may change the Approved Location, with Cocktail Claw’s prior written consent, if all of the following conditions are met:

- (a) You and Your Related Parties are in Good Standing under this Agreement and any other Agreement between Cocktail Claw and You, and You and Your Related Parties are in compliance with all provisions of the Manual;
- (b) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to Cocktail Claw, of any and all claims against Cocktail Claw

and its Related Parties, affiliates, successors and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants and employees in their corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and Cocktail Claw or its affiliates, and federal, state, and local laws and rules; and

- (c) You may cease to operate the Cocktail Claw Business for no more than one (1) day only for the purposes of moving all equipment from the old Approved Location to the new Approved Location for the operation of the Cocktail Claw Business.

## **4.6 Term and Renewal**

### **4.6.1 Initial Term**

Except as otherwise provided herein the initial term of this Agreement shall commence on the Effective Date and shall expire on the date that is Five (5) years from the Effective Date (the “Term Expiration Date”).

### **4.6.2 Renewal**

You shall have the option to renew this Agreement for a renewal term (the “Renewal Term”), with such Renewal Term being for a period of Five (5) years, or for the remainder of Your then-current lease term if applicable, whichever is shorter, subject to your satisfaction of the following conditions, all of which shall be met before each renewal:

- (a) You and Your Related Parties are in Good Standing under this Agreement, and any other Agreement between Cocktail Claw and You, and You and Your Related Parties are in compliance with the Manual;
- (b) You shall give Cocktail Claw written notice of Your election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term;
- (c) You and any Related Parties that have signed this Agreement shall have signed a copy of the then-current Franchise Agreement (except with respect to the renewal provisions thereof, which shall not supersede this Section 4.6.2) not less than thirty (30) days before the expiration of the then-current term, or thirty (30) days after You receive a signature-ready copy of the then-current Franchise Agreement from Cocktail Claw, whichever is later;
- (d) You shall have, before the beginning of the renewal term, at Your own expense, replaced and modernized the equipment and the signs used in the Cocktail Claw Business as Cocktail Claw may require, in order for the Cocktail Claw Business to meet the then-current standards of appearance and function at the time of renewal;
- (e) You and Your Related Parties that are parties to this Agreement shall have executed a general release, in a form satisfactory to Cocktail Claw, of any and all claims against Cocktail Claw and its Related Parties affiliates successors and assigns and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their



corporate and individual capacities, including, without limitation, claims arising under this Agreement, any other agreement between You and Cocktail Claw or its affiliates, and federal, state, and local laws and rules; and

- (f) You shall have paid a Renewal Fee of \$5,000.

The provisions of the standard Franchise Agreement in use by Cocktail Claw at the time of renewal may be materially different than those contained in this Agreement, including, but not limited to, provisions for increased royalties, advertising, and other fees. You hereby acknowledge and agree that Your right to renew this Agreement shall be contingent upon Your execution of the then-current form of Franchise Agreement and acceptance of the new provisions.

## **5. SERVICES TO FRANCHISEE**

Cocktail Claw agrees to perform the following services for You provided that You are, at the time when service is to be rendered, in Good Standing under this Agreement, any other agreement with Cocktail Claw, and You are in compliance with the Manual.

### **5.1 [RESERVED]**

### **5.2 Training**

#### **5.2.1 Initial Training**

Before the opening of Your Cocktail Claw Business, Cocktail Claw will conduct an initial training program concerning the operation of the Cocktail Claw Business under the Cocktail Claw System for Your Operating Principal and manager, if any, if you are a legal entity, or You and your manager, if any, if you are an individual, and up to two (2) additional Business staff. Additional persons may attend initial training for a fee of up to \$250 each, per day. You or Your Operating Principal (if you are a corporate entity) and/or manager, if any, shall attend and successfully complete the initial training program to the satisfaction of Cocktail Claw before You may open the Cocktail Claw Business.

#### **5.2.2 Continuing Training**

In an effort to maintain brand standards and to protect and enhance the goodwill associated with the System and the Marks, Cocktail Claw may offer ongoing training or education programs on matters related to the operation or promotion of the Cocktail Claw Business on an optional or mandatory basis, as it deems appropriate, in its sole discretion. You shall attend and complete all such continuing education programs Cocktail Claw requires. You shall be responsible for Your own expenses and those of Your employees who attend any such training or education programs. Cocktail Claw may also require you to pay a fee for continuing training and education programs of its costs, plus an administrative fee. You must complete all education and training programs Cocktail Claw designates to Cocktail Claw's satisfaction.

### **5.3 Periodic Advisory Assistance**

Cocktail Claw will, as it deems advisable, provide periodic advisory assistance to You concerning the operation and promotion of the Cocktail Claw Business.

## **5.4 Manual**

Cocktail Claw will lend You a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by the Cocktail Claw Business, sample business forms, information on marketing, management, and administration methods developed by Cocktail Claw for use in the Cocktail Claw Business, names of approved suppliers, and other information that Cocktail Claw believes may be necessary or helpful to You in Your operation of the Cocktail Claw Business. Cocktail Claw will revise the Manual periodically, at its discretion to conform to the changing needs of the Franchise Network and will distribute updated pages containing these revisions to You from time-to-time. Alternatively, and in lieu of a hard copy of the Manual, Cocktail Claw may make available to You a Manual in electronic form that is accessible to you. Cocktail Claw will notify You of any updates to the Manual. You shall be responsible for immediately downloading and complying with the revised Manual.

## **5.5 Advertising**

Cocktail Claw may, but is not required to, provide you with electronic access to certain advertising materials, including in PDF format. These materials may include video and audiotapes, copy-ready print advertising materials, posters, banners and miscellaneous point-of-sale Items, and may be regional or national at Cocktail Claw's sole discretion. Printing of any and all such materials shall be at your sole cost and expense. Cocktail Claw reserves the right to change the format in which it provides these materials to you in the future.

## **5.6 Approved Suppliers**

Cocktail Claw has the absolute right to limit the suppliers with whom you may deal. Cocktail Claw will provide to You a list of the names and addresses of the approved suppliers who then-currently meet Cocktail Claw's standards and specifications in the Manual. Cocktail Claw reserves the right to act as the only approved supplier for some or all of the Approved Products and Services and products You will purchase for Your Cocktail Claw Business. Cocktail Claw reserves the right to charge a mark-up on any product or service sold to You. In advising You of suppliers who meet its standards and specifications, Cocktail Claw expressly disclaims any warranties or representations as to the condition of the goods or services sold by the suppliers, including, without limitation, expressed or implied warranties as to merchantability or fitness for any intended purpose. You agree to look solely to the manufacturer or the supplier of equipment or services for the remedy for any defect in the goods or services. Cocktail Claw reserves the right to change the list of approved suppliers from time-to-time, in its sole and absolute discretion.

Cocktail Claw may receive payments and/or other compensation from approved suppliers in any form on account of such suppliers dealing with You and/or other franchisees, and Cocktail Claw may use all amounts so received for any purpose Cocktail Claw deems appropriate. You acknowledge and agree that Cocktail Claw shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments, or benefits (collectively, "Allowances") offered by suppliers to You or to Cocktail Claw or its affiliates based upon Your purchases of Proprietary Services, products and other goods and services. You assign to Cocktail Claw or its designee all of Your right, title and interest in, and to any and all such Allowances and authorize Cocktail Claw or its designee to collect and retain any or all such Allowances without restriction.

Cocktail Claw may, from time-to-time, revoke its approval of particular items, services, products or suppliers if Cocktail Claw determines, in its sole and absolute discretion. Upon receipt of notice of such revocation, You shall cease to offer, sell or use any disapproved item, products or services and You shall immediately cease to purchase from any disapproved supplier.

**5.7. Strategic Account Policies.** Periodically establish and implement Strategic Account Policies that provide for the terms and conditions under which Strategic Account Commissions (as described in Item 6.13) will be paid as well as other matters concerning Strategic Accounts.

## **6. PAYMENTS BY FRANCHISEE**

### **6.1 Initial Franchise Fee**

When You sign this Agreement, You shall pay Cocktail Claw in cash or another form of payment that will make the funds immediately accessible to Cocktail Claw, such as cashier's check or wire transfer, an initial franchise fee of \$29,900-\$69,900 for a Cocktail Claw business (the "Initial Franchise Fee"). The Initial Franchise Fee is not refundable.

### **6.2 Royalties**

On the Tuesday of each week during the term of this Agreement, You shall pay Cocktail Claw a continuing royalty fee in the amount of 5% of Gross Revenues for the week ending the immediately-preceding Sunday.

The minimum aggregate annual royalty fee is as follows:

Year 1	\$750/year
Years 2 and 3	\$1,500/year
Year 4 and Beyond	\$2,500/year

In the event the continuing royalty fees paid during the course of any year (the "Annual Royalty Paid") do not in the aggregate equal at least the minimum annual royalty fee amount set forth above for the respective year, You shall pay Cocktail Claw the difference between that minimum amount and the Annual Royalty Paid within one week of the end of the applicable year. For purposes of calculating the minimum annual requirement, a year is to be considered the 12-month period from the date of this Agreement and each 12-month period subsequent thereto. This minimum annual royalty amount is per Territory.

There are no minimums of sales volume, level of market penetration or other similar contingencies that you must meet in order to maintain your Territory. However, we have the right to terminate your Franchise Agreement upon certain defaults including, among others, failure to pay royalty fees.

### **6.3 Method and Application of Payments**

You shall pay your continuing monthly royalties (including minimum royalties), advertising fees, and all other fees you are required to pay to Cocktail Claw, in accordance with the procedures designated by Cocktail Claw, which procedures Cocktail Claw has the discretion to change at any time upon written notice to you. Payment of royalties and fees shall be made by electronic funds transfer or direct deposit.

At no time will You sell, encumber or assign any of Your revenue stream, which includes, but is not limited to, current or future customer charges, to any other party without the prior written consent of Cocktail Claw.

Cocktail Claw has the right to apply any payment it receives from You to any past due amount You owe to Cocktail Claw regardless of how You indicate the payment is to be applied. Cocktail Claw reserves the right to change the manner in which you pay any and all fees you are required to pay to Cocktail Claw at any time upon written notice to you.

#### **6.4 When Payments Begin**

Your obligation to pay continuing monthly royalties (or minimum royalties) and other fees begins on the date Your Business opens for business, or six (6) months from the Effective Date of this Agreement, whichever is sooner.

#### **6.5 Audit**

Cocktail Claw has the right during normal working hours to audit Your books and records, including Your tax returns with respect to the Cocktail Claw Business. If an audit discloses an underpayment of royalties, advertising, or other fees payable under this Agreement, You shall immediately pay these amounts to Cocktail Claw, together with accrued interest on the amount underpaid in accordance with Section 6.9 of this Agreement. In addition, if the underpayment exceeds two percent (2%) of the total royalty, advertising, or other fee payable for any period covered under the audit, You shall reimburse Cocktail Claw for all expenses actually incurred by Cocktail Claw in connection with the audit, including reasonable attorneys' fees.

#### **6.6 Training Fees and Costs**

Cocktail Claw will not charge a fee for the initial training program for Your Operating Principal, manager, if any, if you are a legal entity, or You and your manager, if any, if you are an individual and up to one (1) additional Business staff. However, if additional persons are trained, Cocktail Claw may charge a training fee of \$250 per person, per day. Cocktail Claw may also charge a training fee for continuing education programs at cost plus an administrative fee determined by Cocktail Claw for all training offered by Cocktail Claw, You shall pay any costs of travel, lodging, meals and other incidental expenses that You and Your employees incur. You shall also pay for the cost of business class transportation, lodging, meals, and other incidental expenses incurred by Cocktail Claw in connection with any training conducted at Your site.

#### **6.7 Consulting Fees and Costs**

In addition to the periodic advisory assistance described in Section 5.3, optional consulting services may be made available to You by Cocktail Claw on a per hour fee basis, at a rate determined by Cocktail Claw, plus reimbursement of direct costs. You shall promptly pay such consulting fees and reimburse Cocktail Claw for all incidental expenses incurred by Cocktail Claw in rendering such consulting services, including, but not limited to, the cost of business class transportation, lodging, meals, and telephone, fax, and courier charges.

#### **6.8 Transfer Fee**

You shall pay to Cocktail Claw a transfer fee of twenty percent (20%) of our then-current initial franchise fee or five percent (5%) of the sales price, whichever is greater, as a condition of, and prior to, any Transfer.

### **6.9 Interest on Late Payments**

Any payment not received by Cocktail Claw when due will bear interest at one and one half (1.5%) per year or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. Interest charges on late payments are intended to partially compensate Cocktail Claw for loss of use of the funds and for internal administrative costs resulting from late payment which would otherwise be difficult to measure precisely. The fact that such charges are imposed shall not be construed as a waiver of Cocktail Claw's right to timely payment.

### **6.10 Supplier and Product Evaluation Fee**

If You would like to use alternative supplier for a product or service to be used in or sold at Your Cocktail Claw Business (except in instances where we have designated a sole supplier of any product, item, good, equipment service or supplies), You must submit a Supplier and Product Evaluation Form (as set forth in Section 7.3.3) and may be required to pay a Supplier and Product Evaluation Fee. The current Supplier and Product Evaluation Fee is one thousand dollars (\$1,000) for each alternative supplier request You submit to Us. If a fee is required, it is due and payable upon submission of an alternative supplier request. It is not refundable under any circumstances. We may grant or deny any such request in our sole and absolute discretion.

### **6.12 Priority of Payments**

All fees paid in accordance with this Section 6, inclusive, shall be paid on a preferred priority basis, before the payment of operating and capital expenditures, including, but not limited to, rent, vendors, suppliers, distributors, advertisers, salaries, commissions, and in advance of all distributions and remunerations by You to Your Operating Principal and/or Related Parties.

**6.13 Strategic Account Commissions.** When You receive and fulfill an order or orders for services that results from an initial solicitation of the ordering customer by Franchisor, the Franchisee will be required to pay a commission (the "Strategic Account Commission") to the soliciting Franchisor on all of Franchisee's Gross Revenues generated by such orders or by subsequent orders received from the same customer, to the extent required by, and in accordance with, the Franchisor's Strategic Account Policies as established by Franchisor from time to time. Such customer is hereinafter referred to in this Agreement as a "Strategic Account." The Strategic Account Policies established by Franchisor from time to time may also cover other matters concerning Strategic Accounts (such as requiring central billing by Franchisor and charges imposed by Franchisor for central billing and other administrative services), and Franchisee will adhere to such policies. Any dispute in regard to the payee, amount, split or other matter concerning such Strategic Account Commissions shall be finally determined by the Franchisor, except that any dispute between the Franchisee and Franchisor about payment of such commissions to the Franchisor shall be subject to arbitration in accordance with Section 11.8. If Franchisee does not fulfill in a timely and proper manner (or if Franchisee fails to give Franchisor adequate assurance that Franchisee will accept and fulfill in a timely and proper manner) an order or orders for services from a Strategic Account within its Territory, then, Franchisor may: (A) cause or allow such orders to be fulfilled by Franchisor or another franchisee,

and (B) use or allow another franchisee to use the Trade Name and Marks in the Territory in connection with the fulfillment of such orders. After the Franchisee has rejected or failed to fulfill in a timely and proper manner an order to a specific Strategic Account within its Territory, subsequent orders from such Strategic Account may be directed by Franchisor to itself or another franchisee without notifying the Franchisee or allowing it a first right to accept or reject such subsequent order or orders.

## 7. OBLIGATIONS OF FRANCHISEE

### 7.1 Use of Trade Name and Marks

#### 7.1.1 Permitted Use

Franchisor has registered the service mark COCKTAIL CLAW® with the United States Patent and Trademark Office, may use other Marks that are not registered with the United States Patent and Trademark Office and claims the right to use the Marks, any derivatives of the Marks, and certain other logos, designs, trade names, business names, trademarks, and commercial symbols in connection with the operation of the System. You may use the Trade Name and Marks only in the operation of the Cocktail Claw Business within the Approved Territory in accordance with the terms and conditions of this Agreement and subject to the limitations specified by Cocktail Claw in the Manual or otherwise in writing. **You shall not, under any circumstances, use the Trade Name or any of the Marks, including “Cocktail Claw,” in any manner, in the name of your corporation, limited liability company, partnership or other legal entity.** You may not license any third party to use Cocktail Claw’s Trade Name and Marks. You may not use the Trade Name or Marks on the internet, in any electronic advertising or social media, including but not limited to on Facebook®, Twitter®, Instagram®, YouTube® or other similar electronic advertising or social media without our prior written consent. We will allow you to open a sub-account on Facebook® to create a local Cocktail Claw Facebook account so long as you provide us with administrator privileges for such account. You may not use any other trade name or marks at the Approved Location, or in connection with the Cocktail Claw Business, without the express written consent and direction of Cocktail Claw. You shall refrain from engaging in any action (or failing to take any action) that causes or could cause damage to the Marks, the System, or the goodwill associated with the Marks.

#### 7.1.2 Changes in Trade Names and Marks

Cocktail Claw has invested substantial time, energy, and money in the promotion and protection of its Trade Name and Marks as they exist on the Effective Date. However, You and Cocktail Claw recognize that rights in intangible property such as the Trade Name and Marks are often difficult to establish and defend, and that changes in the cultural and economic environment within which the System operates or third-party challenges to Cocktail Claw’s rights in the Marks may make changes in the Trade Name and Marks desirable or necessary. Cocktail Claw therefore reserves the right to change its Trade Name and Marks (although it has no present intention to do so) and the specifications for each when Cocktail Claw believes that such changes will benefit the Franchise Network. Cocktail Claw will do this in a manner that minimizes cost to You. You agree that You shall promptly conform, at Your own expense, to any such changes.

#### 7.1.3 Advertising Materials

You agree to submit to Cocktail Claw copies of all advertising materials that You propose to use at least two weeks before the first time they are broadcast or published. Cocktail Claw will review the materials

within a reasonable time and will promptly notify You in writing as to whether it approves or rejects them. Cocktail Claw may not withhold its approval unreasonably. For purposes of this paragraph, advertising materials that differ from previously approved materials only in such variables as date or price will be considered to be previously approved. Even if Cocktail Claw approves specified materials, it may later withdraw its approval in its sole and absolute discretion, including, without limitation, if it reasonably believes this is necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising, including any misrepresentation in the advertising material.

#### **7.1.4 Legal Protection**

You agree to notify Cocktail Claw immediately in writing if You become aware of any unauthorized use of Cocktail Claw's Trade Name, Marks, or System. You shall promptly notify Cocktail Claw in writing of any claim, demand or suit against You or against Your principals. You shall promptly notify Cocktail Claw in writing of any claim, demand or suit against You or against Your principals in connection with Your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, You agree that Cocktail Claw may select legal counsel and has the right to control the proceedings. In certain cases, as described in Section 8.5 of this agreement, Cocktail Claw will indemnify and hold You harmless.

#### **7.2 [RESERVED]**

#### **7.3 Quality Control**

##### **7.3.1 Business Opening**

Opening Requirements. You shall obtain all necessary equipment of the Cocktail Claw Business in accordance with the Cocktail Claws' direction in the Manual and in writing from time to time and open the Cocktail Claw Business to the public no later than one hundred twenty (120) days after the Effective Date (the "Required Opening Date"). Time is of the essence. You may not open the Cocktail Claw Business to the public until Cocktail Claw issues a written approval authorizing your opening. Cocktail Claw will not issue its approval, and you will be prohibited from opening the Business, if (a) the Business has not been equipped in accordance with Cocktail Claw's standards and specifications, (b) you fail to successfully complete initial training, or (c) in view of Cocktail Claw's management, Cocktail Claw determines you and your employees are not prepared to open.

Opening without Cocktail Claw's written certification that You are prepared to do so is a material breach of this Agreement and constitutes infringement on Cocktail Claw's intellectual property rights, justifying injunctive relief and termination of this Agreement. **By certifying that Cocktail Claw's management believes You are prepared to commence business, Cocktail Claw does not guarantee that the Cocktail Claw Business will be successful.** Your success will depend on a number of factors, including general economic conditions and Your skill and hard work which are not within Cocktail Claw's control.

### 7.3.2 Compliance with Manual

You shall operate Your Cocktail Claw Business in complete compliance with the standards and specifications, as set forth in the Manual, or otherwise in writing. Cocktail Claw may make changes to any of these standards and specifications, at any time, in Cocktail Claw's sole and absolute discretion. Such changes may necessitate the purchase of equipment, supplies furnishings or other goods, completion of additional training by Your employees, remodeling of the Cocktail Claw Business, or other cost to You. You shall promptly conform to the modified standards and specifications at Your own expense. You shall, at all times, keep Your copy of the Manual current (by, for example, inserting in it revised pages given to You by Cocktail Claw and deleting superseded pages, or downloading from Cocktail Claw's website, the current version of the Manual upon notification of any revision to the Manual). If there is any dispute as to the requirements of the Manual at any point in time, the terms of the master copy of the Manual maintained by Cocktail Claw will control.

You shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Cocktail Claw Business, and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Except for those portions of the Manual that Cocktail Claw designates, in writing, as appropriate for copying and use at the Cocktail Claw Business, You shall not, at any time, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any third party without our prior written consent.

