

## FRANCHISE DISCLOSURE DOCUMENT



Dill Dinkers Franchising, LLC  
a Delaware limited liability company  
9179 Red Branch Road  
Columbia, Maryland 21045  
866-592-3465  
[www.dilldinkersfranchising.com](http://www.dilldinkersfranchising.com)

As a Dill Dinkers franchisee, you will establish and operate a franchised business that provides dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events, and which locations feature indoor pickleball facilities, a retail pro shop with a variety of pickleball-related items for sale, ready-to-eat food and beverages, and event space under the “Dill Dinkers” trade name and business system.

The total investment necessary to begin operation of a Dill Dinkers franchise ranges from \$328,961 to \$765,046. This includes \$72,500 to \$79,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Dr. Ben Litalien at 9179 Red Branch Road, Columbia, Maryland 21045, [blitalien@dilldinkers.com](mailto:blitalien@dilldinkers.com), 866-592-3465.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You also can 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: September 1, 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 E. |
| <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 B 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 Dill Dinkers 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 Dill Dinkers franchisee?</b>                                   | Item 20 or Exhibit E 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 franchised business or may harm your franchised 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 franchised business.

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by litigation or arbitration only in Maryland. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Maryland than in your home state.
2. **Spousal Liability.** The franchise agreement may require your spouse (or domestic partner or other immediate family member) to sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Unregistered Trademark.** The primary trademark that you will use in your business is not yet federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

## DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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 franchised business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

## TABLE OF CONTENTS

| <b><u>ITEM</u></b>   | <b><u>PAGE</u></b> |
|--|--------------------|
| ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....                     | 8                  |
| ITEM 2 BUSINESS EXPERIENCE .....   | 10                 |
| ITEM 3 LITIGATION.....   | 12                 |
| ITEM 4 BANKRUPTCY .....  | 12                 |
| ITEM 5 INITIAL FEES .....  | 12                 |
| ITEM 6 OTHER FEES.....   | 13                 |
| ITEM 7 ESTIMATED INITIAL INVESTMENT .....  | 16                 |
| ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....                                 | 19                 |
| ITEM 9 FRANCHISEE’S OBLIGATIONS.....   | 23                 |
| ITEM 10 FINANCING .....  | 24                 |
| ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....            | 24                 |
| ITEM 12 TERRITORY .....  | 34                 |
| ITEM 13 TRADEMARKS.....  | 36                 |
| ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....                                | 38                 |
| ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS<br>..... | 39                 |
| ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....                                    | 39                 |
| ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....                          | 40                 |
| ITEM 18 PUBLIC FIGURES.....  | 43                 |
| ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....   | 43                 |
| ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....   | 44                 |
| ITEM 21 FINANCIAL STATEMENTS .....   | 46                 |
| ITEM 22 CONTRACTS.....   | 46                 |
| ITEM 23 RECEIPTS .....   | 47                 |

### **EXHIBITS**

|           |  |
|-----------|--|
| Exhibit A | State Administrators and Agents for Service of Process |
| Exhibit B | Financial Statements                                   |
| Exhibit C | Franchise Agreement                                    |
| Exhibit D | State Specific Addenda                                 |
| Exhibit E | Lists of Current and Former Franchisees                |
| Exhibit F | Form of General Release                                |
| Exhibit G | Manual Table of Contents                               |

|                       |                    |
|-----------------------|--------------------|
| State Effective Dates | Third to Last Page |
| Receipts              | Last Two Pages     |

## ITEM 1

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

To simplify the language in this franchise disclosure document (“Disclosure Document”), the terms “Dill Dinkers,” “we,” “us,” “our,” or “Franchisor” mean Dill Dinkers Franchising, LLC (“Dill Dinkers”). The terms “you,” “your,” or “Franchisee” refer to the individual or business entity that acquires a franchise to operate a Dill Dinkers franchised business. The terms “you” and “your” do not include any individual or business entity which owns an interest in you. We may require all individuals and business entities which own an interest in you to guarantee your obligations to us.