### 7.3.3 Required Products and Services

You must offer all of the products and services we designate. We have the right to modify these items from time-to-time, at our sole discretion. You may not offer or sell any other product or service without our prior written consent. You must use the proprietary and nonproprietary techniques, materials and supplies we designate in the Manual. You must provide all services (including Proprietary Services) in accordance with the standards and specifications set forth in the Manual. You must, at all times, maintain sufficient staff, materials and supplies to meet reasonably anticipated customer demand.

- (a) Approved Suppliers. We have the absolute right to limit the suppliers with whom you may deal. We may require you to purchase certain items, products, services, signs, furnishings, supplies, fixtures and equipment from us or distributors we have approved. Unless we specify otherwise in writing, you may be required to purchase all goods, items, products, equipment and services required for the development and operation of the Business from our approved or designated suppliers. We have the right to designate one supplier for any given item or service. We may provide you with a list of suppliers, which list may change over time. While the suppliers included on this list may be mandated, approved and/or recommended, we reserve the right to change this list, from time-to-time, in our sole discretion. Notifications of changes to the approved suppliers list will be communicated to you through changes to the Manual or other written communications, including via electronic mail. We may revoke approval of suppliers in our sole and absolute discretion, at any time, upon written notice. We may become an approved supplier, and/or the only supplier, for any item, product, good and/or service at any time. We reserve the right to own an interest in any entity that will act as an approved supplier for any or all products and services You will use, offer and/or sell in the Cocktail Claw Business.



- (b) Right to Derive Income. We may derive income, consideration payments and other benefits on account of your purchase or lease of any products, services, supplies, equipment and/or other items from us or any supplier, including approved suppliers and/or designated suppliers. This income may be derived in any form, including as a rebate from various suppliers based on the quantity of System franchisee purchases. We may use these benefits for any purpose we deem appropriate. We are not obligated to remit any benefits to you and reserve the right to retain all such benefits.
- (c) Alternative Suppliers. If you want to purchase any item, product service, goods, equipment or supplies from a supplier or distributor who is not on our approved list, you may request our approval of the supplier or distributor (except in instances where we have designated a sole supplier of any product, item good, equipment, service or supplies), which we may grant or deny in our sole and absolute discretion. The proposed supplier's or distributor's product or service, as applicable, must conform in every respect to our standards and specifications, and the supplier or distributor must have a good business reputation and be able and willing to provide sufficient quantities of the product and adequate service to you. The supplier or distributor must also provide us with any information we request in order to analyze the supplier's or distributor's suitability, and the composition and conformity of the product to our standards. This evaluation may include a sampling of the product at either the supplier's/distributor's or our place of business as we may designate. Where appropriate, we may require the supplier or distributor to provide us with product liability insurance. All suppliers and distributors must agree to provide us with reports concerning all purchases by you or other franchisees. You may be required to pay us a Supplier and Product Evaluation Fee of not more than one thousand dollars (\$1,000) for each alternative supplier request You submit to Us. We cannot predict with any certainty how long any evaluation will take, however, we will attempt to complete our evaluation within thirty (30) days. Upon the completion of our evaluation, we will inform you of our approval or disapproval of your request. If we approve the supplier or distributor, the supplier or distributor is added to our approved list, however, our approval of a supplier or distributor relates only to the item or product line evaluated and specifically approved by us.

Our standards, specifications and other criteria, for supplier or distributor approval have been developed by us, our affiliates, and/or or principals through the expenditure of extensive work and time and are considered confidential information. Therefore, we do not make our standards and specifications or our other criteria for supplier or distributor approval available to you or suppliers.

- (d) Modifications. We may modify our specifications and standards for any item or revoke our approval of any supplier or distributor who fails to adhere to our quality standards or other requirements. We may limit the number of potential suppliers that we consider for approval and, for some categories of products, we may designate a third-party or ourselves as an exclusive supplier.

**NEITHER COCKTAIL CLAW, ITS PARENTS OR AFFILIATES, MAKE ANY EXPRESS OR IMPLIED WARRANTIES REGARDING ANY ITEM OR SERVICE, AND COCKTAIL CLAW AND ITS AFFILIATES EXCLUDE (AND EXPRESSLY**

**DISCLAIM) ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE**, except as set forth in a particular written warranty, if any, provided in connection with a particular item or service.

- (e) Further Restrictions. You shall not offer or sell any product, item or service we have not designated or expressly approved in writing without our prior written consent, which may be granted or withheld in our sole and absolute discretion. We reserve the right to sell products and services to you for a profit.
- (f) Purchasing Programs, Promotional Programs. We may establish national or regional purchasing programs for the purpose of negotiating purchases of certain products and/or services from approved or designated suppliers. The purchasing programs may (but are not required to) benefit you by reducing prices, increasing reliability in supply, improving distribution, and establishing consistent pricing for reasonable periods to avoid market fluctuations. If a national and/or regional purchasing program is established for the region where your Franchised Business is located, you must participate in the program.
- (g) Pricing. You must offer all Proprietary Services, products and services that we designate. We reserve the right to prohibit you from charging prices lower than our published prices for any service or item, to the maximum extent allowed by applicable law. We may also suggest pricing to you from time-to-time. We may change the types of authorized goods and services, and the prices for authorized goods and services sold by You in our sole discretion. There are no limitations on our right to make changes.

#### **7.3.4 Inspections.**

In an effort to advance the protection and enhancement of the Cocktail Claw brand and the Marks, Cocktail Claw and/or its designated agents or representatives may conduct periodic quality control and records inspections of the Cocktail Claw Business at any time during the Term. Inspections may be made with or without prior notice. Without limiting the foregoing, you grant Cocktail Claw and its agents the right to: (a) enter upon the Cocktail Claw Business premises for the purpose of conducting inspections, and you shall cooperate with Cocktail Claw's representatives in such inspections by rendering such assistance as they may reasonably request; (b) photograph your Cocktail Claw Business and observe and record video of your Business's operation for consecutive or intermittent periods as Cocktail Claw deems necessary; (c) interview your personnel and customers; and (d) inspect and copy any books records and documents related to your Cocktail Claw Business's operation. You shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. If any inspection reveals that you are not in compliance with any provision of this Agreement, the Manual, or any of Cocktail Claw's standards and/or specifications, you shall be deemed in breach of your obligations under this Agreement and Cocktail Claw shall have the right to terminate this Agreement as provided under Section 10.2 of this Agreement, if you fail to cure the breach before the expiration of all applicable notice and cure periods. You further agree that You will reimburse Cocktail Claw for its representative's time and travel expenses if an additional inspection at the Cocktail Claw Business is required when a violation has occurred and You have not corrected the violation.

### **7.3.5 Customer Satisfaction**

You must present customers with such evaluation cards or forms as the Franchisor may periodically prescribe, for return by the customers to Cocktail Claw. If Your scores from the customer response forms do not meet Cocktail Claw's then-current standards, as may be described in the Manual, Cocktail Claw may suggest ways in which You can improve Your scores. If You do not take immediate, effective steps to bring Your operation into conformity with Cocktail Claw's standards, Your failure to do so will constitute a material breach of this Agreement, and You shall be subject to termination pursuant to Section 10.2.

You shall respond to all customer complaints suggestions and the like via e-mail, telephone, or regular mail within 48 hours of submission by the customer or prospective customer.

You shall install a video and/or security system, in a manner we deem acceptable, in our sole discretion, and shall provide Cocktail Claw with access to view the video at any time.

### **7.3.6 Maintenance Requirements**

All equipment repairs shall be completed within seventy-two (72) hours. Any damaged or "worn" equipment shall be repaired every six months, or as needed. You shall maintain the Cocktail Claw Business in accordance with the requirements set forth in the Manual. From time-to-time, Cocktail Claw may require You to purchase new equipment, signs, and other such items as Cocktail Claw designates in its sole discretion. You must promptly, at Your own cost and expense, improve the Cocktail Claw Business as instructed by Cocktail Claw.

### **7.3.7 Notification of Complaints**

You shall notify Cocktail Claw promptly if You are served with a complaint or demand in any legal proceeding that is in any way related to the Cocktail Claw Business or if You become aware that You are the subject of any complaint to or investigation by a governmental agency, governmental licensing authority, or consumer protection agency. You shall notify Cocktail Claw immediately upon receipt of any notice of a breach of the lease agreement for the premises of the Cocktail Claw Business. You must notify Cocktail Claw of any claim arising from or affecting the financial condition of your Cocktail Claw Business.

### **7.3.8 Computer System Requirements**

You shall purchase and maintain a computer and point-of-sale system, as designated by Cocktail Claw (the "POS System"), to be used in the operation of the Cocktail Claw Business and for reporting purposes. You shall comply with the following provisions relating to the POS System:

- (a) You shall update and upgrade the POS System as designed by Cocktail Claw. Cocktail Claw may require you to enter into a separate maintenance and/or support agreement for your POS System, at any time, at your sole cost and expense;
- (b) You shall record all sales at or from the Cocktail Claw Business at the time of sale, in accordance with Cocktail Claw's procedures, on the POS System;

- (c) You shall comply with such requirements determined by Cocktail Claw, from time-to-time, regarding maintenance, training, storage and safeguarding of data, records, reports, and other matters relative to the POS System; and
- (d) Cocktail Claw has the right to independently access any and all information on your POS System, at any time, without first notifying you. Without limiting the generality of the foregoing, you shall, at your sole cost and expense, permit Cocktail Claw's immediate access to your POS System, electronically or otherwise, at all times, without prior notice to you. Cocktail Claw shall have the right to use the information accessed on the POS System in any manner Cocktail Claw determines, including the right to use any and all such information in Cocktail Claw's Franchise Disclosure Document, and to share financial statements, including profit and loss statements, with other System franchisees.

**COCKTAIL CLAW MAKES NO WARRANTY OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WITH REGARD TO ANY THIRD PARTY MATERIALS. COCKTAIL CLAW DISCLAIMS ANY AND ALL WARRANTIES RELATED TO THE COMPUTER SYSTEM, WHETHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, INTEROPERABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, QUIET ENJOYMENT, OR THOSE ARISING FROM TRADE USAGE OR COURSE OF DEALING. COCKTAIL CLAW DOES NOT WARRANT THAT THE COMPUTER SYSTEM WILL BE FREE FROM DEFECTS OR THAT USE OF THE COMPUTER SYSTEM WILL BE UNINTERRUPTED OR ERROR FREE.**

**IN NO EVENT WILL COCKTAIL CLAW BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL SPECIAL OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, ANY DAMAGES ASSOCIATED WITH LOSS OF USE, INTERRUPTION OF BUSINESS, LOSS OF DATA OR LOSS OF PROFITS) ARISING OUT OF OR IN ANY WAY RELATED TO THE COMPUTER SYSTEM OR ITS USE.**

### **7.3.9 Data Security**

You shall use your best efforts to protect your customers against any and all data breaches and cyber-events, including, without limitation, identity theft or theft of personal information (a "Data Security Breach"). If a Data Security Breach occurs, in the interest of protecting the goodwill associated with the Cocktail Claw brand and franchise system, Cocktail Claw hereby reserves the right to (but does not undertake the obligation to) directly or through its designee, perform or control any and all aspects of the response to such Data Security Breach, including, without limitation, the investigation, containment and resolution of the event and all communications with the franchise system, vendors and suppliers, customers, law enforcement agencies, regulatory authorities and the general public. You hereby acknowledge and agree that a Data Security Breach and/or any response to a Data Security Breach may impact operations of the Business, including, without limitation, interruption in operations. You hereby acknowledge and agree that neither Cocktail Claw nor any of its parents, affiliates, subsidiaries, owners, officers, directors, or employees shall be liable to You for any damages arising out of or resulting from any Data Security Breach or any action or inaction in response to a Data Security Breach. You shall at all times be compliant with all Payment Card Industry Data Security Standards, any and all requirements imposed by all applicable payment processors and payment networks, including credit card and debit card processors, and any and all state and federal

laws, rules and regulations relating to data privacy, data security and security breaches. You hereby acknowledge and agree that if Cocktail Claw engages or designates a third party service provider to administer a data security program, you will be required to comply with the requirements of such service provider. It is your responsibility to ensure that you operate the Business at all times in compliance with all aforementioned laws, rules, regulations and requirements and you are strongly encouraged to engage legal, and data security professionals, including insurance providers to ensure your full compliance and adequate protection.

#### **7.4 Management and Personnel**

You or another principal or employee who has successfully completed Cocktail Claw's initial training program are required to devote a minimum of fifteen hours per week to the management and operation of Your Cocktail Claw Business. You shall maintain, at all times, a staff of competent conscientious and trained employees sufficient to operate the Cocktail Claw Business in compliance with Cocktail Claw standards. Cocktail Claw does not direct or control labor or employment matters for You or Your employees, or for any of Cocktail Claw franchisees and/or their employees. Cocktail Claw may make suggestions and may provide guidance relating to such matters; however it is entirely Your responsibility to determine whether to adopt, follow and/or implement any of our suggestions or guidance. Notwithstanding anything contained in this Agreement to the contrary, mandatory specifications, standards and operating procedures including as set forth in any manual, do not include the terms or conditions of employment for any of your employees, nor do they include mandated or required personnel policies or procedures.

#### **7.5 Advertising**

Recognizing the value of advertising, marketing, and promotion, and the importance of the standardization of advertising, marketing, and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

##### **7.5.1 Grand Opening**

You shall spend at least \$2,000 on a grand opening advertising program conducted in accordance with the guidelines for such a program in the Manual, in addition to Your regular monthly Local Advertising pursuant to Section 7.5.2 of this Agreement. Such grand opening must occur within two (2) weeks of the opening of Your Cocktail Claw Business.

##### **7.5.2 Local Advertising and Bridal Shows**

You shall spend at least one percent (4%) of Gross Revenue per month on local marketing, advertising and promotion in such manner as Cocktail Claw may, in its sole discretion, direct in the Manual or otherwise in writing from time-to-time. In addition, you are also required to spend at least \$2,500 per year for and related to attendance at no less than 2 bridal shows per year. Upon Cocktail Claw's request, You shall provide satisfactory evidence of its local advertising and bridal show promotion expenditures in such manner as Cocktail Claw shall direct in the manual or otherwise in writing from time-to-time.

### **7.5.3 Brand Fund Contribution**

You shall pay to Cocktail Claw a fee (not to exceed 2% of Gross Revenue) to contribute to the expense of regional advertising, marketing and promotion undertaken by Cocktail Claw for the benefit of the System in accordance with the manual or as otherwise stated in writing from time-to-time.

### **7.5.4 Websites**

Unless otherwise approved in writing by Cocktail Claw, You shall not establish a separate Website. However, Cocktail Claw shall have the right to require that You have one or more references or webpage(s), as designated and approved in advance by Cocktail Claw, within Cocktail Claw's principal Website, which is currently [www.cocktailclaw.com](http://www.cocktailclaw.com) ("Our Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, Linked In, and on-line blogs and forums ("Networking Media Sites"). We will provide you the ability to use a Website within Our Website, which will be [www.CocktailClaw.com/<insert city>](http://www.CocktailClaw.com/<insert city>). Cocktail Claw shall have the right to require that You not have any Website other than the webpage(s), if any, made available on Our Website. We reserve the right to modify our social media and other marketing policies.

#### **7.5.4.1 Cocktail Claw Website**

Cocktail Claw may approve a separate Website for You (which Cocktail Claw is not obligated to approve; and which approval, if granted, may later be revoked by Cocktail Claw) subject to the conditions set forth in this Section 7.5.4.1:

- (a) You specifically acknowledge and agree that any Website owned or maintained by or for the benefit of You shall be subject to Cocktail Claw prior review and approval;
- (b) Any expenditures by You in connection with any Website shall not count towards fulfilling Your advertising obligations under this Section 7 of the Agreement;
- (c) Before establishing any Website, You shall submit to Cocktail Claw, for Cocktail Claw's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner Cocktail Claw may reasonably require;
- (d) Cocktail Claw may designate a single vendor or supplier for the purposes of assisting You in creating Your Website;
- (e) If approved, You shall not subsequently modify such Website without Cocktail Claw's prior written approval as to such proposed modification;
- (f) You shall comply with the standards and specifications for Websites that Cocktail Claw may periodically prescribe in the Manual or otherwise in writing;

- (g) If required by Cocktail Claw, You shall establish such hyperlinks to Cocktail Claw’s Website and other Websites as Cocktail Claw may request in writing; and
- (h) You shall not make any posting or other contribution to a Networking Media Site relating to Cocktail Claw, the System, the Proprietary Marks, or the Franchised Business that: (i) is derogatory, disparaging, or critical of Cocktail Claw; (ii) is offensive, inflammatory, or indecent; (iii) harms the goodwill and public image of the System and/or the Proprietary Marks; or (iv) violates Cocktail Claw’s policies relating to the use of Networking Media Sites.

#### **7.5.4.2 Technology Fee**

In addition to the conditions set forth in Section 7.5.4.1, You may be required to pay Cocktail Claw a fee (the “Technology Fee”) annually for use and participation in, and access to, Our Website. Currently, we do not charge a Technology Fee. If charged, the Technology Fee shall be paid in quarterly installments, payable by the tenth (10th) day following the close of each quarter, commencing with the end of the first quarter following entry into this Agreement.

#### **7.5.4.3 Changes to Technology**

You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, You agree that Cocktail Claw shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and You agree that You shall abide by those reasonable new standards established by Cocktail Claw as if this Agreement were periodically revised by Cocktail Claw for that purpose.

#### **7.5.5 Advertising Cooperative**

Cocktail Claw shall have the right, in its sole discretion, to designate any geographic area for purposes of establishing a regional advertising and promotional cooperative (the “Cooperative”), and to determine whether a Cooperative is applicable to Your Approved Territory. If a Cooperative has been established in Your area prior to opening the Business, You shall become a member of the Cooperative no later than thirty (30) days after opening the Business. If a Cooperative is established subsequent to Your opening of the Business, You shall become a member of the Cooperative no later than thirty (30) days after the date on which the cooperative commences operation. If the Business is within the Territory of more than one Cooperative, You shall not be required to be a member of more than one Cooperative within that Territory. We reserve the right to require you to contribute a portion of Your Gross Revenues to the Cooperative.

#### **7.5.6 Signs**

You shall permanently display, at Your own expense, in Your Cocktail Claw Business and on your vehicle to be used in the operation of the franchised business, Cocktail Claw signs of any nature, form, color, number, location and size, and containing any legends, that Cocktail Claw has designated in the Manual or otherwise in writing. Cocktail Claw has the right to require you to change, modify, update upgrade and/or change any and all signs used in connection with the operation of your Cocktail Claw Business at any time upon written notice to you.

### **7.5.7 Marketing Materials**

All marketing and promotion by You shall be in such media and of such type and format as Cocktail Claw may approve, shall be conducted in a dignified manner and shall conform to such standards and requirements as Cocktail Claw may specify. You shall not use any advertising or promotional plans or materials unless and until You have received written approval from Cocktail Claw. You shall provide satisfactory evidence of Your local advertising and promotion expenditures in such a manner as Cocktail Claw shall direct in the Manual or otherwise in writing from time-to-time. Cocktail Claw may make available to You, from time-to-time, at Your expense, such promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials.

### **7.5.8 Promotions and Reservation of Space**

You acknowledge that periodic rebates, give-a-ways, and other promotions and programs are an integral part of the System. Accordingly, You, at your sole cost and expense, shall, from time-to-time, issue and offer such rebates, give-a-ways, and promotions, in accordance with any reasonable advertising programs established by Cocktail Claw, and shall further honor such rebates, give-a-ways, and promotions, issued by Cocktail Claw, as long as all of the above does not contravene regulations and laws of appropriate government agencies.

You also agree that Cocktail reserves the right to use up to 35% of available advertising space, including but not limited to television screen space, on any Claw Machine purchased by You, for promotional or marketing purposes, including the placing of advertisements for the sale of any product or service related or unrelated to the System. Cocktail Claw intends to share a portion of net revenue generated from any such promotion or marketing agreement that requires the use of Claw Machines owned by franchisees within the System with such franchisees and, in the future, may create such a program. You may not enter into any agreement for the sale or other paid use of space on any Claw Machine by a third party without our consent.

### **7.5.9 Telephone Directories**

You shall, at your sole expense, obtain listings in the white and yellow pages of local telephone directories. You shall comply with Cocktail Claw's specifications concerning the form and size of such listings, and the number of directories in which such listings will be placed. Additionally, You are required to obtain listings and/or advertise with Cocktail Claw and other franchisees of the System on electronic yellow pages directories and other online directories as Cocktail Claw may designate in the Manual or otherwise in writing. Cocktail Claw reserves the right to place, and subsequently remove or modify, such online listings and advertisements on Your behalf. For any listings or advertisement posted or on behalf of You, You shall promptly pay, upon demand by Cocktail Claw, Your *pro rata* share of the costs of such listings or advertisements.

### **7.5.10 Franchise Advisory Council**

Cocktail Claw shall have the right, in its discretion, to require the establishment of a franchise advisory council (the "Advisory Council") in Your Approved Territory. In the event such Advisory Council is established, You shall participate actively in the Advisory Council as Cocktail Claw designates and



participate in all Advisory Council meetings approved by Cocktail Claw. Cocktail Claw reserves the right to prepare and amend the governing documents for the Advisory Council from time-to-time, in its sole discretion, at any time. Cocktail Claw, in its sole discretion, will determine the topic areas to be considered by the Advisory Council. The purpose of the Advisory Council shall include, but is not limited to, exchanging ideas and problem-solving methods, advising Cocktail Claw on expenditures for system-wide advertising, and coordinating franchisee efforts. Amounts and expenditures may vary from time-to-time due to variations in Advisory Council participation and costs, as determined by the Advisory Council, and as approved by Cocktail Claw. Cocktail Claw shall have the right to form, change, or dissolve an Advisory Council at any time in its sole discretion.