#### The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on July 28, 2023. Our principal business address is 9179 Red Branch Road, Columbia, Maryland 21045. Our agent for service in Delaware is National Registered Agents, Inc., with a principal business address of 1209 Orange Street, Wilmington, Delaware 19801. Our agents for service of process in the states which require franchise registration are listed in Exhibit A to this Disclosure Document. We do business under our corporate name and the trade name “Dill Dinkers.” We do not do business under any other name. We began offering franchises for Dill Dinkers franchised businesses (and for Dill Dinkers regional developer businesses pursuant to a separate disclosure document) as of the issuance date of this Disclosure Document. As of the issuance date of this Disclosure Document, we do not have any regional developers in the United States. We have not offered franchises in any other line of business, nor do we operate any business of the type being offered to you.

Our parent, Dill Dinkers Holdings, Inc. (“Dill Dinkers Holdings”), is a Delaware corporation incorporated on July 27, 2023. Dill Dinkers Holdings’ principal business address is 9836 Softwater Way, Columbia, Maryland 21046. Dill Dinkers Holdings has not offered franchises in this or any other line of business.

Our affiliate, Dill Dinkers, LLC, is a Maryland limited liability company formed on March 30, 2022. Dill Dinkers, LLC’s principal business address is 9836 Softwater Way, Columbia, Maryland 21046. Dill Dinkers, LLC owns and operates company-owned Dill Dinkers pickleball clubs. Dill Dinkers, LLC opened the first Dill Dinkers pickleball club in Columbia, Maryland, in November 2022. As of the issuance date of this Disclosure Document, Dill Dinkers, LLC operates three company-owned Dill Dinkers pickleball clubs in the United States. Dill Dinkers, LLC has never offered franchises in this or any other line of business.

Our affiliate, Dill Dinkers IP, LLC (“Dill Dinkers IP”), is a Delaware limited liability company formed on July 28, 2023. Dill Dinkers IP’s principal business address is 9836 Softwater Way, Columbia, Maryland 21046. Dill Dinkers IP has not offered franchises in this or any other line of business.

We do not have any predecessors. We do not have any affiliates that offer franchises in this or any other line of business, or that provide goods or services to our franchisees.

#### The Franchised Business

We offer qualified individuals and business entities the opportunity to operate Dill Dinkers pickleball clubs (“Dill Dinkers Club”) in specific geographic areas. Dill Dinkers Clubs offer dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events. Participants can play independently or with a membership that provides access to court reservations and other benefits. Each location will feature a retail pro shop with a variety of pickleball related items for sale, ready-to-eat food and beverages, and event space.

Each Dill Dinkers Club operates according to our proprietary business format and system (“System”), the distinguishing characteristics of which include, among other things, one or more specially-designed indoor



pickleball facilities; site selection and layout criteria; distinctive interior and exterior image, design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for Franchised Business operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which we may change, improve, and further develop at our option from time to time. We identify the System by certain licensed trade names, service marks, trademarks, logos, emblems, including the name and mark, “Dill Dinkers.” Dill Dinkers Clubs will operate under the mark “Dill Dinkers” and other associated marks that we now and in the future may designate as part of the System (collectively, the “Proprietary Marks”). We acquired the right to use and sublicense to franchisees the Proprietary Marks and the System under a license agreement with our affiliate, Dill Dinkers IP.

We offer the right to operate one Dill Dinkers Club (“Franchised Business”) using the System and Proprietary Marks at or from a physical premises located within the Service Area (defined below) under the terms of a single-unit franchise agreement (the “Franchise Agreement”), attached to this Disclosure Document as Exhibit C. Dill Dinkers Clubs are typically 15,000 to 40,000 square feet and feature six or more pickleball courts. Dill Dinkers Clubs can be located in light industrial areas, retail centers, strip centers, or stand-alone buildings. Each location must have good lighting, ample parking, and be easily accessible for participants and members. If, at the time you enter into the Franchise Agreement, a location for the Franchised Business has not been approved, you must lease, sublease, or acquire a site for your Franchised Business, subject to our approval, under a site selection addendum, which is attached to the Franchise Agreement (“Site Selection Addendum”). The procedures for finding, selecting, and receiving authorization for a location for the Franchised Business under the Site Selection Addendum are described in Item 11 of this Disclosure Document. You will operate your Franchised Business at a physical premises located within an area that is designated in the Franchise Agreement (the “Service Area”). Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have regarding the Service Area.