## **7.6 Financial Information**

### **7.6.1 Records**

You shall record all sales and all receipts of revenue on individual serial-numbered receipts. Bank Deposits must validate all receipts. You shall retain daily sales reporting forms and accompanying records for at least three (3) years after the date of sale (or for a longer period if required by state or local law). You shall retain all other records and receipts used in the ordinary course of business. You shall furnish all records to Cocktail Claw upon request.

### **7.6.2 Reports**

You shall submit to Cocktail Claw, on or before the fifteenth (15th) day following the end of each month, financial reports on the income and expenses of the Cocktail Claw Business in the format specified in the Manual. You shall also submit to Cocktail Claw, at the time of filing, copies of all federal state and local income, sales, and property tax returns. Cocktail Claw will use this data to confirm that You are complying with Your obligations under this Agreement, and to formulate earnings and expense information for possible disclosure to prospective franchisees. In addition to the foregoing, on or before the fifteenth (15th) day following the end of each month, you shall submit proof of payment for any leasehold rental obligations, sales tax, and payroll taxes.

## **7.7 Insurance**

### **7.7.1 Minimum Insurance Requirements**

You shall procure, prior to the commencement of any activities or operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Your expense, an insurance policy or policies protecting You, Cocktail Claw, and their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, business interruption, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Business, including, but not limited to, comprehensive general liability insurance, property insurance (including, but not limited to, fire, vandalism, and malicious mischief insurance for the replacement value of the Cocktail Claw Business and its contents), casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, and automobile insurance coverage for all vehicles used in connection with the operation of Business, if applicable. Such policy or policies shall be written by a responsible carrier or carriers acceptable to Cocktail Claw, shall name Cocktail Claw and its subsidiaries and affiliates as additional insureds, shall provide for Cocktail Claw to receive notice upon cancellation or any event of default, including non-payment, and shall provide at least the types and minimum amounts of coverage specified in the Manual. Cocktail Claw shall have the right, from time-to-time, to make such changes in minimum policy limits and endorsements in the Manual or otherwise in writing as it may determine in its reasonable discretion.

### **7.7.2 Non-Waiver**

Your obligation to obtain and maintain the policy or policies in the amounts specified in the Manual shall not be limited in any way by reason of any insurance that may be maintained by Cocktail Claw, nor shall Your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 8.5 of this Agreement.

### **7.7.3 Franchisor Entitled to Recover**

All public liability and property damage policies shall contain a provision that Cocktail Claw, although not named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Cocktail Claw or its agents or employees by reason of the negligence of You or your agents or employees.

### **7.7.4 Certificates of Insurance**

Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, You shall deliver to Cocktail Claw Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Cocktail Claw in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

### **7.7.5 Right to Procure Insurance**

Should You, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time-to-time by Cocktail Claw in the Manual or otherwise in writing, Cocktail Claw shall have the right and authority (but not the obligation) to procure and maintain such insurance in Your name and to charge same to You, which charges, together with Our reasonable expenses in so acting, shall be payable by You immediately upon notice. The foregoing remedies shall be in addition to any other remedies Cocktail Claw may have under this Agreement, or at law or in equity.

## **7.8 Financial and Legal Responsibility**

### **7.8.1 Compliance with Law**

You shall comply with all federal, state and local laws and regulations pertaining directly or indirectly to the Cocktail Claw Business. You shall keep current and legally compliant all licenses, permits, bonds, contracts, and deposits made to or required by any government agency in connection with the operation of the Cocktail Claw Business. You are responsible for compliance with all requirements imposed by applicable law, rule, or regulation.

### **7.8.2 Payment of Indebtedness**

You shall pay promptly when due all taxes and debts that You incur in the conduct of Your business. Except in connection with the financing of the initial development of the Business, including your obtainment of any SBA financing, the Cocktail Claw Business and all assets and equipment used in connection with the operation of the Cocktail Claw Business shall remain free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, security interest or purchase right or options unless approved by Cocktail Claw in writing. The Business revenues, including Gross Revenues and if You are a partnership, corporation, or limited liability company, each of your Owners' interest in the franchisee entity, shall be and remain free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options, unless approved by Cocktail Claw in writing.

## **7.9 Franchised Business Operations**

You shall use the Business solely for the operation of the business franchised hereunder; shall keep the Business open and in normal operation for such minimum hours and days as Cocktail Claw may specify in the Manual or otherwise directs from time-to-time; shall refrain from using or permitting the use of the Business for any other purpose or activity at any time without first obtaining the written consent of Cocktail Claw; and shall operate the Business in strict conformity with such methods, standards, and specifications as Cocktail Claw may, from time-to-time, prescribe in the Manual or otherwise in writing. You shall refrain from deviating from such standards, specifications, and procedures without Cocktail Claw's prior written consent.

## **8. RELATIONSHIP OF PARTIES**

### **8.1 Interest in Marks and System**

You expressly understand and acknowledge that:

- (a) Cocktail Claw (or its affiliate(s)) is the owner of all rights, title and interest in and to the Marks and the goodwill associated with and symbolized by them;
- (b) The Marks are valid and serve to identify the System and those who are authorized to operate under the System;
- (c) Neither You nor any principal of You shall directly or indirectly contest the validity of Cocktail Claw's ownership of the Marks, nor shall You directly or indirectly, seek to register the Marks with any government agency;
- (d) Your use of the Marks does not give You any ownership interest or other interest in or to the Marks, except the licensure granted by this Agreement;
- (e) Any and all goodwill arising from Your use of the Marks shall inure solely and exclusively to Cocktail Claw's benefit, and upon expiration or termination of this Agreement, and the license herein granted, no monetary amount shall be assigned or attributable to any goodwill associated with Your use of the System or the Marks; and
- (f) The right and license of the Marks granted hereunder to You is non-exclusive, and Cocktail Claw thus has and retains the rights, among others:
  - i. to use the Marks itself in connection with selling services, products and other;
  - ii. to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees;
  - iii. to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to You; and
  - iv. to, from time-to-time, modify or delete existing Marks upon notice to You. You have absolutely no right to use any specific deleted mark owned or controlled by Cocktail Claw or its Affiliate.

## **8.2 Independent Status**

It is expressly agreed that the parties intend by this Agreement to establish between you and Cocktail Claw the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in Cocktail Claw's name or on Cocktail Claw's behalf any obligation express or implied or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you nor Cocktail Claw is the employer, employee, agent, partner, fiduciary or co-venturer, of or with the other, each being independent. All employees and agents hired or engaged by or working for you will be only the employees or agents of yours and will not, for any purpose be deemed employees or agents of Cocktail Claw nor subject to Cocktail Claw's control. Cocktail Claw has no authority to exercise control over the hiring or termination of your employees, independent contractors, agents or others who work for you, their

compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the brand and the Marks. You shall file your own tax, regulatory and payroll reports with respect to your employees, agents and contractors, and you shall save, indemnify and hold Cocktail Claw and its parents, affiliates, owners, officers, directors and subsidiaries harmless from any and all liability, costs and expenses, of any nature, that any such party incurs related to these obligations. You shall, in all respects, be an independent contractor and nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint-venturer, joint-employer, partner, employee or servant of the other for any purpose whatsoever. Without limiting the foregoing, You are an independent legal entity and must make this fact clear in Your dealings with suppliers, lessors, government agencies, employees, customers and others. You and Cocktail Claw are completely separate entities and are not fiduciaries, partners joint-venturers, or agents of the other in any sense, and neither party has the right to bind the other. No act or assistance by either party to the other pursuant to this Agreement may be construed to alter this relationship. You are solely responsible for compliance with all federal, state, and local laws rules and regulations, and for complying with Cocktail Claw's policies, practices, and decisions relating to the operation of the Cocktail Claw Business. You shall rely on Your own knowledge and judgment in making business decisions, subject only to the requirements of this Agreement and the Manual. You may not expressly or implicitly hold Yourself out as an employee, partner, shareholder, member, joint-venturer or representative of Cocktail Claw, nor may You expressly or implicitly state or suggest that You have the right or power to bind Cocktail Claw, or to incur any liability on Cocktail Claw's behalf. You may not use the Trade Name or Marks as part of Your corporate name limited liability company name or limited partnership name. There is no fiduciary duty between You and Cocktail Claw.

### **8.3 Display of Disclaimer**

You shall conspicuously display a sign that states that "THIS COCKTAIL CLAW BUSINESS IS AN INDEPENDENTLY OWNED AND OPERATED FRANCHISED BUSINESS" within each Business, business cards, client/customer agreements, stationery, purchase order forms, invoices, and other documents that You use in Your business dealings with suppliers, government agencies, employees and customers must clearly identify You as an independent legal entity.

### **8.4 Confidentiality**

You acknowledge and agree that the information, ideas, forms, marketing plans and other materials disclosed to You under this Agreement, whether or not included in the Manual, are confidential and proprietary information and trade secrets of Cocktail Claw. Any and all information, knowledge and techniques which Cocktail Claw designates as confidential shall be deemed confidential for purposes of this Agreement, except information which You can demonstrate came to Your attention prior to disclosure thereof by Cocktail Claw or which, at or after the time of disclosure by Cocktail Claw to You, had become or later becomes a part of the public domain, through publication or communication by others. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third-party, except to Your employees and agents, as necessary in the regular conduct of the Cocktail Claw Business, and except as authorized in writing by Cocktail Claw. You shall be responsible for requiring compliance of Your Related Parties and employees with the provisions of this Section. You shall obtain signed Nondisclosure, Nonsolicitation and Noncompetition Agreements, in the form of Exhibit E to this Agreement, from Your Related Parties and employees, and send Cocktail Claw a copy of each such agreement upon demand.

## **8.5 Mutual Indemnification**

You and your Related Parties agree to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the “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 or related to your act or omission, the act or omission of any of your Related Parties, employees, agents or representatives, the Cocktail Claw Business’s operation, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be 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 gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, 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 , arbitrators, attorneys’ fees, and expert witness fees costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation arbitration 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. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. 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 subparagraph. 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 paragraph. Without limiting the foregoing, if Cocktail Claw is made a party to a legal proceeding in connection with Your act or omission, Cocktail Claw may hire counsel to protect its interests and bill You for all costs and expenses incurred by Cocktail Claw. You shall promptly reimburse Cocktail Claw for such costs and expenses.

You shall notify Cocktail Claw immediately when you learn about an infringement or challenge to your use of any Mark, including the Cocktail Claw mark. Cocktail Claw will take the action Cocktail Claw deems appropriate in any such situation. Cocktail Claw has exclusive control over any proceeding or settlement concerning any of the Marks. You must take all actions that, in the opinion of Cocktail Claw’s counsel, may be advisable to protect and maintain Cocktail Claw’s interests in any proceeding or to otherwise protect and maintain Cocktail Claw’s interests in the Mark. While Cocktail Claw is not required to defend you against a claim arising from your use of any of the Marks, Cocktail Claw will indemnify and hold you harmless from all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark provided that (a) your use is and has been in accordance with the terms of this Agreement and such other terms as may be specified by Cocktail Claw; and (b) you notify us of the proceeding or alleged infringement in a timely manner and you have complied with Cocktail Claw’s directions regarding the proceeding. Cocktail Claw has the right to control the defense and settlement of any proceeding. Cocktail Claw will not reimburse you for your expenses and legal fees for separate, independent legal counsel, or for expenses in removing signage or discontinuing your use of any Mark. Cocktail Claw will not reimburse you for disputes where Cocktail Claw and/or any of its parents, affiliates, successors or assigns challenges your use of a Mark.

## **8.6 Covenants**

### **8.6.1 In-Term Covenants**

- (a) During the Term, You shall not, directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or entity, own, maintain, operate, engage in, consult with, provide any assistance to, or have any interest (direct or indirect) in a Competitive Business (as defined below).
- (b) You shall not divert or attempt to divert any business, client, or potential client of the Cocktail Claw Business or any other System Business to any competitor, by direct or indirect inducement or otherwise, or to do or perform, directly or indirectly, any other act, injurious or prejudicial, to the goodwill associated with the Marks or the System.

The term “Competitive Business” shall mean any and all businesses that are competitive with Cocktail Claw Businesses, including, without limitation any business that operates a concept offering a claw machine entertainment service, or any similar business.

### **8.6.2 Post-Term Covenants**

You may not, for a continuous, uninterrupted period commencing upon the expiration, transfer or termination of this Agreement (regardless of the cause for termination), and continuing for two (2) years thereafter, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons (including your spouse or any immediate family member, or the spouse or any immediate family member of any personal guarantor of this Agreement), partnership, limited liability company or corporation, own, maintain, operate, engage in, provide any assistance to, or have any interest in, any Competitive Business that is located: (i) at the Cocktail Claw Business; (ii) within twenty-five (25) miles of the Cocktail Claw Business or the Territory; or (iii) within twenty-five (25) miles of any other System Business located then in existence or under construction.

### **8.6.3 Miscellaneous**

You agree that the length of time in Section 8.6.2 will be tolled for any period during which you are in breach of the covenant or any other period during which Cocktail Claw seeks to enforce this Agreement. The parties agree that the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any court of competent jurisdiction determined that the geographic limits, time period or line of business defined by this Section 8 (inclusive of all subsections) is unreasonable, the parties agree that such a court of competent jurisdiction may determine an appropriate limitation to accomplish the intent and purpose of this Section and the parties, and each of them, agree to be bound by such determination.

## **9. TRANSFER OF FRANCHISE**

### **9.1 Franchisor’s Right to Transfer**

Cocktail Claw shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Cocktail Claw shall become

solely responsible for all obligations of Cocktail Claw under this Agreement from the date of assignment. You shall execute such documents, as Cocktail Claw may request, that are reasonably necessary to permit Cocktail Claw to transfer or assign this Agreement and all or any part of its rights or obligations herein.

## **9.2 Franchisee's Conditional Right to Transfer**

You understand and acknowledge that the rights and duties set forth in this Agreement are personal to You, and that Cocktail Claw has granted this franchise in reliance of Your (or, if You are a corporation, partnership, or limited liability company, your principals) business skill, financial capacity and personal character. Accordingly, neither You nor any immediate or remote successor to any part of Your interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity, which directly or indirectly owns any interest in You, shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of the Franchise without prior written consent of Cocktail Claw. Any purported assignment or transfer not having the written consent of Cocktail Claw, required by Section 9.3, shall be null and void and shall constitute a material breach of this Agreement, for which Cocktail Claw may immediately terminate without opportunity to cure pursuant to Section 10.2.1 of this Agreement. The foregoing remedies shall be in addition to any other remedies Cocktail Claw may have under this Agreement or at law or in equity.

## **9.3 Conditions of Transfer**

Franchisee shall notify Cocktail Claw in writing of any proposed transfer of this Agreement, any direct or indirect interest in You, or in all or substantially all of the assets of Cocktail Claw's Business, at least thirty (30) days before such transfer is proposed to take place. Cocktail Claw shall not unreasonably withhold its consent to any transfer. Cocktail Claw may, in its sole discretion, require any or all of the following as conditions of its approval:

- (a) That all of Your accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates have been satisfied;
- (b) That You are not in default of any provision of this Agreement, any amendment or addendum hereof or successor hereto, or any other agreement between You and Cocktail Claw or its affiliates;
- (c) That the transferor shall have executed a general release, in a form prescribed by Cocktail Claw, of any and all claims against Cocktail Claw and its affiliates, and their respective officers, directors, agents, shareholders, and employees;
- (d) That the transferor (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Cocktail Claw may request) demonstrate to Cocktail Claw satisfaction that it meets Cocktail Claw's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Cocktail Claw Business (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the Cocktail Claw Business, taking into consideration the purchase price paid by



the transferee for the Cocktail Claw Business; and has not operated a business in competition with Cocktail Claw;

- (e) That (1) at Cocktail Claw's option, (a) the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Cocktail Claw may request) enter into a written assignment, in a form satisfactory to Cocktail Claw, assuming and agreeing to discharge all of Your obligations under this Agreement, or (b) the transferee(s) execute, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, the Cocktail Claw then-current form of Franchise Agreement and other ancillary agreements as Franchisor may require for the Cocktail Claw Business, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, higher royalty fees, advertising contributions, or other fees, and a smaller or modified Territory, except that the transferee shall not be required to pay any initial franchise fee; and (2) the transferee's principal guaranty the performance of all such obligations in writing in a form satisfactory to Cocktail Claw;
- (f) That You remain liable for all of the obligations to Cocktail Claw in connection with the Cocktail Claw Business which arose prior to the effective date of the transfer and execute any and all instruments reasonable requested by Cocktail Claw to evidence such liability;
- (g) That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to Cocktail Claw) and the transferee's manager (if transferee or transferee's principal will not manage the Cocktail Claw Business), at the transferee's expense, have successfully completed any training programs then in effect upon such terms and conditions as Cocktail Claw may reasonably require and pay Cocktail Claw the then-current training fee;
- (h) Cocktail Claw approves the terms and conditions of the transfer agreement between transferor and transferee; and
- (i) You pay to Cocktail Claw a transfer fee of twenty percent (20%) of our then-current initial franchise fee or five percent (5%) of the sales price, whichever is greater; however, in the case of a transfer to a corporation or limited liability company formed by You for the convenience of ownership (as determined by Cocktail Claw in its sole discretion), no such transfer fee shall be required.

#### **9.4 Franchisor's Right of First Refusal**

If any party holding any direct or indirect interest in this Agreement, in You, or in all or substantially all of the assets of the Business desires to accept any bona fide offer from a third party to purchase such interest, You shall notify Cocktail Claw as provided in Section 9 hereof, and shall provide such information and documentation relating to the offer as Cocktail Claw may require. Cocktail Claw shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that Cocktail Claw intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Cocktail Claw elects to purchase the seller's interest, closing on such purchase

shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Cocktail Claw. If Cocktail Claw elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by Cocktail Claw as in the case of the third party's initial offer. Failure of Cocktail Claw to exercise the option afforded by this Section 9 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 9, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that Cocktail Claw may not reasonably be required to furnish the same consideration, terms and/or conditions, then Cocktail Claw may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Cocktail Claw at Cocktail Claw's expense, and the appraiser's determination shall be binding.

### **9.5 Death or Mental Incapacity**

Upon the death, physical or mental incapacity of any person with an interest in this Agreement, in You, or in all or substantially all of the assets of the Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Cocktail Claw within six (6) months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 9, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Cocktail Claw within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 10 hereof.

### **9.6 Non-Waiver**

Cocktail Claw's consent to a transfer of any interest in this Agreement, in You, or in all or substantially all of the assets of the Business, shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Cocktail Claw right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

## **10. TERMINATION OF FRANCHISE**

### **10.1 Termination by Consent of the Parties**

This Agreement may be terminated upon the mutual consent of the parties.

### **10.2 Termination by Cocktail Claw**

#### **10.2.1 Immediate Termination upon Notice of Default**

Upon the occurrence of any of the following defaults, Cocktail Claw may, at its option, terminate this Agreement effective immediately upon written notice to You:

- (a) If You misuse the Trade Name, Marks or the System, or engage in conduct which reflects materially and unfavorably upon the goodwill associated with them, or if You use in the Cocktail Claw Business any names, marks, systems, logotypes or symbols that Cocktail Claw has not authorized You to use.
- (b) If You have any direct or indirect interest in the ownership or operation of any business other than the Cocktail Claw Business that is confusingly similar to the Cocktail Claw Business or uses the System or Marks, or if You fail to give Cocktail Claw a signed copy of the Nondisclosure, Nonsolicitation and Noncompetition Agreement, a form of which is attached hereto as Exhibit E for You (or if You are a corporation, all officers and shareholders, or, if You are a partnership, all Your general partners, or, if You are a limited liability company, all Your members) within ten (10) days after Cocktail Claw requests it.
- (c) If You attempt to assign or Transfer Your rights under this Agreement in any manner not authorized by this Agreement.
- (d) If You have made any material misrepresentations in connection with the acquisition of a Cocktail Claw Business or to induce Cocktail Claw to enter into this Agreement.
- (e) If You act without Cocktail Claw's prior written approval or consent in regard to any matter for which Cocktail Claw's prior written approval or consent is expressly required by this Agreement.
- (f) If You cease to operate the Cocktail Claw Business, unless (i) operations are suspended for a period of no more than one hundred and eighty (180) days, and (ii) the suspension is caused by fire, condemnation, or other act of God.
- (g) If You fail to permanently correct a breach of this Agreement, or to meet the operational standards stated in the Manual, after being twice requested in writing by Cocktail Claw to correct a similar breach or meet a similar standard in any twelve (12) months period.
- (h) If a threat or danger to public health or safety results from the construction, maintenance or operation of the Cocktail Claw Business.
- (i) Except as otherwise required by the United States Bankruptcy Code, if You become insolvent, are adjudicated a bankrupt, or file or have filed against You a petition in bankruptcy, reorganization, or similar proceeding.
- (j) If You plead guilty to, plead no contest to, or are convicted of, a felony, a crime involving moral turpitude, or any other crime or offense that Cocktail Claw believes is reasonably likely to have an adverse effect on the System or Marks, the goodwill associated therewith, or Cocktail Claw's interest therein.
- (k) If You maintain false books or records, or submit any false reports to Cocktail Claw.

- (l) If You offer a product or service without Cocktail Claw's consent, or fail to offer any product or service designated by Cocktail Claw.

### **10.2.2 Termination after Five Days' Notice to Cure**

Cocktail Claw may, at its option, terminate this Agreement, effective five (5) days after written notice is given to You, if You fail to make any payment when due under this Agreement or any other agreement between You and Cocktail Claw.

### **10.2.3 Termination after Thirty Days' Notice to Cure**

**Upon the occurrence of any of the following defaults, Cocktail Claw may, at its option, terminate this Agreement after thirty (30) days' notice to cure:**

- (a) If You fail to submit to Cocktail Claw in a timely manner any information You are required to submit under this Agreement.
- (b) If You fail to begin operation of the Cocktail Claw Business within the time limits as provided in this Agreement, or if You fail to operate your Cocktail Claw Business in accordance with this Agreement and/or the Manual.
- (c) If You default in the performance of any other obligation under this Agreement, or any other agreement with Cocktail Claw.

Under this Section 10.2.3, Cocktail Claw may terminate this Agreement only by giving written notice of termination stating the nature of such default to You at least thirty (30) days prior to the effective date of termination; provided, however, that You may avoid termination by immediately initiating a remedy to cure such default, curing it to Cocktail Claw's satisfaction, and by promptly providing proof thereof to Cocktail Claw within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to You effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

### **10.3 Rights and Obligations After Termination or Expiration**

Upon termination of this Agreement for any reason, the parties will have the following rights and obligations:

- (a) Cocktail Claw will have no further obligations under this Agreement.
- (b) You shall give the final accounting for the Cocktail Claw Business, pay Cocktail Claw within thirty (30) days after termination all payments due to Cocktail Claw, and return the Manual and any other property belonging to Cocktail Claw.
- (c) You shall immediately and permanently cease to operate the Cocktail Claw Business. You shall immediately and permanently stop using the Marks or any confusingly similar marks,

the System, or any advertising, signs, stationery, or forms that bear identifying marks or colors that might give others the impression that You are operating a Cocktail Claw Business, You shall refrain from any statement or action that might give others the impression that You are or ever were affiliated with the Cocktail Claw Franchise Network.

- (d) You shall promptly sign any documents and take any steps that, in the judgment of Cocktail Claw, are necessary to delete Your listings from classified telephone directories, disconnect, or, at Cocktail Claw's option, assign the Cocktail Claw all telephone numbers that have been used in the Cocktail Claw Business, and terminate all other references that indicate You are or ever were affiliated with Cocktail Claw or a Cocktail Claw Business. By signing this Agreement, You irrevocably appoint Cocktail Claw as Your attorney-in-fact to take the actions described in this paragraph if You do not do so Yourself within seven (7) days after termination of this Agreement. You further irrevocably assign Your telephone numbers listed on Exhibit A, or hereinafter acquired for the operation of Your Cocktail Claw Business, to Cocktail Claw.
- (e) You shall maintain all records required by Cocktail Claw under this Agreement for a period of not less than five (5) years after final payment of any amounts You owe to Cocktail Claw when this Agreement is terminated (or such longer period as required by applicable law).
- (f) Cocktail Claw, or its designee, has an option to purchase the business from You, including but not limited to any or all of the physical assets of the Cocktail Claw Business, including its equipment, supplies and inventory, during a period of sixty (60) days following the effective date of termination. If Cocktail Claw notifies You that it (or its designee) wishes to purchase the assets of the business from You following Termination of this Agreement, You must immediately surrender possession of the Cocktail Claw Business to Cocktail Claw or Its designee upon demand. Cocktail Claw or its designee will operate the Cocktail Claw Business at its expense pending determination of the purchase price as set forth below. The equipment, supplies, and inventory will be valued as follows:
  - i. The lower of depreciated value or fair market value of the equipment supplies and inventory; and
  - ii. Depreciated value of other tangible personal property calculated on the straight-line method over a five (5) year life, less any liens or encumbrances.

Cocktail Claw must send written notice to You within thirty (30) days after termination of this Agreement of its (or its designee's) election to exercise the option to purchase. If the parties do not agree on a price within the option period, the option period may be extended for up to fifteen (15) business days to permit appraisal by an independent appraiser who is mutually satisfactory to the parties. If the parties fail to agree upon an appraiser within the specified period, each will appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within ninety (90) days after termination who must determine the price for the physical assets of the Cocktail Claw Business in accordance with the standards specified above. This determination will be final and binding upon both Cocktail Claw, or Cocktail Claw's designee, as applicable, and You.

Cocktail Claw or its designee may exclude from the assets appraised any signs, equipment, inventory, and materials that are not reasonably necessary (in function or quality) to the operation of the Cocktail Claw Business, or that Cocktail Claw has not approved as meeting Cocktail Claw then-current standards, the purchase price determined by the appraisal will reflect such exclusions (the “Purchase Price”).

The Purchase Price shall be paid at a closing date not later than ninety (90) days after determination. Cocktail Claw has the right to offset against the Purchase Price any and all amounts that You or Your Related Parties owe Cocktail Claw and/or its Related Parties. At closing, You agree to deliver instruments transferring (i) good and marketable title to the assets purchased, free and clear of all liens and encumbrances, with all sales and transfer taxes paid by You (ii) all licenses and permits related to the business which can be assigned, (iii) any leasehold interest in the Approved Location, (iv) a release agreement signed by You and Your Related Parties in a form and substance acceptable to Cocktail Claw, and (v) such other documentation as we may reasonably request.

- (g) Cocktail Claw (or its designee) has an option to replace You as lessee under any equipment lease or note for equipment that is used in connection with the Cocktail Claw Business. Upon request by Cocktail Claw, You shall give Cocktail Claw or its designee copies of the leases for all equipment used in the Cocktail Claw Business immediately upon termination. Upon request by Cocktail Claw, You shall allow Cocktail Claw and/or its designee the opportunity, at a mutually satisfactory time, to inspect the leased equipment. Cocktail Claw must request the information and access described in this paragraph within fifteen (15) days after termination. It must advise You of its (or its designee’s) intention to exercise the option within fifteen (15) days after it has received the information and/or inspected the equipment. Cocktail Claw or its designee may assume any equipment lease in consideration of its assumption of future obligations under the lease. Upon exercise of this option by Cocktail Claw or its designees, You shall be fully released and discharged from future rents and other future liabilities under the lease if the terms of the lease permit it, but not from any debts to the lessor that already exist on the date when the option is exercised.
- (h) If Cocktail Claw declines to exercise the option, purchase, or assume the lease on Your equipment, You may sell it to either another Cocktail Claw franchisee or, with Cocktail Claw’s prior written approval, You may de-brand the equipment and sell it to a non-franchisee.
- (i) You may not sell, or in any way divulge, the client list of Your Cocktail Claw Business.
- (j) If the premises are leased from a third-party, and if Cocktail Claw elects, you shall immediately assign your interest in the lease to Cocktail Claw or its designee and immediately surrender possession of the premises to Cocktail Claw. You are and shall remain liable for all of your obligations accruing up to the effective date of any lease agreement.
- (k) Franchisee and its Related Parties shall abide by the post-termination restrictive covenants in Section 8.6 of this Agreement.

#### **10.4 No Limitation of Remedies**

No right or remedy conferred upon or reserved to Cocktail Claw (including as set forth in Section 10.3 above) is intended to be, nor shall be deemed exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. Nothing herein shall be construed to deprive Cocktail Claw of the right to recover damages as compensation for lost future profits. Termination of this Agreement will not end any obligation of either party that has come into existence before termination. All obligations of the parties which, by their terms, or by reasonable implication are to be performed in whole or in part after termination, shall survive termination.

### **11. MISCELLANEOUS PROVISIONS**

#### **11.1 Construction of Contract**

Section headings in this Agreement are for reference purposes only and will not in any way modify the statements contained in any section of this Agreement. Each word in this Agreement may be considered to include any number or gender that the context requires.

#### **11.2 Governing Law, Venue and Jurisdiction**

**11.2.1** This Agreement shall take effect upon its acceptance and execution by Cocktail Claw. Except to the extent governed by the United States Arbitration Act (9 U.S.C. § 1, et seq.), and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C § 1050, et seq.), this Agreement, the franchise, and all claims arising from or in any way related to the relationship between Cocktail Claw, and/or any of its Related Parties, on the one hand, and you, and any of your owners, guarantors and/or affiliates, on the other hand, shall be interpreted and construed under the laws of the State of Ohio, which laws shall prevail in the event of any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchise, will not apply unless jurisdictional requirements are met independently without reference to this paragraph.

**11.2.2** In the event the arbitration clause set forth in Section 11.8 is inapplicable or unenforceable, and subject to Cocktail Claw's rights, as outlined in Section 11.9, the following provision shall govern: The parties hereby expressly agree that the United States District Court for the Southern District of Ohio, or if such court lacks subject matter jurisdiction, the Montgomery County Court of Common Pleas, shall be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of such litigation, they will not contest or challenge the jurisdiction or venue of these courts. You acknowledge that this Agreement has been entered into in the State of Ohio and that you are to receive valuable and continuing services emanating from Cocktail Claw's headquarters in Ohio. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision.

### **11.3 Notices**

The parties to this Agreement shall direct any notices to the other party at the Delivery Address specified below that party's name on the final page of this Agreement, or at another address if advised in writing that the address has been changed. The parties shall notify each other in writing of any Delivery Address changes. Notices may be delivered by facsimile (with simultaneous mailing of a copy by first class mail), by electronic mail (with simultaneous mailing of a copy by certified mail), courier, federal express, or first class mail. Notice by facsimile and electronic mail will be considered delivered upon submission, by courier, upon delivery, and by certified mail three days after posting. Any notice by a means which affords the sender evidence of delivery or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

### **11.4 Amendments**

This Agreement may be amended only by a document signed by all of the parties to this Agreement or by their authorized agents.

### **11.5 No Waivers**

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

### **11.6 Integration**

This Agreement and all exhibits to this Agreement, constitute the entire agreement between the parties. This Agreement supersedes any and all prior negotiations, understandings representations and agreements. No representations have induced You to execute this Agreement with Cocktail Claw Except for those permitted to be made unilaterally by Cocktail Claw hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require You to waive reliance on any representation that Cocktail Claw made in the most recent disclosure document (including its exhibits and amendments) (the "FDD") that Cocktail Claw delivered to You or your Your representative, subject to any agreed-upon changes to the contract terms and conditions described in that disclosure document and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement).

You acknowledge that you are entering into this Agreement as a result of your own independent investigation and not as a result of any representations (with the exception of those representations made in the FDD) made by Cocktail Claw, its members, managers, officers, directors, employees, agents, representatives or independent contractors that are contrary to the terms set forth in this Agreement. You acknowledge that the FDD you received contained a copy of this Franchise Agreement and that you



reviewed the FDD and Franchise Agreement at least fourteen (14) days (or such other time as applicable law requires) before you signed this Agreement. You further understand acknowledge and agree that any information you obtain from any Cocktail Claw franchisee, including relating to their sales, profit, cash flows, and/or expenses, does not constitute information obtained from Cocktail Claw, nor does Cocktail Claw make any representation as to the accuracy of any such information.

## **11.7 Negotiation and Mediation**

### **11.7.1 Agreement to Use Procedure**

The parties have reached this Agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. Other than an action by Cocktail Claw under Section 11.9 of this Agreement, the parties agree that if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this Agreement, they will first follow the procedures described in this section. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any legal action or arbitration to interpret or enforce this Agreement.

### **11.7.2 Initiation of Procedures**

The party that initiates these procedures (“Initiating Party”) must give written notice to the other party, describing in general terms the nature of the dispute, specifying the Initiating Party’s claim for relief including the damages sought, and identifying one or more persons with authority to settle the dispute for him, her, or it. The party receiving the notice (“Responding Party”) has seven (7) days within which to designate by written notice to the Initiating Party one or more persons with authority to settle the dispute on the Responding Party’s behalf (the “Authorized Persons”).

### **11.7.3 Direct Negotiations**

The Authorized Persons may investigate the dispute as they consider appropriate but agree to meet in-person at a location designated by Cocktail Claw within seven (7) days from the date of the designation of Authorized Persons to discuss resolution of the dispute. The Authorized Persons may meet at any times and places, and as often as they agree. If the dispute has not been resolved within ten (10) days after their initial meeting, either party may begin mediation procedures by giving written notice to the other party that it is doing so.

### **11.7.4 Selection of Mediator**

The Authorized Persons will have seven (7) days from the date on which one party gives notice that he, she or it is beginning mediation within which to submit to one another written lists of acceptable mediators who are not associated with either of the parties. Within seven (7) days from the date of receipt of any list, the Authorized Persons must rank all the mediators in numerical order of preference and exchange the rankings. If one or more names are on both lists, the highest ranking one of these will be designated the mediator. If this process does not result in selection of a mediator, the parties agree jointly to request the arbitral organization designated in Section 11.8 to supply a list of qualified potential mediators. Within seven (7) days after receipt of the list, the parties must again rank the proposed mediators in numerical order of

preference and must simultaneously exchange their lists. The mediator having the highest combined ranking shall be appointed as mediator. If the highest ranking mediator is not available to serve, the parties must go on to contact the mediator who was next highest in ranking until they are able to select a mediator.

#### **11.7.5 Time and Place for Mediation**

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

#### **11.7.6 Exchange of Information**

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

#### **11.7.7 Summary of Views**

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

#### **11.7.8 Representatives**

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

#### **11.7.9 Conduct of Mediation**

The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful, after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties.

All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

### **11.7.10 Termination of Procedure**

The parties agree to participate in the mediation procedure to its conclusion as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

### **11.7.11 Fees of Mediator, Disqualification**

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

### **11.7.12 Confidentiality**

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

## **11.8 Arbitration**

Except as provided in Section 11.9, and if not resolved by the negotiation and mediation procedures described in Section 11.7 above, any dispute, controversy, or claim between you and/or any of your Related Parties, on the one hand, and Cocktail Claw and/or any of Cocktail Claw's Related Parties, on the other hand, including, without limitation, any dispute, controversy, or claim arising under, out of in connection with or related to: (a) this Agreement; (b) the relationship of the parties; (c) the events leading up to the execution of this Agreement; (d) any loan or other finance arrangement between you and Cocktail Claw or its Related Parties; (e) the parties' relationship; (f) any System standard; (g) any claim based in tort or any theory of negligence; and/or (j) the scope or validity of the arbitration obligation under this Agreement, shall be determined in Montgomery County, Ohio, by the American Arbitration Association ("AAA"). This arbitration clause will not deprive Cocktail Claw of any right it may otherwise have to seek provisional injunctive relief from a court of competent jurisdiction.

**11.8.1** The arbitration will be administered by the AAA pursuant to its Commercial Arbitration Rules then in effect by one (1) arbitrator. The arbitrator shall be an attorney with substantial experience in franchise law. If proper notice of any hearing has been given, the arbitrator will have full

power to proceed to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear.

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

**11.8.3** Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational action, or otherwise to join or consolidate any claim with any claim or any other proceeding involving third-parties. If a court or arbitrator determines that this limitation on joinder of, or class action certification of claims is unenforceable then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts in accordance with Section 11.8. The arbitration must take place in Montgomery County, Ohio, or at such other location as Cocktail Claw designates.

**11.8.4** The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or Cocktail Claw. The arbitrator may not, under any circumstance, (a) stay the effectiveness of any pending termination of this Agreement, (b) assess punitive or exemplary damages, (c) certify a class or a consolidated action, or (d) make any award which extends, modifies or suspends any lawful term of this Agreement, or any reasonable standard of business performance that Cocktail Claw sets. The arbitrator will have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which the main office of Cocktail Claw is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to, any decision as to whether Section 11.8 is applicable and enforceable as against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

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

**11.8.6** The arbitrator will have subpoena powers limited only by the laws of the State of Ohio.

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

**11.8.8** All other procedural matters will be determined by applying the statutory common laws and rules of procedure that control a court of competent jurisdiction in the State of Ohio.

**11.8.9** Other than as may be required by law, the entire arbitration proceedings (including but not limited to, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

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

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

**11.8.12** The Arbitrator shall render a reasoned award unless otherwise requested by the parties. If Cocktail Claw requests a more detailed award, i.e. "findings of fact and conclusions of law," the parties shall evenly split the excess cost above the cost required for a reasoned award. However, if You request an award more detailed than a reasoned award, i.e. "findings of facts and conclusions of law," You shall bear the entire additional cost required for such award, which cost is above the cost for a reasoned award.

**11.8.13** Should Cocktail Claw prevail in any arbitration, the Arbitrator shall require You to pay all expenses of Arbitration, as well as Cocktail Claw's attorneys' fees and costs.

## **11.9 Exceptions to Arbitration and Mediation**

**11.9.1** Notwithstanding the provisions of Sections 11.7 and 11.8 of this Agreement, Cocktail Claw shall be entitled, with a bond of not more than \$1,000, to the entry of temporary, preliminary and permanent injunctions, and orders of specific performance, enforcing the provisions of this Agreement in any court of competent jurisdiction relating to: (a) Your, and/or any of Your Related Party's use of the Marks; (b) Your confidentiality and non-competition covenants (Section 8); (c) Your obligations upon termination or expiration of the franchise; or (d) Transfer or assignment by You. If Cocktail Claw secures any such injunction (i.e. temporary restraining order, preliminary injunction, or permanent injunction) or order of specific performance, you agree to pay to Cocktail Claw an amount equal to the aggregate of Cocktail Claw's costs of obtaining such relief including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and any damages incurred by Cocktail Claw as a result of the breach of any such provision.

**11.9.2** Further, at the election of Cocktail Claw or its affiliate, the mediation and arbitration provisions of Sections 11.7 and 11.8, inclusive of all subparts, shall not apply to: (a) any claim by Cocktail Claw relating to your failure to pay any fee due to Cocktail Claw under this Agreement; and/or (b) any claim by Cocktail Claw or its affiliate relating to use of the Proprietary Marks and/or the System, including, without limitation, claims for violations of the Lanham Act; and/or (c) any claim by Cocktail Claw relating to a breach of your confidentiality and/or non-competition obligations under this Agreement.

### **11.10 Injunctive Remedy for Breach**

You recognize that You are a member of a Franchise Network and that Your acts and omissions may have a positive or negative effect on the success of other businesses operating under Cocktail Claw's Trade Name and in association with its Marks. Failure on the part of a single franchisee to comply with the terms of its Franchise Agreement is likely to cause irreparable damage to Cocktail Claw and to some or all of the other franchisees of Cocktail Claw. For this reason, You agree that if Cocktail Claw can demonstrate to a court of competent jurisdiction that there is a substantial likelihood of Your breach or threatened breach of any of the terms of this Agreement, Cocktail Claw will be entitled to an injunction restraining the breach or to a decree of specific performance, without showing or proving any actual damage and without the necessity of posting bond or other security, any bond or other security being waived hereby. Franchisor has the exclusive right to seek relief pursuant to this section in a court of competent jurisdiction as defined in section 11.2.2 of this Agreement or any other court of competent jurisdiction. Notwithstanding, if any Court of competent jurisdiction, as described herein, determines that a bond or other security is required, You agree that you will not seek bond or security in excess of \$1,000 and, in fact, will oppose any effort by a Court to impose a bond or security in excess of \$1,000.

### **11.11 Limitations of Actions**

You may not maintain an arbitration against the Franchisor or its Related Parties unless: (a) You deliver written notice of any claim to the other party within one hundred eighty (180) days after the event complained of becomes known to You, or when you should have known of said event had you been reasonably diligent; (b) thereafter, You must follow the negotiation and mediation procedures described above; and (c) You file an arbitration within one (1) year after the notice is delivered. While this Section 11.11 may limit the applicable statute of limitations, it is not intended to extend any applicable statute of limitation in any way. The limitations set forth in this Section 11.11 shall not apply to Cocktail Claw, its affiliates or its Related Parties.

### **11.12 Attorneys' Fees and Costs**

If legal action or arbitration is necessary, including any motion to compel arbitration, or action on appeal, to enforce the terms and conditions of this Agreement, or for violation of this Agreement, Cocktail Claw will be entitled to recover reasonable compensation for preparation, investigation costs, court costs, arbitral costs, and reasonable accountants, attorneys, attorneys' assistants, and expert witness fees incurred by Cocktail Claw. Further, if Cocktail Claw is required to engage legal counsel in connection with any failure by You to comply with this Agreement, You shall reimburse Cocktail Claw for any of the above-listed costs and expenses incurred by Cocktail Claw, regardless of whether Cocktail Claw files or compels mediation, arbitration or litigation.

### **11.13 Severability**

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

said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

#### **11.14 Individual Dispute Resolution – No Class Action or Multi-Party Actions**

Any legal action between or among the parties to this Agreement and any of their Related Parties shall be conducted on an individual basis and not on a consolidated or class-wide basis.