You must operate your Franchised Business according to our standards and procedures, as set forth in our confidential brand standards manual and other manuals (the “Manuals”). We will lend you a copy of, or otherwise provide you access to, the Manuals (which may be in a digital format) for the duration of the Franchise Agreement. We may periodically change and improve the System, and you must promptly comply with all new or changed items.

We also offer an optional program (the “Regional Developer Program”) under which a franchisee receives the right to solicit and recruit Dill Dinkers single-unit franchises to potential franchisees, and thereafter provide support to franchisees, within a specified geographic area. We have a separate disclosure document and regional developer agreement (“Regional Developer Agreement”) pertaining to our Regional Developer Program. If you participate in the Regional Developer Program, you must enter into a Regional Developer Agreement with us.

## Market and Competition

The market for recreational and competitive athletic activities and facilities, including pickleball, is well developed and competitive, while the market for pickleball-specific activities and facilities is developing quickly. The services offered by Dill Dinkers Clubs are used by people of all ages and are not limited to any specific submarket. Your Franchised Business will have to compete with other sports, fitness, recreational, and entertainment facilities, including other indoor and outdoor business featuring pickleball courts, most of which are individually or independently owned and operated, as well as outdoor pickleball courts owned and operated by local government agencies (Parks and Recreations Divisions). However, other franchises will likely also operate businesses providing indoor and outdoor pickleball facilities that will compete with your customer base. Indoor pickleball facilities are subject to seasonal fluctuations comparable to other types of indoor athletic, fitness, or recreational facilities.

## Industry Specific Laws and Regulations

In addition to the laws, regulations, and ordinances applicable to the businesses generally, like the Americans with Disabilities Act, federal wage and hour laws, and the Occupational Safety and Health Act, there may be regulations specific to the operation of a Dill Dinkers Club in your state that, among other things, require you to maintain a certain ratio between supervisory employees and the number of customers at your Dill Dinkers Club. You must comply with all local, state, and federal health and sanitation laws and regulations.

You should consult with your attorney and local, state, and federal government agencies before investing in a Franchised Business to determine all of the legal requirements that you must comply with and consider their impact on you and the cost of compliance. Building codes and requirements vary in different jurisdictions and it is important for you and your architect to be aware of and comply with all local laws as well as the federal laws, including the Americans with Disabilities Act. You may also be subject to certain health and safety requirements as well as licensing requirements in teaching and supervising children. Many states and municipalities have laws and regulations regarding fitness center contracts with guests, operations, and licenses. Some state and local laws may regulate the length and terms of membership contracts, advertising, and limitations on pre-opening sales. You may also have to obtain a bond to protect pre-paid membership fees you collect and there may be buyer's remorse cancellation rights and other types of cancellation rights. There may be laws requiring you to have an employee at your Franchised Business who is certified in basic cardiopulmonary resuscitation or on the use of an automated external defibrillator. There may be a requirement that you must have certain types of first aid equipment on the premises such as an automated external defibrillator. You should check with your local attorney for advice on complying with applicable law before you purchase a franchise and during the operation of your Dill Dinkers Club. You must investigate and satisfy and stay current on all local, state, and federal laws and regulations since they vary from place to place and can change over time.

You should consider these laws and regulations when evaluating your purchase of a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### Co-Founder, Chief Executive Officer, and President: William Richards

Mr. Richards has served as our Co-Founder, Chief Executive Officer, and President since our inception in July 2023. He has also served as Director, Chief Executive Officer, President, and Secretary of Dill Dinkers Holdings since its inception in July 2023, and as Co-Founder, Chief Executive Officer, and President of Dill Dinkers, LLC since March 2022. Prior to joining us, he was the Director of Operations for Didlake Inc. in Manassas, Virginia, from September 2018 to March 2022.

#### Co-Founder: Denise Richards

Ms. Richards has served as our Co-Founder since our inception in July 2023. She has served as Co-Founder of Dill Dinkers, LLC since March 2022, and as its Chief Operating Officer since November 2022. Prior to joining us, she was a Sales Executive for Learning A-Z in Tucson, Arizona, from November 2021 to November 2022. She was the Sales and Regional Trainer of the Lifetouch division for Shutterfly, in Minneapolis, Minnesota, from November 2002 to November 2021. She served in all these positions from Columbia, Maryland.