#### **11.15 Waiver of Rights**

THE PARTIES HERETO AND EACH OF THEM KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS:

**11.15.1 Jury Trial.** The parties hereto and each of them EXPRESSLY WAIVE(S) THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 11.8 is unenforceable. Each party acknowledges that it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

**11.15.2 Damages Waiver.** The parties hereto and each of them EXPRESSLY WAIVE(S) ANY CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES, *except that* this waiver and limitation shall not apply with respect to (a) your obligation to indemnify Cocktail Claw pursuant to any provision of this Agreement, and/or (b) any claims Cocktail Claw brings against you and/or your guarantors for unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of the non-competition covenant and any other cause of action under the Lanham Act and Cocktail Claw shall be entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

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

**11.15.4.** You hereby expressly waive any and all rights, actions or claims for relief under the Federal Act entitled "Racketeer Influenced and Corrupt Organizations," 18 U.S.C. § 1961, *et seq.* ("RICO").

**11.15.5** You hereby expressly agree that the existence of any claims You may have against Cocktail Claw or its Related Parties, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Cocktail Claw of the covenants contained in this Agreement. You agree to pay all costs and expenses, including reasonable attorneys' fees, incurred by Cocktail Claw in connection with the enforcement of any covenant contained in this Agreement.

**11.16 Approval and Guaranty Provision**

If You are a corporation, all officers and shareholders, or, if You are a partnership, all Your general partners, or, if You are a limited liability company, all Your members, shall approve this Agreement, permit You to furnish the financial information required by Cocktail Claw, and agree to the restrictions placed on them including restrictions on the transferability of their interests in the franchise and the Cocktail Claw Business and limitations on their rights to compete, and sign separately a Guaranty, guaranteeing Your payments and performance. Where required to satisfy our standards of creditworthiness, or to secure the obligations made under this Agreement, Your spouse or the spouses of Your Related Parties, may be asked to sign the Guaranty. Our form of Guaranty appears as Exhibit C to this Agreement.

**11.17 Acceptance by Cocktail Claw**

This Agreement will not be binding on Cocktail Claw unless and until an authorized management officer of Cocktail Claw has signed it.

**11.18 Disclaimer of Representations**

NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT OUR AUTHORIZED MANAGEMENT OFFICER BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY US OR ON OUR BEHALF WHICH HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE. YOU UNDERSTAND THAT COCKTAIL CLAW IS NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.

**11.19 Receipt**

The undersigned acknowledges receipt of this Agreement and the Franchise Disclosure Document, with exhibits, at least fourteen (14) calendar days (unless otherwise required by applicable law) before execution of this Agreement or Your payment of any monies to us refundable or otherwise.



### **11.20 Opportunity for Review by Your Advisors**

You acknowledge that we have recommended, and that You have had the opportunity to obtain a review of this Agreement, and our Franchise Disclosure Document, by Your lawyer, accountant or other business advisor before execution hereof.

### **11.21 Execution of Agreements**

Each of the undersigned parties warrants that it has the full authority to sign this Agreement. If You are a partnership, limited liability company or corporation, the person executing this agreement on behalf of such partnership, limited liability company or corporation warrants to us, both individually and in his capacity as partner member, manager or officer, that all of the partners of the partnership all of the members or managers of the limited liability company, or all of the shareholders of the corporation, as applicable, have read and approved this Agreement, including any restrictions which this Agreement places upon rights to transfer their interest in the partnership limited liability company or corporation.

### **11.22 Independent Investigation**

You acknowledge that You have conducted an independent investigation of the franchised business contemplated by this Agreement and recognize that it involves business risks which make the success of the venture largely dependent upon Your business abilities and efforts. You acknowledge that You have been given the opportunity to clarify any provision of this Agreement that You may not have initially understood and that we have advised You to have this Agreement reviewed by an attorney.

### **11.23 No Guarantee of Earnings**

You understand that neither Cocktail Claw nor any of our representatives and/or agents with whom You have met have made and are not making any guarantees express or implied, as to the extent of Your success in Your franchised business and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Your franchised business.

### **11.24 No Personal Liability**

You agree that fulfillment of any and all of our obligations written in this Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be Cocktail Claw's sole responsibility and none of its agents, representatives, nor any individuals associated with it shall be personally liable to You for any reason

### **11.25 Non-Uniform Agreements**

Cocktail Claw makes no representations or warranties that all other agreements with Cocktail Claw System franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. You recognize, acknowledge and agree that Cocktail Claw may waive or modify comparable provisions of other Franchise Agreements granted to other System franchisees in a non-uniform manner.

IN WITNESS TO THE PROVISIONS OF THIS FRANCHISE AGREEMENT, the undersigned have signed this Agreement on the date set forth in Section 1 hereof.

FRANCHISOR:

Claw Events Franchising LLC  
doing business as Cocktail Claw

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer  
Date: \_\_\_\_\_

Delivery Addresses for Notices:

Claw Events Franchising LLC  
1 Oakwood Avenue, Suite 542  
Dayton, Ohio 45409

FRANCHISEE:

\_\_\_\_\_  
[Legal Name of Franchisee Entity]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Delivery Address for Notices:

**EXHIBIT A TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. The Effective Date set forth in the introductory Paragraph of the Franchise Agreement is:  
\_\_\_\_\_, 20\_\_.
  
2. The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is:  
\_\_\_\_\_.
  
3. The address for notice and payments to Franchise Owner under Section 11.3 of the Franchise Agreement is:  
  
\_\_\_\_\_  
\_\_\_\_\_
  
4. You Approved Location is located at:
  
  
5. Your Protected Territory is the following geographic area.  
  
If map is attached, check here: \_\_\_\_\_

**EXHIBIT B TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

**STATEMENT OF OWNERSHIP**

Franchise: \_\_\_\_\_

Trade Name (if different than above): \_\_\_\_\_

Form of Ownership  
(Check One)

Individual     Partnership     Corporation     Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

Management (managers, officers, board of directors, etc.):

Name	Title

Members, Stockholders, Partners:

Name	Title	Title

**Principal Manager.** The following individual is hereby designated the “Principal” of the Franchise business. Claw Events Franchising LLC, and all of its vendors, suppliers, and associates may rely entirely on instructions from said Principal on behalf of the aforesaid franchise, to the exclusion of, and overriding, instructions from anyone else purporting to represent the franchise. The only accepted method to change

the identification of the Principal is to produce a signed statement to that effect, signed by 100% of the owners of the Franchise.

Name of Principal: \_\_\_\_\_

Franchisee acknowledges that this Statement of Ownership applies to the Cocktail Claw Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must reported to Franchisor in writing.

**FRANCHISEE:**

Business Entity Name (if any):

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

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

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

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

## EXHIBIT C TO COCKTAIL CLAW'S FRANCHISE AGREEMENT

### PRINCIPAL OWNER'S GUARANTY

This Guaranty must be signed by each of the principal owners, and their spouses, (referred to as "you" or "your" for purposes of this Guaranty only) of \_\_\_\_\_, a \_\_\_\_\_ (the "Business Entity") under the Franchise Agreement dated \_\_\_\_\_ (the "Agreement") with Claw Events Franchising LLC, a Ohio limited liability company ("we," "us," or "our").

1. **Incorporation of Terms.** Each term of the Agreement is incorporated into this Guaranty.
2. **Guaranty.** In consideration of and as an inducement to us signing and delivering the Agreement, each of you signing this Guaranty personally and unconditionally: guarantee to us and our successors and assigns that (a) the Business Entity will punctually pay and perform every obligation and obey every restriction and covenant set forth in the Agreement and (b) each of you agrees to be personally bound by, and personally liable for the breach of, each and every obligation, restriction and covenant in the Agreement.
3. **Payment.** If the Business Entity fails to make any payment when due or otherwise defaults under any of the terms of the Agreement, immediately upon demand, you will pay to us the full amount owed, plus any interest or penalty allowed under the Agreement. All payments are made without set-off, deduction or withholding for any reason, and are final and free from any defense, claim or counterclaim of you, except the defense that the Business Entity has paid all obligations in full.
4. **Waivers.** Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Business Entity or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Business Entity arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.
5. **Consents and Agreements.** Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Business Entity fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Business Entity or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may periodically grant to the Business Entity or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence will in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.
6. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of

investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

7. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Ohio law and we may enforce our rights regarding it in the courts of Montgomery County, Ohio. Each of you irrevocably submits to the jurisdiction and venue of such courts.

Each of you now signs and delivers this Guaranty effective as of the date of the Agreement regardless of the actual date of signature. Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is not married.

<b>Signature of Each Guarantor</b>	<b>Percentage of Ownership in Franchisee</b>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

## **EXHIBIT D TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

### **SAMPLE GENERAL RELEASE AGREEMENT WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims ("Release") is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Claw Events Franchising LLC, a Ohio limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a Cocktail Claw Business (as defined in the Agreement);

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, (enter into a successor Franchise Agreement) and Franchisor has consented to such transfer (agreed to enter into a successor Franchise Agreement); and

WHEREAS, as a condition to Franchisor's consent to the transfer (Franchisee's ability to enter into a successor Franchise Agreement), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer (Franchisor entering into a successor Franchise Agreement), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties.** Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release.** Releasor and its subsidiaries, affiliates, parents, divisions, renewals and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies,



divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, renewals and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Ohio.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorney fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, renewals, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

Dated: \_\_\_\_\_, 20\_\_

FRANCHISEE:

\_\_\_\_\_

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

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

FRANCHISEE'S OWNERS:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

## EXHIBIT E TO COCKTAIL CLAW'S FRANCHISE AGREEMENT

### NONDISCLOSURE, NONSOLICITATION AND NONCOMPETITION AGREEMENT

This Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Claw Events Franchising LLC, an Ohio limited liability company, and its renewals and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions.

“*Competitive Business*” shall mean any and all businesses that are competitive with Cocktail Claw’s Businesses, including, without limitation, any (a) business that operates a Business, offering a claw machine entertainment service, (c) business offering Approved Products and Services of a similar nature to those of the Business, or (d) business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses described in subparts (a)-(c) of this Section. Furthermore, the Restricted Parties shall not divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Cocktail Claw Business, whether now in existence or created in the future.

“*Franchisee*” means the Cocktail Claw franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Cocktail Claw Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Cocktail Claw Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Cocktail Claw Business, including “Cocktail Claw”, and any other trademarks, service marks or trade names that we designate for use by a Cocktail Claw Business. The term “Marks” also includes any distinctive trade dress used to identify a Cocktail Claw Business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business); (ii) diverting or

attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two (2) year period after you cease to be a manager of Franchisee’s Cocktail Claw Business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the one (1) year period after you cease to be a manager or officer of Franchisee’s Cocktail Claw Business.

“*Restricted Territory*” means the geographic area within: (i) a 25 mile radius from Franchisee’s Cocktail Claw Business (and including the address of primary operation); and (ii) a 25 mile radius from all other Cocktail Claw Business that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a 15 mile radius from Franchisee’s Cocktail Claw Business (and including the premises of the Business).

“*System*” means our system for the establishment, development, operation and management of a Cocktail Claw Business, including Know-how, proprietary programs and products, confidential operations manuals and operating system.

2. **Background.** You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Cocktail Claw Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee’s Cocktail Claw Business. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. **Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager of Franchisee’s Cocktail Claw Business by engaging in any Prohibited Activities.

5. **Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply regarding a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member

7. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Cocktail Claw franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. **Miscellaneous.**

a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed and enforced under the laws of Ohio and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

## EXHIBIT F TO COCKTAIL CLAW'S FRANCHISE AGREEMENT

### SAMPLE CONFIDENTIALITY AGREEMENT

This Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Claw Events Franchising LLC, an Ohio limited liability company, and its renewals and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Cocktail Claw Business*” means a business that operates a Business under the Cocktail Claw Marks (as defined herein).

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Cocktail Claw Business, whether now in existence or created in the future.

“*Franchisee*” means the Cocktail Claw franchisee for whom you are an officer, director, employee or independent contractor.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a Cocktail Claw Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Cocktail Claw Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Cocktail Claw Business, including “Cocktail Claw”, and any other trademarks, service marks or trade names that we designate for use by a Cocktail Claw Business. The term “Marks” also includes any distinctive trade dress used to identify a Cocktail Claw Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation and management of a Cocktail Claw Business, including Know-How, proprietary programs and products, confidential operations manuals and operating system.

2. **Background.** You are an employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. **Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than Cocktail Claw's Business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time-to-time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (*i.e.*, spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

5. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Cocktail Claw franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies



available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. **Miscellaneous.**

- a. If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.
- b. This Agreement will be governed by, construed and enforced under the laws of Ohio and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.
- c. Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

## **EXHIBIT G TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

### **SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, between Claw Events Franchising LLC (“Franchisor”), \_\_\_\_\_ (“Former Franchisee”), and \_\_\_\_\_ (“New Franchisee”).

#### **RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_ (“Franchise Agreement”), in which Franchisor granted Franchisor the right to operate a Cocktail Claw franchise with a primary operating address of \_\_\_\_\_ (“Franchised Business”); and

WHEREAS, Former Franchisee desires to assign (“Requested Assignment”) the Franchised Business to New Franchisee from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto covenant, promise and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“Franchisor’s Assignment Fee”).
2. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Franchise Agreement.
3. Termination of Rights to the Franchised Business. The parties acknowledge and agree that all of Former Franchisee’s rights to operate the Franchised Business and rights under the Franchise Agreement are hereby relinquished and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business. Former Franchisee and its owners agree to comply with all of the covenants in the Franchise Agreement that expressly or by implication survive the termination, expiration or transfer of the Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor’s current form of General Release Agreement, which is attached to the Franchise Agreement as Exhibit D.

4. New Franchise Agreement. New Franchisee shall execute Franchisor's current form of Franchise Agreement and attachments for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), which is attached to this Agreement as Attachment A, and any other required contracts for the operation of a Cocktail Claw franchise as stated in Franchisor's Franchise Disclosure Document.

5. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three (3) year period following the execution of this Agreement.

6. Acknowledgment by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("Transaction") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of a new Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

7. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed or disposed of any interest in the Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the new Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

8. Notices. Any notices given under this Agreement shall be in writing and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered.

9. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Franchise Agreement.

10. Affiliate. When used in this Agreement, the term "Affiliate" has the meaning as given in Rule 144 under the Securities Act of 1933.

11. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

12. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Ohio.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed, as of the day and year first above written.

Dated: \_\_\_\_\_, 20\_\_

FRANCHISOR:

Claw Events Franchising LLC

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

FORMER FRANCHISEE:

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

NEW FRANCHISEE:

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

**Attachment A**

**(INSERT New Franchise Agreement to be Signed)**

**EXHIBIT H TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

**ACH PAYMENT AGREEMENT**

ACCOUNT NAME: \_\_\_\_\_  
CUSTOMER NUMBER: \_\_\_\_\_  
FRANCHISE NAME: \_\_\_\_\_

**AUTHORIZATION AGREEMENT FOR ACH Payments:**

(I/we) do hereby authorize Claw Events Franchising LLC, hereinafter named the "Franchisor", to initiate (debit or credit) entries to (my/our) (Checking Account / Savings Account) as indicated and named below as the depository financial institution, hereafter named FINANCIAL INSTITUTION pursuant to the terms of the Franchise Agreement by and between us and the Franchisor.

(I/we) acknowledge that the origination of ACH transactions to my (my/our) account must comply with the provisions of U.S. law. Furthermore, if any such debit(s) should be returned NSF, (I/we) authorize the Franchisor to collect such debit(s) by electronic debit and subsequently collect a returned debit NSF fee of \$75.00 per item by electronic debit from my account identified below. In the event all funds and interests are not received by Franchisor within 15 days from presentment and intended withdrawal from our account by Franchisor, then we will be deemed in default of the Franchise Agreement. We further agree to pay all reasonable costs of collection including but not limited to reasonable attorney's fees and court costs incurred by Franchisor. I am a duly authorized check signer on the financial institution account identified below, and authorize all of the above as evidenced by my signature below.

**CHECK (ACH) INFORMATION ROUTING NUMBER:**

ACCOUNT NUMBER: \_\_\_\_\_  
DEPOSITORY NAME: \_\_\_\_\_  
BRANCH: \_\_\_\_\_  
CITY: \_\_\_\_\_ STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_

COMPANY NAME: \_\_\_\_\_  
FIRST NAME/LAST NAME: \_\_\_\_\_  
BILLING ADDRESS: \_\_\_\_\_ CITY: \_\_\_\_\_  
STATE: \_\_\_\_\_ ZIP: \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_  
CUSTOMER NUMBER: \_\_\_\_\_  
SIGNATURE ON FILE: \_\_\_\_\_  
PHONE OR EMAIL APPROVAL AUTHORIZATION NUMBER: \_\_\_\_\_

FRANCHISEE: \_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT I TO COCKTAIL CLAW'S FRANCHISE AGREEMENT**

**SBA ADDENDUM**



**ADDENDUM TO FRANCHISE<sup>1</sup> AGREEMENT**

**THIS ADDENDUM** (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“Franchisor”), located at \_\_\_\_\_, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

**CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

**FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional

<sup>1</sup> While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

Effective Date: January 1, 2018

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renewals) for fair market value.

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee’s real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

**Authorized Representative of FRANCHISOR:**

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

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

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

**Authorized Representative of FRANCHISEE:**

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

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

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

**Note to Parties:** This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements

Effective Date: January 1, 2018

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## **EXHIBIT J**

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC FRANCHISE AGREEMENT FOR USE IN CALIFORNIA**

#### **CALIFORNIA APPENDIX**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

Neither the franchisor, any person or franchise broker in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

**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.**

**OUR WEBSITE, [www.cocktailclaw.com](http://www.cocktailclaw.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).**

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

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at Livonia, Michigan with the costs being borne in accordance with the Commercial Arbitration Rules of the American Arbitration Association, which generally provide that the costs will be borne equally by the parties (subject to the award by the arbitrator and certain other exceptions. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section

1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

The California Department of Financial Protection and Innovation 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. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum to the Franchise Agreement in duplicate in the dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness

FRANCHISOR:

Claw Events Franchising LLC  
doing business as Cocktail Claw

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

Name: Russell Gottesman  
Title: Chief Executive Officer

## EXHIBIT J

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC FRANCHISE AGREEMENT FOR USE IN ILLINOIS**

1. The following item is required to be included within the disclosure document and shall be deemed to supersede the language that is in the disclosure document itself:

Section 4 of the Illinois Franchise Disclosure Act (“Act”) dictates that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

2. Illinois law governs the Franchise Agreement.

3. Under the Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. The foregoing sentence shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. 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.

5. Any releases that the Franchisor requests the Franchisee to sign must conform with Section 41 of the Act.

6. Section 11.2.2 of the Franchise Agreement is hereby amended in accordance with Section “1” above.

7. Section 11.11 of the Franchise Agreement is amended to comply with Section 27 of the Act to allow any and all claims and actions arising out of or relating to these Agreements, the relationship of Franchisor and Franchisee or Franchisee’s operation of the Franchise brought by Franchisee against Franchisor shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, within one (1) year after the Franchisee becomes aware of the facts or circumstances indicating Franchisee may have a claim for relief, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, or such claim or action will be barred.

8. Item 5 of the Disclosure Document is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. Payment of the Development Fee is deferred until the first franchise business opens. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer

**EXHIBIT J**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
FRANCHISE AGREEMENT FOR USE IN INDIANA**

1. To be added to Item 3 of the disclosure document, is the following statement:  
  
There are presently no arbitration proceedings to which the Franchisor is a party.
2. Item 17 of the disclosure document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee’s exclusive territory.
3. Under Indiana Code 23-2-2.7-1(10), the franchise agreement may not limit litigation brought for breach of the agreement in any manner whatsoever. This amends Section 11.2 of the Franchise Agreement.
4. Under Indiana Code 23-2-2.7-1(5), it is unlawful to require the franchisee to prospectively consent to a release of liability imposed by the Indiana Deceptive Franchise Practices Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer

**EXHIBIT J**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
FRANCHISE AGREEMENT FOR USE IN IOWA**

This is an Addendum for Claw Events Franchising LLC Franchise Agreement for use in Iowa.

1. Franchisee may cancel the Franchise Agreement at any time prior to midnight of the third business day after the date Franchisee signed the Franchise Agreement or the Franchise Agreement is accepted by Franchisor, whichever is later. If Franchisee cancels, any property traded in, any payments made by Franchisee under the Franchise Agreement, and any negotiable instrument executed by Franchisee will be returned within ten business days following receipt by the Franchisor of cancellation notice, and any security interest arising out of the franchise transaction will be canceled. If Franchisee cancels, Franchisee must make available to Franchisor at Franchisee’s residence, in substantially as good condition as when received, any goods delivered to Franchisee under the Franchise Agreement or Franchisee may, if it wishes, comply with the instructions of Franchisor regarding the return shipment of the goods at the Franchisor’s expense and risk.

2. Franchisor may terminate the Franchise Agreement (effective immediately) if Franchisee does not confirm in writing that it declines to exercise its three business day right of cancellation described below within ten (10) days after notice from Franchisor, which notice Franchisor may not give to Franchisee until after the three business day period has expired.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer

**YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT.**

**NOTICE OF CANCELLATION**

\_\_\_\_\_  
(enter date of transaction)

**You may cancel this transaction, without any penalty or obligation, within three business days from the above date.**

**If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.**

**If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.**

**If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.**

**To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Claw Events Franchising LLC at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409 not later than midnight of \_\_\_\_\_ (Date).**

**I hereby cancel this transaction.**

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Buyer's signature)



## NOTICE OF CANCELLATION

\_\_\_\_\_  
(enter date of transaction)

**You may cancel this transaction, without any penalty or obligation, within three business days from the above date.**

**If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.**

**If you cancel, you must make available to the seller at your residence, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.**

**If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.**

**To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Claw Events Franchising LLC at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409 not later than midnight of \_\_\_\_\_ (Date).**

**I hereby cancel this transaction.**

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Buyer's signature)

CONFIRMATION OF NON CANCELLATION

The undersigned hereby confirms that the undersigned has declined to exercise its right of cancellation as stated in the Notice of Cancellation dated \_\_\_\_\_, 20\_\_\_\_ attached to the Claw Events Franchising LLC Franchise Agreement executed on or about the same date.

\_\_\_\_\_

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

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

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

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

**EXHIBIT J**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
FRANCHISE AGREEMENT FOR USE IN MARYLAND**

This will serve as the State Addendum for Claw Events Franchising LLC for the State of Maryland for Claw Events Franchising LLC’s Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in Section 10.2.1(i) of the Franchise Agreement providing for automatic termination on franchisee’s bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. The Franchise Agreement is amended to state that 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.

3. The Franchise Agreement is amended to state 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.

4. The Franchise Agreement is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer

## EXHIBIT J

### ADDENDUM TO FRANCHISE AGREEMENT FOR USE IN MINNESOTA

This addendum to the disclosure document is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and effectively amends and revises said disclosure document and Franchise Agreement as follows:

1. Item 13 of the disclosure document and Section 7.1 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the disclosure document and Section 10.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.”

3. Item 17 of the disclosure document and Section 11.2 of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue sections:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise disclosure document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4. Item 17 of the disclosure document and Sections 4.6.2(e) and 9.3(c) of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charge.7. This Addendum merely summarizes a few of the provisions contained in the Minnesota Franchise Act. This addendum does not act as a release or waiver by the Franchisee of an otherwise

applicable provision of the Minnesota Franchise Act that is omitted, misstated, or whose legal effect is misconstrued herein.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

FRANCHISOR:

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

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

Name: Russell Gottesman

Title: Chief Executive Officer

\_\_\_\_\_  
Witness

**EXHIBIT J**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
FRANCHISE AGREEMENT FOR USE IN VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Agreement for Claw Events Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Section 10.2:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

IN WITNESS WHEREOF, the parties hereby have duly executed and delivered this Addendum dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer

## **EXHIBIT J**

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC FRANCHISE AGREEMENT AND RELATED AGREEMENTS FOR USE IN WASHINGTON**

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. Item 17(o) of the FDD, Sections 9.4 and 10.3(f) of the Franchise Agreement, and Section 9.E(4) of the Area Development Agreement are modified to be consistent with RCW10.100.180, including goodwill in certain instances, at the time of termination or expiration of the franchise offset by an amounts owed by the franchisee to the franchisor.

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 shall 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.

Sections 4.5(d) and 9.3(c) of the Franchise Agreement and the General Release are modified to state that, in accordance with RCW 19.100.220, any claim arising from the Franchise Investment Protection Act of Washington, Chapter 19.100 RCW, any rule or order adopted thereunder are not waived.

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.

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current or former franchisees to ask them about their experiences with the franchisor.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

FRANCHISOR:

\_\_\_\_\_  
Witness

Claw Events Franchising LLC  
doing business as Cocktail Claw

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: Russell Gottesman  
Title: Chief Executive Officer



**EXHIBIT B TO CLAW EVENTS FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**AREA DEVELOPMENT AGREEMENT**

**CLAW EVENTS FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (this “Agreement”) is made this day of \_\_\_\_\_, 20\_\_ by and between **CLAW EVENTS FRANCHISING LLC**, a Ohio limited liability company with its principal business located at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409 (“we” or “us”) and \_\_\_\_\_, a(n) \_\_\_\_\_ whose principal business address is (“developer” or “you”). If the developer is a corporation, partnership or limited liability company, certain provisions of the Agreement also apply to your owners and will be noted.

**RECITALS**

A. We have developed a unique system for operating a business concept offering a claw machine entertainment service, or any similar service using certain standards and specifications;

B. Many of the services and products are prepared and undertaken according to specified procedures or made with proprietary formulas, techniques and mixes;

C. We own the rights to the USPTO Mark “COCKTAIL CLAW” Trademark and other trademarks used in connection with the Operation of a Cocktail Claw Business;

D. We have decided to sublicense the right to develop and operate Cocktail Claw Locations;

E. You desire to develop and operate several Cocktail Claw locations and we, in reliance on your representations, have approved your franchise application to do so in accordance with this Agreement.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

**DEFINITIONS**

1. For purposes of this Agreement, the terms below have the following definitions:

A. “Locations” means the Cocktail Claw locations you develop and operate pursuant to this Agreement.

B. “Products” means the specific services and products set forth in our franchise information packet, or as we may modify, add, or change them from time to time.

C. “Principal Owner” means any person who directly or indirectly owns a 10% or greater interest in the developer when the developer is a corporation, limited liability company, a partnership, or a similar entity. However, if we are entering into this Agreement totally or partially based on the financial qualifications, experience, skills or managerial qualifications of any person or entity who directly or indirectly owns less than a 10% interest in the developer, that person or entity may, in our sole discretion, be considered a Principal Owner for all purposes under this Agreement, including, but not limited to, the execution of the personal guaranty referenced in Section 10.J below. In addition, if the developer is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the developer is one or more individuals, each individual is a Principal Owner of the developer. You must have at least one Principal Owner.

D. “System” means the Cocktail Claw System, which consists of distinctive products and services prepared according to special and confidential processes and formulas with unique preparation, service and delivery procedures and techniques, offered in a setting of distinctive exterior and interior layout, design and color scheme, signage, furnishings and materials and using certain distinctive types of facilities, equipment, supplies, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

E. “Trademarks” means the Cocktail Claw Trademark and Service Mark that is registered with the United States Patent and Trademark Office and the trademarks, service marks and trade names set forth in each Franchise Agreement, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Locations. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Locations from time to time.

## **GRANT OF DEVELOPMENT RIGHTS**

2. The following provisions control with respect to the rights granted hereunder:

A. We grant to you, under the terms and conditions of this Agreement, the right to develop and operate \_\_\_\_\_ ( ) Cocktail Claw locations (each a “Location”, and collectively, the “Locations”) within the territory described on Exhibit A (“Development Territory”).

B. You are bound by the Development Schedule set forth in Exhibit B (“Development Schedule”). Time is of the essence for the development of each Location in accordance with the Development Schedule. Each Location must be developed and operated pursuant to a separate Franchise Agreement that you enter into with us pursuant to Section 4.B below.

C. If you are in compliance with the Development Schedule set forth on Exhibit B, we will not develop or operate or grant anyone else a franchise to develop and operate a Cocktail Claw

Location business in the Development Territory prior to the earlier of (i) the expiration or termination of this Agreement; (ii) the date on which you must execute the Franchise Agreement for your last Location pursuant to the terms of the Development Schedule or (iii) the date on which the Designated Area for your final Location under this Agreement is determined, except (a) for the Special Sites defined in Section 2.D below; (b) in the event that the Development Territory covers more than one city, county or designated market area, the protection for each particular city, county or designated market area shall expire upon the earliest of (1) any of the foregoing events or (2) the date when the Designated Area for your final Location to be developed in such city, county or designated market area under this Agreement is determined; or (c) as otherwise provided in this Agreement.

Notwithstanding anything in this Agreement, upon the earliest occurrence of any of the foregoing events (i) the Development Territory shall expire and (ii) we will be entitled to develop and operate, or to franchise others to develop and operate, Cocktail Claw Locations in the Development Territory, except as may be otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated. At the time you execute your final Franchise Agreement under the Development Schedule, you must have an Authorized Location for your final Location.

D. The rights granted under this Agreement are limited to the right to develop and operate Locations located in the Development Territory, and do not include (i) any right to sell Products and services identified by the Trademarks at any location or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), other than at Locations within the Development Territory, (ii) any right to sell Products and services identified by the Trademarks to any person or entity for resale or further distribution, or (iii) any right to exclude, control or impose conditions on our development or operation of franchised, company or affiliate owned Locations at any time or at any location outside of the Development Territory. You may not use “Cocktail Claw” or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity.

You acknowledge and agree that (i) we and our affiliates have the right to operate or franchise within the Designated Area one or more facilities selling all or some of the Products, using the Trademarks or any other trademarks, service marks or trade names, without compensation to any franchisee, provided however, that such facilities shall not be mobile facilities but rather from a fixed location if it is confined to your Designated Area; (ii) we and our affiliates have the right outside of the Development Territory to grant other franchises or operate company or affiliate owned Cocktail Claw Locations and offer, sell or distribute any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names or through any distribution channel or method, all without compensation to any developer; and (iii) we and our affiliates have the right to operate and franchise others to operate Locations or any other business within and outside the Development Territory under trademarks other than the Cocktail Claw Trademarks, without compensation to any developer, except that our operation of, or association or affiliation with, Locations (through franchising or otherwise) in the Development Territory that compete with Cocktail Claw Locations

in the service oriented Location segment will only occur through some form of merger or acquisition with an existing Location chain.

In addition, we and our affiliates have the right to offer, sell or distribute, within the Development Territory, any Products or services associated with the System (now or in the future) or identified by the Trademarks, or any other trademarks, service marks or trade names, except for Prohibited Items (as defined below), through any distribution channels or methods, without compensation to any developer. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, hospitals, clinics, health care facilities, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the internet (or any other existing or future form of electronic commerce).

The Prohibited Items are the following items that we will not sell in the Development Territory through other distribution channels or methods: NONE.

Further, you acknowledge that certain locations within the Development Territory are by their nature unique and separate in character from sites generally developed as Cocktail Claw Locations. As a result, you agree that the following locations (“Special Sites”) are excluded from the Development Territory and we have the right, subject to our then-current Special Sites Impact Policy, to develop or franchise such locations: (1) military bases; (2) public transportation facilities; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; and (6) community and special events.

E. This Agreement is not a Franchise Agreement and you have no right to use in any manner the Trademarks by virtue of this Agreement. You have no right under this Agreement to sublicense or sub-franchise others to operate a business or Location or use the System or the Trademarks.

### **DEVELOPMENT FEE**

3. You must pay a Development Fee as described below:

A. As consideration for the rights granted in this Agreement, you must pay us a “Development Fee” of \$14,950-\$34,950, if operating a Cocktail Claw Business, multiplied by \_\_\_\_\_ ( ) Locations (the number of Locations to be developed by under this Agreement), representing one-half of the Initial Franchise Fee for each Location to be developed under this Agreement. The Initial Franchise Fee for the first Location is \$14,950-\$34,950 if operating a Cocktail Claw Business. The Initial Franchise Fee for the second Location and for each subsequent Location is \$29,900-\$69,900 less \$14,950-\$34,950 paid as deposit, if operating a Cocktail Claw Business.

The Development Fee is consideration for this Agreement and not consideration for any Franchise Agreement, is fully earned by us upon execution of this Agreement and is non-refundable. The part of the Initial Franchise Fee that is included in the Development Fee is credited

against the Initial Franchise Fee payable upon the signing of each individual Franchise Agreement. The balance of the Initial Franchise Fee for the first Location must be paid at the time of execution of this Agreement, together with the execution by you of the Franchise Agreement for the first Location. The total amount to be paid by you at the time of execution of this Agreement pursuant to this Section, including both the Development Fee and the balance of the Initial Franchise Fee for your first Location is \$\_\_\_\_\_. The balance of the Initial Franchise Fee for each subsequent Location is due as specified in Section 3.B.

B. You must submit a separate application for each Location to be established by you within the Development Territory as further described in Section 4. Upon our consent to the site of your Location, a separate Franchise Agreement must be executed for each such Location, at which time the balance of the Initial Franchise Fee for that Location is due and owing. Such payment represents the balance of the appropriate Initial Franchise Fee, as described above in Section 3.A. Upon the execution of each Franchise Agreement, the terms and conditions of the Franchise Agreement control the establishment and operation of such Location.

### **DEVELOPMENT SCHEDULE**

4. The following provisions control with respect to your development rights and obligations:

A. You are bound by and strictly must follow the Development Schedule. By the dates set forth under the Development Schedule, you must enter into Franchise Agreements with us pursuant to this Agreement for the number of Locations described under the Development Schedule. You also must comply with the Development Schedule requirements regarding (i) the Location type to be developed and the opening date for each Location and (ii) the cumulative number of Locations to be open and continuously operating for business in the Development Territory. If you fail to either execute a Franchise Agreement or to open a Location according to the dates set forth in the Franchise Agreement, we, in our sole discretion, may (i) require that you hire a franchise development expert with recognized experience in developing franchises in a similar line of business to ours or (ii) immediately terminate this Agreement pursuant to Section 7.B.

B. You may not develop a Location unless (i) at least 45 days, but no more than 60 days, prior to the date set forth in the Development Schedule for the execution of each Franchise Agreement, you send us a notice (a) requiring that we send you our then current disclosure documents, (b) confirming your intention to develop the particular Location and (c) sending us all information necessary to complete the Franchise Agreement for the particular Location and (ii) all of the following conditions have been met (these conditions apply to each Location to be developed in the Development Territory):

1. Your Submission of Proposed Site. You must find a proposed site for the Location which you reasonably believe to conform to our site selection criteria, as modified by us from time to time, and submit to us a complete site report (containing such demographic, commercial, and other information and photographs as we may reasonably require) for such site.

2. Our Consent to Proposed Site. You must receive our written consent to your proposed site. We agree not to unreasonably withhold consent to a proposed site. Prior to granting our consent to a site, you must have the site evaluated by the proprietary site evaluator software that has been developed by Google Maps or any similar mapping software. In approving or disapproving any proposed site, we will consider such matters as we deem material, including demographic characteristics of the proposed site, traffic patterns, competition, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site) and the size of premises, appearance and other physical characteristics. Our consent to a proposed site, however, does not in any way constitute a guaranty by us as to the success of the Location.

3. Your Submission of Information. You must furnish to us, at least 30 days prior to the earliest of (i) the date set forth in the Development Schedule by which you must execute a Franchise Agreement or (ii) the actual date in which the Franchise Agreement would be executed, a franchise application for the proposed Location, financial statements and other information regarding you, the operation of any of your other Locations within the Development Territory and the development and operation of the proposed Location (including, without limitation, investment and financing plans for the proposed Location) as we may reasonably require.

4. Your Compliance with Our Then-Current Standards for Franchisees. You must receive written confirmation from us that you meet our then-current standards for franchisees, including financial capability criteria for the development of a new Location. You acknowledge and agree that this requirement is necessary to ensure the proper development and operation of your Locations and preserve and enhance the reputation and goodwill of all Cocktail Claw Locations and the goodwill of the Trademarks. Our confirmation that you meet our then-current standards for the development of a new Location, however, does not in any way constitute a guaranty by us as to your success.

5. Good Standing. You must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between you or any of your affiliates and us or any of our affiliates. You also must have satisfied, on a timely basis, all monetary and material obligations under the Franchise Agreements for all existing Locations.

6. Execution of Franchise Agreement. You and we must enter into our then-current form of Franchise Agreement for the proposed Location. You understand that we may modify the then-current form of Franchise Agreement from time to time and that it may be different than the current form of Franchise Agreement, including different fees and obligations. You understand and agree that any and all Franchise Agreements will be construed and exist independently of this Agreement. The

continued existence of each Franchise Agreement will be determined by the terms and conditions of such Franchise Agreement. Except as specifically set forth in this Agreement, the establishment and operation of each Location must be in accordance with the terms of the applicable Franchise Agreement.

C. You must begin substantial construction of each of the Locations at least 150 days before the deadline to open each of the Locations if the Location will be in a free-standing location or at least 120 days before the deadline to open the Location if the Location will be in a non-free standing location. In addition, on or before the deadlines to start construction you must submit to us executed copies of any loan documents and/or any other document that proves that you have secured adequate financing to complete the construction of the Location by the date you are obligated to have that Location open and in operation. In the event that you fail to comply with any of these obligations, we will have the right to terminate this Agreement without opportunity to cure pursuant to subparagraph 7.B.

D. You acknowledge that you have conducted an independent investigation of the prospects for the establishment of Locations within the Development Territory, and recognize that the business venture contemplated by this Agreement involves business and economic risks and that your financial and business success will be primarily dependent upon the personal efforts of you and your management and employees. We expressly disclaim the making of, and you acknowledge that you have not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross sales, profits, earnings or the financial success of the Locations you develop within the Development Territory.

E. You recognize and acknowledge that this Agreement requires you to open Locations in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in the Franchise Disclosure Document and Franchise Agreement are only estimates and are subject to increase over time, and that future Locations likely will involve different initial investment and operating capital requirements than those stated in the Franchise Disclosure Document or Franchise Agreement provided to you prior to the execution of this Agreement. You are obligated to execute all the Franchise Agreements and open all the Locations on the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Locations, or (iii) any other circumstances, financial or otherwise. The foregoing shall not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Agreement if you have not complied with each and every condition necessary to develop the Locations.

## **TERM**

5. Unless sooner terminated in accordance with Section 7 of this Agreement, the term of this Agreement and all rights granted to you will expire on the date that your last Cocktail Claw Location is scheduled to be opened under the Development Schedule.

## **YOUR DUTIES**

6. You must perform the following obligations:

A. You must comply with all of the terms and conditions of each Franchise Agreement, including the operating requirements specified in each Franchise Agreement.

B. You and your owners, officers, directors, shareholders, partners, members and managers (if any) acknowledge that your entire knowledge of the operation of a Cocktail Claw Location and the System, including the knowledge or know-how regarding the specifications, standards and operating procedures of the services and activities, is derived from information we disclose to you and that certain information is proprietary, confidential and constitutes our trade secrets. The term “trade secrets” refers to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or improvements regarding the business that is valuable and secret in the sense that it is not generally known to our competitors and any proprietary information contained in the manuals or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Locations. You and your owners, officers, directors, shareholders, partners, members and managers (if any), jointly and severally, agree that at all times during and after the term of this Agreement, you will maintain the absolute confidentiality of all such proprietary information and will not disclose, copy, reproduce, sell or use any such information in any other business or in any manner not specifically authorized or approved in advance in writing by us. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from the individuals identified in the first sentence of this paragraph and other key employees.

C. You must comply with all requirements of federal, state, and local laws, rules, and regulations.

D. If you at some time in the future desire to make either a public or a private offering of your securities, prior to such offering and sale, and prior to the public release of any statements, data, or other information of any kind relating to the proposed offering of your securities, you must secure our written approval, which approval will not be unreasonably withheld. You must secure our prior written consent to any and all press releases, news releases and any and all other publicity, the primary purpose of which is to generate interest in your offering. Only after we have given our written approval may you proceed to file, publish, issue, and release and make public any said data, material and information regarding the securities offering. It is specifically understood that any review by us is solely for our own information, and our approval does not constitute any kind of authorization, acceptance, agreement, endorsement, approval, or ratification of the same, either expressly or implied. You may make no oral or written notice of any kind whatsoever indicating or implying that we and/or our affiliates have any interest in the relationship whatsoever to the proposed offering other than acting as Franchisor. You agree to indemnify, defend, and hold us and our affiliates harmless, and our affiliates’ directors, officers, successors and assigns harmless from all claims, demands, costs, fees, charges, liability or expense (including attorneys’ fees) of any kind whatsoever arising from your offering of information published or communicated in actions taken in that regard.



E. If neither you, your Principal Owner, nor any other person in your organization possesses, in our judgment, adequate experience and skills to allow you to locate, obtain, and develop prime locations in the Development Territory to allow you to meet your development obligations under this Agreement, we can require that you hire or engage a person with those necessary skills.

## **DEFAULT AND TERMINATION**

7. The following provisions apply with respect to default and termination:

A. The rights and territorial protection granted to you in this Agreement have been granted in reliance on your representations and warranties, and strictly on the conditions set forth in Sections 2, 4 and 6 of this Agreement, including the condition that you comply strictly with the Development Schedule.

B. You will be deemed in default under this Agreement if you breach any of the terms of this Agreement, including the failure to meet the Development Schedule, or the terms of any Franchise Agreement or any other agreements between you or your affiliates and us or our affiliates. All rights granted in this Agreement immediately terminate upon written notice without opportunity to cure if: (i) you become insolvent, meaning unable to pay bills as they become due in the ordinary course of business, (ii) you fail to meet the development obligations set forth in the Development Schedule attached as Exhibit B, (iii) failure to start substantial construction of any of the Locations by the date established in Section 4.C (iv) failure to secure financing for the construction of any of the Locations by the date set forth in Section 4.C (v) you fail to comply with any other provision of this Agreement and do not correct the failure within 30 days after written notice of that failure is delivered to you, or (vi) we have delivered to you a notice of termination of a Franchise Agreement in accordance with its terms and conditions.

C. Alternatively, and at our discretion, in the event that you fail to meet the Development Schedule, we may elect to modify the Development Schedule and reduce the number of Locations granted to you therein to a schedule which we believe, in our sole and absolute discretion, which you are more capable of managing.