#### Chief Development Officer: Dr. Ben Litalien, CFE

Dr. Litalien has served as our Chief Development Officer since our inception in July 2023. He has been the Founder and President of Franchise Well, LLC in Stafford, Virginia, since October 2007. He has been Chief Development Officer for POS Franchising, LLC, since November 2022. He has been Chief Development Officer of Daddy's Chicken Shack Franchising, LLC since February 2021. He has been Chief Development Officer of fit20 USA Franchising, LLC since March 2018, and President since December 2022. He served as Chief Development Officer of BidExecs Franchising, LLC from December 2019 to January 2020. He served as Chief Development Officer of Malawi's Franchise Development Company, LLC from January 2014 to November 2018 and its President from October 2017 to November 2018. Dr. Litalien was Chief Development Officer of SWAT Franchise Development, LLC from September 2017 to January 2019. He was the Chief Development Officer of Zerorez Franchising System, Inc. from 2012 to 2019 and served as a director of that company from September 2017 until March 2022. He has been a director of Brain Balance Holdings, Inc. since June 2016 and a director of JIBU Holdings, L3C since January 2014. He served on the Board of Directors of the Institute of Certified Franchise Executives ("ICFE") from November 2015 until September 2019. He has also been an Adjunct Associate Professor at The University of Maryland Global Campus in College Park, Maryland since October 2010. Additionally, Dr. Litalien serves as Adjunct Instructor at Georgetown University in Washington, D.C., where he has taught the franchise management certificate program since September 2008, and as Adjunct Faculty at The University of Denver in Denver, Colorado, since July 2023. Except as otherwise stated, Dr. Litalien serves or served in the above positions from his offices in Stafford, Virginia.

#### Chief Financial Officer and Treasurer: Roy Tarash

Mr. Tarash has served as our Chief Financial Officer and Treasurer since our inception in July 2023, and in those positions for Dill Dinkers, LLC since March 2023. He has also served as Chief Financial Officer and Treasurer for Dill Dinkers Holdings since its inception in July 2023. Prior to joining us, he was the Chief Financial Officer for B. Green & Company from June 2021 to June 2022, the Controller for CCS Floors from June 2020 to June 2021, and the Chief Financial Officer for Holly Poultry from December 2001 to December 2019. He served in all these positions from Baltimore, Maryland.

#### Chief Pickleball Officer: Brian Lloyd

Mr. Lloyd has served as our Chief Pickleball Officer since our inception in July 2023 and in that position for Dill Dinkers, LLC since August 2022. Prior to joining us, he was Senior Vice President of Strategy & Operations for CoreLife Healthcare in Millersville, Maryland, from May 2020 to August 2022, Chief Strategy and Growth Officer for RealTox Labs in Reisterstown, Maryland, from September 2017 to November 2019, and founder and owner of AJiLity, LLC in Ellicott City, Maryland, from March 2016 to March 2021.

#### Chief Marketing Officer: Erika Spalding

Ms. Spaulding has served as our Chief Marketing Officer since our inception in July 2023 and in that position for Dill Dinkers, LLC since February 2023. Prior to joining us, she was the Interim Executive Director for the Northern Virginia Food Rescue in Manassas, Virginia, from October 2022 to January

2023, the Chief Executive Officer of The ECSpalding Group LLC from April 2022 to June 2023, and the Vice President of Corporate Communications and Marketing for Didlake, Inc. in Manassas, Virginia, from November 2017 to August 2022. She served in all of these positions in Manassas, Virginia.

Chief Technology Officer: Rob Pless

Mr. Pless has served as our Chief Technology Officer since our inception in July 2023 and in that position for Dill Dinkers, LLC since November 2022. He has also served as Information Technology Consultant for Head2Head Consulting in Columbia, Maryland, since October 2001.

Director of Operations: Richard P. Arnold

Mr. Arnold has served as our Director of Operations since our inception in July 2023. He has also served as Senior Franchise Consultant for Franchise Well, LLC since September 2022. Prior to that, he was the General Manager/Operating Partner for Zerorez DFW, Inc, in Dallas, Texas, from January 2017 to October 2022, and Chief Operations Officer for Zerorez Franchising Systems Inc. from May 2014 to December 2018. Unless otherwise specified, he serves or served in the above positions from his office in Carrollton, Texas.