## **RIGHTS AND DUTIES OF PARTIES UPON TERMINATION OR EXPIRATION**

8. Upon termination or expiration of this Agreement, all rights granted to you will automatically terminate, and:

A. All remaining rights granted to you to develop Locations under this Agreement will automatically be revoked and will be null and void. You will not be entitled to any refund of any fees. You will have no right to develop or operate any business for which a Franchise Agreement has not been executed by us. We will be entitled to develop and operate, or to franchise others to develop and operate, Cocktail Claw Locations in the Development Territory, except as may be

otherwise provided under any Franchise Agreement that has been executed between us and you and that has not been terminated.

B. You must immediately cease to operate your business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former developer of ours.

C. You must take such action as may be necessary to cancel or assign to us or our designee, at our option, any assumed name or equivalent registration that contains the name or any of the words “Cocktail Claw” or any other Trademark of ours, and you must furnish us with evidence satisfactory to us of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

D. You must assign to us or our designee all your right, title, and interest in and to your telephone numbers and must notify the telephone company and all listing agencies of the termination or expiration of your right to use any telephone number in any regular, classified or other telephone directory listing associated with the Trademarks and to authorize transfer of same at our direction.

E. You must, within thirty (30) days of the termination or expiration, pay all sums owing to us and our affiliates, including the balance of the Initial Franchise Fees that we would have received had you developed all of the Locations set forth in the Development Schedule. In addition to the Initial Franchise Fees for undeveloped Locations, you agree to pay as fair and reasonable liquidated damages (but not as a penalty) an amount equal to \$10,000.00 for each undeveloped Location. You agree that this amount is for lost revenues from Continuing Fees and other amounts payable to us, including the fact that you were holding the development rights for those Locations and precluding the development of certain Locations in the Development Territory, and that it would be difficult to calculate with certainty the amount of damage we will incur. Notwithstanding your agreement, if a court determines that this liquidated damages payment is unenforceable, then we may pursue all other available remedies, including consequential damages.

All unpaid amounts will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In the event of termination for any default by you, the sums due will include all damages, costs, and expenses, including reasonable attorneys’ fees and expenses, incurred by us as a result of the default. You also must pay to us all damages, costs, and expenses, including reasonable attorneys’ fees and expenses that we incur subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

F. If this Agreement is terminated solely for your failure to meet the Development Schedule and for no other reason whatsoever, and you have opened at least 50% of the total number of Locations provided for in the Development Schedule, you may continue to operate those existing Locations under the terms of the separate Franchise Agreement for each Location. On the other hand, if this Agreement is terminated under any other circumstance, we have the option to purchase

from you at book value all the assets used in the Locations that have been developed prior to the termination of this Agreement. Assets include leasehold improvements, equipment, automobiles/trucks/vans, furniture, fixtures, signs, inventory, liquor licenses, and other transferable licenses and permits for the Locations.

We have the unrestricted right to assign this option to purchase. We or our assignee will be entitled to all customary warranties and representations given by the seller of a business including, without limitation, representations and warranties as to (i) ownership, condition and title to assets; (ii) liens and encumbrances relating to the assets; and (iii) validity of contracts and liabilities, inuring to us or affecting the assets, contingent or otherwise. The purchase price for the assets of the Locations will be determined in accordance with the post-termination purchase option provision in the individual Franchise Agreement for each Location (with the purchase price to include the value of any goodwill of the business attributable to your operation of the Location if you are in compliance with the terms and conditions of the Franchise Agreement for that Location). The purchase price must be paid in cash at the closing of the purchase, which must take place no later than 90 days after your receipt of notice of exercise of this option to purchase, at which time you must deliver instruments transferring to us or our assignee: (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us or our assignee), with all sales and other transfer taxes paid by you; and (ii) all licenses and permits of the Locations that may be assigned or transferred. If you cannot deliver clear title to all of the purchased assets, or in the event there are other unresolved issues, the closing of the sale will be accomplished through an escrow. We have the right to set off against and reduce the purchase price by any and all amounts owed by you to us, and the amount of any encumbrances or liens against the assets or any obligations assumed by us. You and each holder of an interest in you must indemnify us and our affiliates against all liabilities not so assumed. You must maintain in force all insurance policies required pursuant to the applicable Franchise Agreement until the closing on the sale.

G. All of our and your obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied or by their nature expire.

## **TRANSFER**

9. The following provisions govern any transfer:

A. We have the right to transfer all or any part of our rights or obligations under this Agreement to any person or legal entity.

B. This Agreement is entered into by us with specific reliance upon your personal experience, skills and managerial and financial qualifications. Consequently, this Agreement, and your rights and obligations under it, are and will remain personal to you. You may only Transfer your rights and interests under this Agreement if you obtain our prior written consent and you transfer all of your rights and interests under all Franchise Agreements for Locations in the Development Territory. Accordingly, the assignment terms and conditions of the Franchise

Agreements shall apply to any Transfer of your rights and interests under this Agreement. As used in this Agreement, the term “Transfer” means any sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation, share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary, of this Agreement or any interest in it, or any rights or obligations arising under it, or of any material portion of your assets, or of any interest in you.

**C. THE COMPANY’S RIGHT OF FIRST REFUSAL.** If developer (or its owners) shall at any time determine to sell, assign or transfer for consideration this Agreement (or an interest therein) or an ownership interest in developer, or all or substantially all of the assets of developer, developer (or its owners) shall obtain a bona fide, executed written offer and earnest money deposit from a responsible and fully disclosed prospective purchaser and submit an exact copy of such offer to us. However, if the offeror proposes to buy any other property or rights, other than rights under Franchise Agreements executed pursuant hereto, from developer or any of its affiliated entities (or their respective owners) such proposal must be under a separate, contemporaneous offer. The price and terms of purchase offered to developer (or its owners) for the interest in this Agreement and Franchise Agreements or developer (or any affiliated entities) shall reflect the bona fide price offered therefore and shall not reflect any value for any other property or rights. We shall have the right, exercisable by written notice delivered to developer or its owners within fifteen (15) days from the date of delivery of an exact copy of such offer to us, to purchase this Agreement (or such interest in this Agreement) or such ownership interest in developer or such assets for the price and on the terms and conditions contained in such offer, provided that we may substitute cash for any form of payment proposed in such offer, our credit shall be deemed equal to the credit of any proposed purchaser and we shall have not less than fifteen (15) days to prepare for closing. If we do not exercise our right of first refusal, developer (or its owners) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to our approval, provided, however, that if the sale to such purchaser is not completed within one hundred eighty (180) days after delivery of such offer to us, or if there is a material change in the terms of the sale, we shall again have the right of first refusal provided herein.

**D. DEATH OR PERMANENT DISABILITY OF DEVELOPER.** Upon the death or permanent disability of developer or an owner of developer, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by us. Such transfer, including, without limitation, transfer by devise or inheritance, shall be subject to all the terms and conditions for assignments and transfers contained in Section and, unless transferred by gift, devise or inheritance, subject to the terms of Section 9(C) hereof. Failure to dispose of such interest within said period of time shall constitute a breach of this Agreement.

**E. CONDITIONS FOR APPROVAL OF TRANSFER.** If developer (or, if developer is a corporation or partnership, its shareholders or partners) is in full compliance with this Agreement and all Franchise Agreements, we shall not unreasonably withhold our approval of a transfer that meets all the applicable requirements of this Section 9(E). The proposed transferee and its owners must be individuals of good moral character and otherwise meet our then applicable standards for

developers of Locations. A transfer of this Agreement may be made only in connection with the transfer to the same transferee of all interests of developer (and all of its affiliated entities) in every Location developed pursuant to this Agreement. If the transfer is of the development rights granted under this Agreement or a controlling interest in developer, or is one of a series of transfers which in the aggregate constitute the transfer of the development rights granted under this Agreement or a controlling interest in developer, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

- (1) the transferee must have sufficient business experience, aptitude and financial resources to operate developer's business and develop the Development Area;
- (2) Developer must pay us and our affiliates all amounts owed to us or our affiliates which are then due and unpaid and submit all required reports and statements which have not yet been submitted;
- (3) the transferee must agree to be bound by and expressly assume all of the terms and conditions of this Agreement for the remainder of its term;
- (4) Developer (and its owners) must execute general releases of any and all claims against us, our affiliates, officers, directors, employees and agents;
- (5) all Franchise Agreements between us and Developer or any affiliated entity must be transferred to the transferee of this Agreement (or the transferee of a controlling interest in developer);
- (6) Developer or the transferee must pay us a transfer fee in an amount equal to the Company's out-of-pocket expenses, which shall not exceed Fifteen Thousand Dollars (\$15,000), relating to review and approval of the proposed transfer; and this transfer fee shall be in addition to any and all transfer fees paid in connection with the transfers of Franchise Agreements in conjunction with this transfer;
- (7) the transferee and/or its personnel must agree to complete our training program to our satisfaction, for which the transferee must pay to the Company its then-current training fee; and
- (8) We shall not have exercised its right of first refusal pursuant to Section 9C hereof. If the proposed transfer is to or among owners of developer who have executed the attached form of Owner's Guaranty and Assumption of Developer's Obligations, none of the above requirements shall apply, and it should only require notice to the Company. Subparagraph (8) shall not apply to transfers by gift, bequest or inheritance. In connection with any assignment permitted under this Section 9E, developer shall provide us with all documents to be executed by developer and the proposed assignee or transferee at least thirty (30) days prior to execution.

## **MISCELLANEOUS**

10. The parties agree to the following provisions:

A. You agree to indemnify, defend, and hold us, our affiliates and our officers, directors, shareholders and employees harmless from and against any and all claims, losses, damages and liabilities, however caused, arising directly or indirectly from, as a result of, or in connection with, the development, use and operation of your Locations, as well as the costs, including attorneys' fees, of defending against them ("Franchise Claims"). Franchise Claims include, but are not limited to, those arising from any death, personal injury or property damage (whether caused wholly or in part through our or our affiliate's active or passive negligence), latent or other defects in any Location, or your employment practices. In the event a Franchise Claim is made against us or our affiliates, we reserve the right in our sole judgment to select our own legal counsel to represent our interests, at your cost.

B. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses.

C. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. This Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement constitutes the sole agreement between the parties with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained in this Agreement. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.

D. Except as otherwise provided in this Agreement, any notice, demand or communication provided for must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If to us, addressed to CLAW EVENTS FRANCHISING LLC, Attn.: Russell Gottesman at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409.
2. If to you, addressed to you at the last address we have on file for you;

Or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

E. Any modification, consent, approval, authorization or waiver granted in this Agreement required to be effective by signature will be valid only if in writing executed by the Principal Owner or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents.

F. Applicable Law. You agree to be bound by the Dispute Resolution provisions found in Section 11 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Agreement and the dealings of the parties hereunder.

G. If you are a corporation, partnership, limited liability company or partnership or other legal entity, all of your Principal Owners must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner must execute the form of undertaking and guarantee at the end of this Agreement.

H. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

I. In the event of any failure of performance of this Agreement according to its terms by any party due to force majeure will not be deemed a breach of this Agreement. For purposes of this Agreement, "force majeure" shall mean acts of God, State or governmental action, riots, disturbance, war, strikes, lockouts, slowdowns, prolonged shortage of energy supplies or any raw material, epidemics, fire, flood, hurricane, typhoon, earthquake, lightning and explosion or other similar event or condition, not existing as of the date of signature of this Agreement, not reasonably foreseeable as of such date and not reasonably within the control of any party hereto, which prevents in whole or in material part the performance by one of the parties hereto of its obligations hereunder.

**IN WITNESS WHEREOF**, the parties have executed the foregoing Agreement as of the dates written below.

Franchisor  
CLAW EVENTS FRANCHISING LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Developer

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Guarantors

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT A**

**DEVELOPMENT TERRITORY**

Your Development Territory shall consist of the area \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

**EXHIBIT B**

**DEVELOPMENT SCHEDULE**

<b>Unit Number</b>	<b>Date by Which Franchise Agreement Must be Signed</b>	<b>Opening Date</b>
1		
2		
3		
4		
5		
6		

## **EXHIBIT C TO AREA DEVELOPMENT AGREEMENT**

### **OWNER'S GUARANTY AND ASSUMPTION OF DEVELOPER'S OBLIGATIONS**

As an inducement to CLAW EVENTS FRANCHISING LLC, a Ohio limited liability company ("Company") to execute Cocktail Claw Franchise LLC's Area Development Agreement between Company and \_\_\_\_\_ ("Developer" or "You") dated \_\_\_\_\_, 20\_\_ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Company and Company's successors and assigns that all of Developer's monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by the Company, the undersigned each hereby jointly and severally agree to immediately make each payment required of Developer under the Agreement and waive any right to require the Company to: (a) proceed against Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer; or (d) give notice of demand for payment by Developer. Without affecting the obligations of the undersigned under this Guarantee, the Company may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Company, Company's affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Cocktail Claw" marks or system licensed to Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms.

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

If the Company is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, the Company shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If the Company is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse the Company for any of the above-listed costs and expenses the Company incurs.

Dispute Resolution. You agree to be bound by the Dispute Resolution provisions found in Section 11 of any Franchise Agreement between the parties as if set forth here and as being equally applicable to this Guaranty and the dealings of the parties hereunder.

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

<b>Signature of Each Guarantor</b>	<b>Percentage of Ownership in Franchisee</b>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**EXHIBIT D TO THE AREA DEVELOPMENT AGREEMENT**

**LIST OF PRINCIPALS**

**Holders of Legal or Beneficial Interest:**

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

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

Position/Title: \_\_\_\_\_

Position/Title: \_\_\_\_\_

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

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

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

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

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

Percentage of Ownership: \_\_\_\_\_%

Percentage of Ownership: \_\_\_\_\_%

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

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

Position/Title: \_\_\_\_\_

Position/Title: \_\_\_\_\_

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

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

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone No.: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

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

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

Percentage of Ownership: \_\_\_\_\_%

Percentage of Ownership: \_\_\_\_\_%

**EXHIBIT C TO CLAW EVENTS FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

FINANCIAL STATEMENTS

**Claw Events Franchising LLC**

For Years Ended  
December 31, 2022 and 2021  
With Independent Auditor's Report

FLYNN & COMPANY, INC.  
*Certified Public Accountant*

**CLAW EVENTS FRANCHISING LLC**

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## INDEPENDENT AUDITOR'S REPORT

Claw Events Franchising LLC  
Cincinnati, Ohio

### *Opinion*

We have audited the financial statements of Claw Events Franchising LLC, which comprise the balance sheet as of December 31, 2022 and 2021, and the related statements of income, shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Claw Events Franchising LLC as of December 31, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Claw Events Franchising LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States 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 Claw Events Franchising LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Claw Events 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 Claw Events Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

*Hymn & Company, Inc.*

March 5, 2023  
Cincinnati, OH

**CLAW EVENTS FRANCHISING LLC  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
Cash	\$ 23,059	\$ 10,683
Accounts Receivable	16,600	-
<b>TOTAL ASSETS</b>	<b>\$ 39,659</b>	<b>\$ 10,683</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Accounts Payable	\$ 22,218	\$ -
Shareholder's equity	17,441	10,683
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ 39,659</b>	<b>\$ 10,683</b>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC**  
**STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Sales</b>		
Franchise fees	\$ 40,800	\$ 12,450
<b>Operating expenses:</b>		
Bank fees	599	72
Advertising and marketing	-	250
Professional services	<u>33,443</u>	<u>12,450</u>
	<u>34,042</u>	<u>12,772</u>
<b>Net income (loss)</b>	<u>\$ 6,758</u>	<u>\$ (322)</u>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC  
STATEMENTS OF SHAREHOLDER'S EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>Balance, December 31, 2020</b>	\$	10,000
Net loss		(322)
Shareholder contributions		<u>1,005</u>
<b>Balance, December 31, 2021</b>		10,683
Net Income		<u>6,758</u>
<b>Balance, December 31, 2022</b>	\$	<u><u>17,441</u></u>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 6,758	\$ (322)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Changes in:		
Accounts receivable	(16,600)	-
Accounts payable	22,218	-
Net cash provided by (used in) operating activities	12,376	(322)
<b>Cash Flows from Financing Activities:</b>		
Shareholder contributions	-	1,005
Increase in cash and cash equivalents	12,376	683
Cash, beginning of year	10,683	10,000
Cash, end of year	\$ 23,059	\$ 10,683

The accompanying notes are an integral part of these financial statements.

CLAW EVENTS FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Company and Operations***

Claw Events Franchising LLC (“the Company”) was incorporated October 21, 2020 in the State of Ohio. The Company is engaged in event rental service and specializes in claw machines.

***Basis of Presentation***

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained in the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”). The following is a summary of the significant accounting policies:

***Cash and Cash Equivalents***

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand and cash on deposit with a bank. There were no cash equivalents as of December 31, 2022 and 2021.

***Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible portion. This estimate is based on historical collection experience and review of the current status of trade accounts receivable. Actual results may vary. Bad debts are written off against the allowance, when identified. There was no allowance for doubtful accounts at December 31, 2022 and 2021.

***Revenue Recognition***

The Company's revenues consist of fees from franchisees. The Company executes franchise agreements for each franchisee which sets out the terms of the arrangement. The franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing fees based on upon a percentage of sales. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. Initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is five years. Franchise fees are recognized when earned.

***Income Taxes***

Effective October 21, 2020, the Company elected to become a Subchapter S Corporation under the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, each shareholder is liable for individual Federal income taxes on their share of the Company's taxable income. The Company accounts for uncertain tax positions in accordance with the ASC topic, *Accounting for Contingencies*, under which liabilities for uncertain tax positions are recognized in the financial statements when it becomes probable a liability has been incurred and the amount can be reasonably estimated.

**CLAW EVENTS FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Subsequent Events***

In conformity with the ASC standards, the Company has evaluated for disclosure all subsequent events and transactions through March 5, 2023, which was the date the financial statements were available to be issued for the year ended December 31, 2022.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and accounts receivable.

The Company maintains cash balances at a financial institution. Accounts are insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000. The Company has not exceeded these insured limits.



FINANCIAL STATEMENTS

**Claw Events Franchising LLC**

For Year Ended  
December 31, 2021  
With Independent Auditor's Report

FLYNN & COMPANY, INC.  
*Certified Public Accountant*

**CLAW EVENTS FRANCHISING LLC**

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## INDEPENDENT AUDITOR'S REPORT

Claw Events Franchising LLC  
Dayton, Ohio

### ***Opinion***

We have audited the financial statements of Claw Events Franchising LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of income, shareholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Claw Events Franchising LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States 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 Claw Events Franchising LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Claw Events 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 Claw Events Franchising LLC's ability to continue as a going concern for a reasonable period of time.

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

*Allyson J. Company, Inc.*

May 27, 2022  
Cincinnati, OH

**CLAW EVENTS FRANCHISING LLC  
BALANCE SHEET  
DECEMBER 31, 2021**

	<u>2021</u>
<b>ASSETS</b>	
Cash	<u>\$ 10,683</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,683</u></u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	
Shareholder's equity	<u>\$ 10,683</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>\$ 10,683</u></u>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC  
STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>
<b>Sales</b>	
Franchise fees	\$ 12,450
<b>Operating expenses:</b>	
Bank fees	72
Advertising and marketing	250
Professional services	<u>12,450</u>
	<u>12,772</u>
<b>Net loss</b>	<u>\$ (322)</u>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC  
STATEMENT OF SHAREHOLDER'S EQUITY  
YEAR ENDED DECEMBER 31, 2021**

	Shareholder's Equity
<b>Balance, December 31, 2020</b>	\$ 10,000
Net loss	(322)
Shareholder contributions	<u>1,005</u>
<b>Balance, December 31, 2021</b>	<u>\$ 10,683</u>

The accompanying notes are an integral part of these financial statements.

**CLAW EVENTS FRANCHISING LLC  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>	
Net loss	\$ (322)
<b>Cash Flows from Financing Activities:</b>	
Shareholder contributions	<u>1,005</u>
Increase in cash and cash equivalents	683
Cash, beginning of year	<u>10,000</u>
Cash, end of year	<u><u>\$ 10,683</u></u>

The accompanying notes are an integral part of these financial statements.



**CLAW EVENTS FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Company and Operations***

Claw Events Franchising LLC (“the Company”) was incorporated October 21, 2020 in the State of Ohio. The Company is engaged in event rental service and specializes in claw machines.

***Basis of Presentation***

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (“GAAP”) as contained in the Accounting Standards Codification (“ASC”) issued by the Financial Accounting Standards Board (“FASB”). The following is a summary of the significant accounting policies:

***Cash and Cash Equivalents***

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand and cash on deposit with a bank. There were no cash equivalents as of December 31, 2021.

***Revenue Recognition***

The Company’s revenues consist of fees from franchisees. The Company executes franchise agreements for each franchisee which sets out the terms of the arrangement. The franchise agreements require the franchisee to pay an initial, nonrefundable fee and continuing fees based on upon a percentage of sales. Subject to the Company’s approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. Initial fees are recognized as the Company satisfies the performance obligation over the franchise term, which is five years. Franchise fees are recognized when earned.

***Income Taxes***

Effective October 21, 2020, the Company elected to become a Subchapter S Corporation under the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, each shareholder is liable for individual Federal income taxes on their share of the Company’s taxable income. The Company accounts for uncertain tax positions in accordance with the ASC topic, *Accounting for Contingencies*, under which liabilities for uncertain tax positions are recognized in the financial statements when it becomes probable a liability has been incurred and the amount can be reasonably estimated.

***Subsequent Events***

In conformity with the ASC standards, the Company has evaluated for disclosure all subsequent events and transactions through May 27, 2022, which was the date the financial statements were available to be issued for the year ended December 31, 2021.

**CLAW EVENTS FRANCHISING LLC  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments, which potentially subject the Company to credit risk, consist primarily of cash and accounts receivable.

The Company maintains cash balances at a financial institution. Accounts are insured by the Federal Deposit Insurance Corporation to a maximum of \$250,000. The Company has not exceeded these insured limits.

**NOTE 3 – RISKS AND UNCERTAINTIES**

In March of 2020, the World Health Organization declared the outbreak of the COVID-19 a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Claw Events Franchising LLC for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

Claw Events Franchising LLC			
Balance Sheet		Un-Audited	
As of June 30, 2021			
	Total		
<b>ASSETS</b>			
Current Assets			
Bank Accounts			
Cash on hand	10,000.00		
Total Bank Accounts	\$ 10,000.00		
Total Other Current Assets	\$ 0.00		
Total Current Assets	\$ 10,000.00		
Fixed Assets			
TOTAL ASSETS	\$ 10,000.00		
<b>LIABILITIES AND EQUITY</b>			
Liabilities			
Current Liabilities			
Other Current Liabilities			
Total Other Current Liabilities	\$ 0.00		
Total Current Liabilities	\$ 0.00		
Long-Term Liabilities			
Notes Payable Montgomery County	0.00		
Total Long-Term Liabilities	\$ 0.00		
Total Liabilities	\$ 0.00		
Equity			
Owner's Investment	10,000.00		
Retained Earnings	0.00		
Net Income	0.00		
Total Equity	\$ 10,000.00		
TOTAL LIABILITIES AND EQUITY	\$ 10,000.00		
Saturday, June 30, 2021 04:26:02 PM GMT-8 - Accrual Basis			

Claw Events Franchising LLC				
Profit and Loss		Unaudited		
January - June, 2021				
	Total			
Income				
Pass Through To Venue	0.00			
Sales of Product Income	0.00			
Services	0.00			
Shipping Income	0.00			
Total Income	\$ 0.00			
Cost of Goods Sold				
Cost of Goods Sold	0.00			
Shipping	0.00			
Total Cost of Goods Sold	\$ 0.00			
Gross Profit	\$ 0.00			
Expenses				
Advertising & Marketing	100.00			
Bank Charges & Fees	15.00			
Dues and Subscriptions	20,000.00			
Insurance	0.00			
Internet and Website	0.00			
Marketing Materials Or Placement	0.00			
Rent & Lease	0.00			
Taxes & Licenses	0.00			
Utilities	0.00			
Wedding Pro	0.00			
Total Expenses	\$ 20,115.00			
Net Operating Income	-\$ 20,115.00			
Net Income	-\$ 20,115.00			
Friday, Jul 30, 2021 08:34:08 AM GMT-7 - Accrual Basis				

CLAW EVENTS FRANCHISING, LLC.  
Financial Statements  
January 25, 2021

(With Independent Auditors'  
Report Thereon)

**SMITH, BUZZI & ASSOCIATES, LLC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
9425 SUNSET DRIVE, SUITE 180  
MIAMI, FLORIDA 33073  
TEL. (305) 598-6701  
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.  
JOSE E. SMITH, C.P.A.

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Members of  
Claw Events Franchising, LLC.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Claw Events Franchising, LLC., which comprise the balance sheet as of January 25, 2021 and the related statements of operations and members' equity and cash flows for the period from January 1, 2021 ("Commencement of Operations") to January 25, 2021 and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Claw Events Franchising, LLC., as of January 25, 2021 and the results of its operations and its cash flows for the period from January 1, 2021 ("Commencement of Operations") to January 25, 2021 in conformity with accounting principles generally accepted in the United States of America.

*Smith, Buzzi & Associates, LLC.*

Miami, Florida  
August 24, 2021

CLAW EVENTS FRANCHISING, LLC.

Balance Sheet

January 25, 2021

Assets

Cash	\$ <u>10,000</u>
Total assets	\$ <u>10,000</u>

Liabilities and Members' Equity

Liabilities	
Deferred franchise fee	\$ <u>-</u>
Total liabilities	-
Members' Equity	<u>10,000</u>
Total Members' Equity	<u>10,000</u>
Total Liabilities and Members' Equity	\$ <u>10,000</u>

See accompanying notes to financial statements.



CLAW EVENTS FRANCHISING, LLC.

Statement of Operations and Members' Equity

For the Period from January 1, 2021 ("Commencement of Operations")  
to January 25, 2021

Revenues:		
Franchise sales		<u>-</u>
Total revenues		-
Expenses:		
General and administrative expenses		<u>-</u>
Total expenses		<u>-</u>
Net income (loss)		-
Contributions		10,000
Members' Equity, beginning of period		<u>-</u>
Members' Equity, end of period		<u>\$ 10,000</u>

See accompanying notes to financial statements.

CLAW EVENTS FRANCHISING, LLC.

Statement of Cash Flows

For the Period from January 1, 2021 ("Commencement of Operations")  
to January 25, 2021

Cash flows from operating activities:	
Net income (loss)	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	-
(Increase) decrease in assets:	
Accounts receivable	-
Increase (decrease) in liabilities:	
Accounts payable	<u>-</u>
Net cash provided by operating activities	<u>-</u>
Cash flows from investing activities:	
Fixed asset dispositions, net	<u>-</u>
Net cash used by investing activities	<u>-</u>
Cash flows from financing activities:	
Contributions	<u>10,000</u>
Net cash provided by financing activities	<u>10,000</u>
Net increase in cash and cash equivalents	10,000
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 10,000</u>
Supplementary disclosure of cash flow information:	
Cash paid during the period for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

See accompanying notes to financial statements.

CLAW EVENTS FRANCHISING, LLC.

Notes to Financial Statements

January 25, 2021

1. Summary of Significant Accounting Policies

Claw Events Franchising, LLC. ("Company") was formed in the State of Ohio in October 2020. The principal purpose of the Company is to offer and sell franchises that rent out claw machines loaded with liquor for adults who want to add an exciting touch to their events. Under the name "Cocktail Claw", whether it is a wedding, corporate event, charity drive, or any gathering with loved ones, franchisees will enjoy providing the added addition to add excitement for a variety of events and individuals.

a) Method of Accounting

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

b) Property and Equipment

Property and equipment will be stated at cost. Depreciation will be computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation will be computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment will be capitalized. Expenditures for maintenance and repairs will be charged to expense as incurred.

c) Franchise Revenues

Income will principally be comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from area franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial "franchise fee" is distinct from the franchise license. Franchise fees related to licenses are deferred over the life of the agreement. Other components of the fee are deferred and recognized as other obligations of the agreement or conditions relating to the sale have been substantially performed or satisfied by the franchisor. Generally, these services include training, support in approving franchisee's site selection and delivery of franchisee's initial inventory for use in the operations of the franchise. Franchise fees are recognized as revenue when all material services and conditions have been substantially completed or satisfied and no other material conditions or obligations related to the determination of substantial performance exist. These services, as defined above, are substantially complete prior to opening of a store. Revenue is recognized when the store opens.

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CLAW EVENTS FRANCHISING, LLC.

Notes to Financial Statements

January 25, 2021

1. Summary of Significant Accounting Policies - (Cont.)

d) Accounts Receivable

Trade accounts receivable will consist of amounts due for franchise sales, will be carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are to be periodically evaluated for collectibility based on past credit history with customers and their current financial condition.

The Company will use the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of January 25, 2021, a total of \$0 in accounts were reserved.

e) Income Taxes

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members.

f) Cash Flows

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

g) Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CLAW EVENTS FRANCHISING, LLC.

Notes to Financial Statements

January 25, 2021

1. Summary of Significant Accounting Policies - (Cont.)

h) Long-Lived Assets

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

i) Concentration of Credit Risk

The Company maintains cash in checking accounts with federally insured banks.

2. Property and Equipment

Property and equipment at January 25, 2021, consists of the following:

Computer	\$	-
Office furniture and equipment		-
		<u>-</u>
Less accumulated depreciation		<u>-</u>
	\$	<u>-</u>

Depreciation expense for the period ended on January 25, 2021 amounted to \$0.

3. Franchise Sales and Agreements

The Company is scheduled to start offering franchises in January 2021. As of January 25, 2021, no franchises have been recorded as sold.

The Company will enter into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

CLAW EVENTS FRANCHISING, LLC.  
Notes to Financial Statements  
January 25, 2021

4. Subsequent Events

Management has evaluated subsequent events through August 24, 2021, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

**EXHIBIT D TO CLAW EVENTS FRANCHISING LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF CURRENT AND FORMER FRANCHISEES**

**Current Franchisees**

N.E. Ohio Cocktail Claw LLC  
2104 Conwill Road  
Lowellville, OH 44435  
neo@cocktailclaw.com  
ph#: 330.993.0484

Cocktail Claw Central PA  
143 15<sup>th</sup> Street #6  
New Cumberland PA 17070  
centralpa@cocktailclaw.com  
ph#: 267.225.2067

Cocktail Claw Texas LLC  
1451 Kirby  
Kyle, TX 78640  
Austin@cocktailclaw.com  
ph#: 512.659.9571

All Seasons Event LLC  
450 Brice Road #182  
Blacklick, OH 43004  
columbus@cocktailclaw.com  
ph#: 614.795.42

Jermain Johnson dba Rock You  
Entertainment  
1668 E. Golden Labe  
Chandler AZ 85225  
info@rockyouent.com  
ph#: 480.737.1560

**Former Franchisees**

Siemer Events LLC  
Diana Michelle Siemer  
7529 Broadview Rd Seven Hills OH 44131  
artemis1177@gmail.com  
ph#: 740.802.0337

NOTICE: Contact information of franchisees may be disclosed if a franchise is purchased and then that franchisee later leave the franchise system.

**List of Franchised Businesses**

None

**List of Corporate or Affiliate-Owned Businesses**

Russell Gottesman  
Claw Events LLC  
1 Oakwood Avenue  
Dayton, Ohio 45409  
Tel: 401-375-2529

Russell Gottesman  
Claw Events IP LLC  
1 Oakwood Avenue  
Dayton, Ohio 45409  
Tel: 401-375-2529

Russell Gottesman  
Claw Events Merchandise LLC  
1 Oakwood Avenue  
Dayton, Ohio 45409  
Tel: 401-375-2529



**EXHIBIT E TO CLAW EVENTS FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**CONFIDENTIAL OPERATIONS MANUAL  
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**EXHIBIT F TO CLAW EVENTS FRANCHISING LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

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

**State Administrators**

**California**

Department of Financial Protection and  
Innovation  
2101 Arena Blvd.  
Sacramento, California 95834  
(916) 445-7205  
(Toll Free) (866) 275-2677

**Hawaii**

Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

**Illinois**

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

**Indiana**

Indiana Chief Deputy Commissioner  
Secretary of State  
Franchise Section – Securities Division  
301 W. Washington Street, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

**Maryland**

Office of the Attorney General  
Securities Division  
2000 Saint Paul Place  
Baltimore, Maryland 21202  
(410) 576-7044

**State Agents for Service of Process**

**California**

Department of Financial Protection and  
Innovation  
2101 Arena Blvd.  
Sacramento, California 95834

**Hawaii**

Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

**Illinois**

Illinois Franchise Development  
Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

**Indiana**

Indiana Chief Deputy Commissioner  
Secretary of State  
Franchise Section – Securities Division  
301 W. Washington Street, Room E-111  
Indianapolis, Indiana 46204

**Maryland**

Office of the Attorney General  
Securities Division  
2000 Saint Paul Place  
Baltimore, Maryland 21202

**Michigan**

Michigan Franchise Administrator  
Consumer Protection Division  
Attention: Franchise Examiner  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

**Michigan**

Not Applicable

**Minnesota**

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

**Minnesota**

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

**New York**

NYS Department of Law  
28 Liberty Street , 21st Floor  
New York, New York 10005  
(212) 416-8236

**New York**

Secretary of State of New York  
99 Washington Avenue  
Albany, New York 12231

**North Dakota**

North Dakota Securities Department  
600 East Boulevard State Capitol  
Fifth Floor, Dep't 414  
Bismarck, North Dakota 58505  
(701) 328-4712

**North Dakota**

North Dakota Securities Department  
600 East Boulevard State Capitol  
Fifth Floor, Dep't 414  
Bismarck, North Dakota 58505

**Rhode Island**

Rhode Island Securities Examiner  
Division of Securities  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9500

**Rhode Island**

Rhode Island  
Department of Business Regulation  
Division of Securities  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

**South Dakota**

South Dakota Franchise Administrator  
Division of Securities  
Department of Labor & Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605)773-4013

**South Dakota**

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

**Virginia**

Virginia Chief Examiner  
State Corporation Commissioner  
Division of Securities and Retail Franchising  
1220 Bank Street  
Richmond, Virginia 23219  
(804)786-7751

**Washington**

Washington Securities Administrator  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507  
(360)902-8760

**Wisconsin**

Wisconsin Commissioner of Securities  
Registration Division  
P.O. Box 1768  
Madison, Wisconsin 53101  
(608)266-8559

**Virginia**

Clerk of the State Corporation Commissioner  
P.O. Box 1197  
Richmond, Virginia 23219

**Washington**

Director of Licensing  
Securities Division  
150 Israel Road  
Turnwater, Washington 95801

**Wisconsin**

Wisconsin Commissioner of Securities  
Office of the Commissioner of Securities  
101 East Wilson Street  
Madison, Wisconsin 53702



**EXHIBIT G TO COCKTAIL CLAW'S FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA**

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. California law may require an interest rate lower than 10%, in which case the interest rate will be the highest rate allowed by law.
3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
6. Neither the franchisor, any person or franchise broker in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
8. **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.**
9. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
10. **OUR WEBSITE, [www.cocktailclaw.com](http://www.cocktailclaw.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).**
11. The Franchise Agreement requires binding arbitration. The arbitration will occur at Livonia, Michigan with the costs being borne in accordance with the Commercial Arbitration Rules of the American Arbitration Association, which generally provide that the costs will be borne equally by

the parties (subject to the award by the arbitrator and certain other exceptions. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

12. The Franchise Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS**

1. The following item is required to be included within the disclosure document and shall be deemed to supersede the language that is in the disclosure document itself:

Section 4 of the Illinois Franchise Disclosure Act (“Act”) dictates that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

2. Illinois law governs the Franchise Agreement.

3. Under the Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. The foregoing sentence shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

4. 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.

5. Under Illinois law, a franchise agreement may not provide for a choice of law of any state other than Illinois. Accordingly, Items 17(v) and (w) are amended to state “Illinois”. The Franchise Agreement is amended accordingly.

6. Section 11.2.2 of the Franchise Agreement is hereby amended in accordance with Section “1” above.

7. Section 11.11 of the Franchise Agreement is amended to comply with Section 27 of the Act to allow any and all claims and actions arising out of or relating to these Agreements, the relationship of Franchisor and Franchisee or Franchisee’s operation of the Franchise brought by Franchisee against Franchisor shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, within one (1) year after the Franchisee becomes aware of the facts or circumstances indicating Franchisee may have a claim for relief, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, or such claim or action will be barred.

8. Item 5 of the Disclosure Document is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. Payment of the Development Fee is deferred until the first

franchise business opens. The Illinois Attorney General’s Office imposed this deferral requirement due to our financial condition.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

CLAW EVENTS FRANCHISING LLC

\_\_\_\_\_  
Witness

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

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

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

\_\_\_\_\_  
Witness

FRANCHISEE  
\_\_\_\_\_

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**STATE ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC DISCLOSURE  
DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

1. To be added to Item 3 of the disclosure document, is the following statement:  
  
There are presently no arbitration proceedings to which the Franchisor is a party.
2. Item 17 of the disclosure document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee’s exclusive territory.
3. Under Indiana Code 23-2-2.7-1(10), the franchise agreement may not limit litigation brought for breach of the agreement in any manner whatsoever. This amends Section 11.2 of the Franchise Agreement.
4. Under Indiana Code 23-2-2.7-1(5), it is unlawful to require the franchisee to prospectively consent to a release of liability imposed by the Indiana Deceptive Franchise Practices Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

CLAW EVENTS FRANCHISING LLC

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
Witness

FRANCHISEE  
\_\_\_\_\_

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

### **ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC DISCLOSURE DOCUMENT FOR IOWA**

The following will apply to franchisees to whom the Iowa business opportunity law applies.

1. Item 17.d is amended by adding that you may cancel the Franchise Agreement any time within three business days of the date you sign the Franchise Agreement or the date the Franchise Agreement is accepted by us, whichever is later.
2. Items 5 and 6 are amended by adding that, if you cancel the Franchise Agreement in accordance with your cancellation rights described in Item 17.d, we will return to you any payments made under the Franchise Agreement within 10 business days following receipt of the cancellation notice.
3. Item 17.g is amended by adding that we may terminate the Franchise Agreement if you do not confirm that you have declined to exercise your three business day right of cancellation (described in Item 17.d) within 10 days after notice from us (we may give such notice only after the three business day period has expired).
4. Item 17.i is amended by adding that if you cancel the Franchise Agreement within three business days after you sign the Franchise Agreement or it is accepted by us, you must return to us all goods delivered to you under the Franchise Agreement.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for CLAW EVENTS FRANCHISING LLC for the State of Maryland for CLAW EVENTS FRANCHISING LLC’s disclosure document.

1. Item 17 of the disclosure document is hereby amended to state that the provision contained in Section 10.2.1(i) of the Franchise Agreement providing for automatic termination on franchisee’s bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the disclosure document is amended to state that 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.

3. The Franchisee Disclosure Acknowledgement Statement (Exhibit I to the disclosure document) is amended to state 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.

4. Item 17 of the disclosure document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Item 17 of the Franchise disclosure document is hereby amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

CLAW EVENTS FRANCHISING LLC

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
Witness

FRANCHISEE  
\_\_\_\_\_



## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### ADDENDUM TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA

This addendum to the disclosure document is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and effectively amends and revises said disclosure document and Franchise Agreement as follows:

1. Item 13 of the disclosure document and Section 7.1 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the disclosure document and Section 10.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.”

3. Item 17 of the disclosure document and Section 11.2 of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue sections:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise disclosure document or agreements can abrogate or reduce any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”

4. Item 17 of the disclosure document and Sections 4.6.2(e) and 9.3(c) of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

CLAW EVENTS FRANCHISING LLC

By:

\_\_\_\_\_  
Witness

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

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

FRANCHISEE

\_\_\_\_\_  
Witness

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC DISCLOSURE DOCUMENT

#### **REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

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

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee during a month-to-month term**”:

You may terminate the Franchise Agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**

**ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise disclosure document for CLAW EVENTS FRANCHISING LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

CLAW EVENTS FRANCHISING LLC

\_\_\_\_\_  
Witness

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

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

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

\_\_\_\_\_  
Witness

FRANCHISEE  
\_\_\_\_\_

**EXHIBIT G TO THE DISCLOSURE DOCUMENT  
ADDENDUM TO THE CLAW EVENTS FRANCHISING LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF WASHINGTON**

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 shall 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.

Section 11.24 of the Franchise Agreement does not waive any liability that may arise for these parties under the Franchise Investment Protection Act of Washington.

The Area Development Agreement is among the related agreements to which this Addendum applies.

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.

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current or former franchisees to ask them about their experiences with the franchisor.

In Exhibits E and F of the Financial Disclosure Document, the following statement is not applicable to the State of Washington: "You hereby waive any right to challenge the terms of this Agreement as being overly broad, unreasonable or otherwise unenforceable."

**EXHIBIT H TO CLAW EVENTS FRANCHISING LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**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	Pending
Hawaii	No registration
Illinois	Pending
Indiana	Pending
Maryland	No registration
Michigan	Pending
Minnesota	No registration
New York	Pending
North Dakota	No registration
Rhode Island	Pending
South Dakota	No registration
Virginia	No registration
Washington	No registration
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



**EXHIBIT I TO CLAW EVENTS FRANCHISING LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPT**

**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Claw Events 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, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Claw Events 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, DC 20580 and the appropriate state agency listed on Exhibit F.

The franchisor is Claw Events Franchising LLC, located at 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409. Its telephone number is 401-375-2529.

Issuance Date: March 20, 2023

The name, principal address and telephone number of the franchise seller for this offering is: Russell Gottesman, 1 Oakwood Avenue, Suite 542, Dayton, Ohio 45409 401-375-2529.

Claw Events Franchising LLC authorizes the agents listed in Exhibit F to accept service of process for it.

I have received a disclosure document, dated March 20, 2023, that included the following Exhibits:

- A Cocktail Claw’s Franchise Agreement (with exhibits)
- B Area Development Agreement (with exhibits)
- C Financial Statements
- D List of Current and Former Franchisees
- E Confidential Operations Manual Table of Contents
- F List of State Administrators/Agents for Service of Process
- G State Specific Addenda
- H State Effective Dates
- I Receipt

Date: \_\_\_\_\_  
(Do Not Leave Blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Please sign, date, and retain this copy for your records.

**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Claw Events 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, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Claw Events 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, DC 20580 and the appropriate state agency listed on Exhibit F.

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- F List of State Administrators/Agents for Service of Process
- G State Specific Addenda
- H State Effective Dates
- I Receipt

Date: \_\_\_\_\_  
(Do Not Leave Blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Please sign, date, and return this copy to us.