Director of Franchisee Support: Dr. Rocco Rinaldi

Dr. Rinaldi has served as our Director of Franchisee Support since our inception in July 2023. He has served as Daddy's Chicken Shack Franchising, LLC's Director of Training and Operations since in February 2021. He has served as a Senior Franchise Consultant for Franchise Well, LLC since January 2020. He serves in these positions from his office located in Middletown, Delaware. Dr. Rinaldi was self-employed between November 2019 and January 2020. Dr. Rinaldi served as Director of Operations for BrightStar Care, LLC, located in Gurnee, Illinois, from August 2018 to October 2019.

Director of Training: Rose McGill

Ms. McGill has served as our Director of Training since our inception in July 2023. Prior to joining us, she was a Care Coordinator for ERC Pathlight in Hunt Valley, Maryland, from June 2021 to May 2023, the Field Interviewer/Contact Tracer for the University of Chicago in Chicago, Illinois, from December 2020 to June 2021, and the Learning & Development Consultant for Johns Hopkins University Development & Alumni Relations in Baltimore, Maryland, from October 2016 to July 2020.

Unless otherwise specified, each position listed above is or was based in Columbia, Maryland.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

When you sign the Franchise Agreement, you will pay us an initial lump sum franchise fee of \$50,000

(“Initial Franchise Fee”).

If you are a qualifying honorably discharged United States veteran, you will receive a 10% discount off the Initial Franchise Fee for your first Franchise Agreement. This discount is only granted to new franchisees and is not available to existing franchisees or regional developers. We may discontinue or modify this discount program at any time.

#### Training Fee

When you sign the Franchise Agreement, you will pay us a training fee of \$7,500 (“Training Fee”) for your Principal Trainees (defined in Item 11 below) to attend our initial training program (“Initial Training Program”).

#### Grand Opening

You must spend at least \$15,000 (“Grand Opening Program Amount”) for your Franchised Business’s initial grand opening pursuant to a grand opening marketing plan that you and we will collaborate and agree upon (“Grand Opening Program”). If we require that you pay the Grand Opening Program Amount to us, we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Franchised Business. The Grand Opening Program may start prior to opening your Franchised Business and must be completed within 60 days after your Franchised Business commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Franchised Business. We estimate that you will spend \$15,000 to \$20,000 in connection with your Franchised Business’s grand opening.

#### Site Review

The site you propose for your Franchised Business must be approved by us. If we determine that an on-site evaluation of a site you propose for your Franchised Business is appropriate, we may conduct a site review and you must reimburse us for all costs incurred by our representative in visiting the site, including travel, lodging, and meals. We estimate such costs will not exceed \$1,500. Upon payment, these costs are non-refundable.

The Initial Franchise Fee, Training Fee, Grand Opening Program Amount (if collected by us), and Site Review reimbursements (if any) are fully earned and non-refundable when paid, and, except as expressly noted above, are uniformly applied.

### ITEM 6 OTHER FEES

| Type of Fee <sup>1</sup> | Amount                          | Due Date   | Remarks  |
|--------------------------|---------------------------------|--|--|
| Royalty Fee              | 8% of Gross Sales. <sup>2</sup> | By the 15th of each month based upon the Gross Sales for the immediately preceding calendar month. | We may increase or otherwise adjust the Royalty Fee, provided we will not increase it by more than 0.5% during any 12-month period and the Royalty Fee will not exceed 10% of Gross Sales. |

| Type of Fee <sup>1</sup>            | Amount   | Due Date  | Remarks   |
|-------------------------------------|--|---|---|
| Brand Development Fund Contribution | Currently 0% of Gross Sales, but will be 1% upon establishment of Brand Development Fund <sup>2, 3</sup>   | By the 15th of each month based upon the Gross Sales for the immediately preceding calendar month.                    | We may increase or otherwise adjust the Brand Development Fund Contribution, provided we will not increase it by more than 1% during any 12-month period and the Brand Development Fund Contribution will not exceed 5% of Gross Sales. |
| Local Advertising                   | 3% of Gross Sales. <sup>2, 4</sup>   | You must spend this minimum amount on local marketing during each month.  | Payable to various third-party suppliers. (Note 4)  |
| Technology Fee <sup>5</sup>         | Then-current amount (currently \$1,250 per month)  | By the 15 <sup>th</sup> of each month   | Upon notice to you, we may increase or otherwise adjust this fee based on increases in our costs or changes in the technologies you must obtain through us.   |
| Late Payment / Late Report Charges  | \$100 for each week or part of a week that any payment or report is late, and interest on such amount from the date it was due until paid at the lesser rate of 2% per month or the maximum rate permitted by law. | Immediately upon notice from us.  |   |
| Additional Training/Assistance      | Our then-current fee for such assistance, which is currently \$500 per day, plus reimbursement for actual expenses.  | As incurred.  | If you request that we provide on-site training in addition to the initial training, refresher training, and/or training after opening we may provide. Training fee is subject to change.   |
| Transfer Fee                        | \$10,000   | The earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. | Payable to us when you transfer the Franchise Agreement or your ownership interests thereunder.   |
| Renewal Fee                         | 25% of the then-current initial franchise fee for a new Dill Dinkers Club at the time of renewal.  | Prior to renewal.   | Payable to us when you renew your franchise upon the execution of our then-current form of franchise agreement.   |
| Local Marketing Cooperative Fee     | Up to 3% of Gross Sales, as set by cooperative members. <sup>2, 6</sup>  | As established by cooperative members.  | The amount you pay will be credited to your to Local Advertising obligation.  |
| Audit Fees and Expenses             | Cost of audit, plus late fees.   | Immediately after notice from us.   | Payable only if the audit shows that you understated your Gross Sales by more than 2%.  |

| Type of Fee <sup>1</sup>        | Amount   | Due Date   | Remarks  |
|---------------------------------|--|--|--|
| Annual Convention               | Our then-current convention registration fee (currently \$250). <sup>7</sup> | Prior to convention or conference                      |  |
| Liquidated Damages <sup>8</sup> | Based on formula. See note 8.  | Within 10 days following effective date of termination | Payable to us as liquidated damages if we terminate the Franchise Agreement due to your default.   |
| Insurance <sup>9</sup>          | Reimbursement for cost of premiums, plus administrative fee of 18%           | Upon demand  | We have the right to obtain insurance on your behalf at your expense if you fail to purchase or renew your required insurance and provide proof of coverage to us.   |
| Indemnification Costs           | Actual legal damages, fees, costs, and expenses.                             | As incurred.   | Payable if and when we incur costs in connection with a claim for which you are required to indemnify us. If we incur costs to inspect or correct any product or service as the result of your failure to satisfactorily respond to a customer complaint, you must reimburse us for our costs reasonably incurred to remedy the complaint. |

### NOTES

1. Unless otherwise noted, all fees are payable to us and non-refundable. At our option, all payments to us must be made via Electronic Funds Transfer (“EFT”). We uniformly impose the fees described above.
2. “Gross Sales” means all revenue from the provision of all services and products sold or performed by or for Franchisee in, at, from or away from the Franchised Business, or through or by means of the Franchised Business, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, whether from cash, check, credit card, debit card, barter or exchange, or other means, and irrespective of the collection thereof, and including, all member and customer fees and payments, including, without limitation, membership agreement fees, corporate/third party payor fees, and proceeds from any business interruption insurance. “Gross Sales” excludes (i) sales taxes, use taxes, and other similar taxes added to the sales price and collected from the member or customer and paid to the appropriate taxing authority; (ii) any bona fide refunds and credits that are actually provided to members or other customers; and (iii) receipts from the sale of used equipment.
3. We may establish a brand development fund (“Brand Development Fund”). Once we have established our Brand Development Fund, you will be required to contribute to the Brand Development Fund 1% of your monthly Gross Sales. Thereafter, the Brand Development Fund Contribution may be increased by no more than 1% of Gross Sales per year up to a maximum of 5% of Gross Sales.
4. Beginning when you commence operations of your Franchised Business, you must spend at least 3% of your monthly Gross Sales for local advertising, marketing, promotion, and social media

engagement each month. Amounts you pay for the direct costs of purchasing and producing advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in the Service Area, advertising agency fees and expenses, and postage, shipping, telephone, and photocopying charges related thereto, will count towards your monthly Local Advertising obligation. The amounts you will pay for Local Advertising will not include costs or expenses incurred by or on behalf of you in connection with: (a) salaries and expenses; (b) charitable, political, or other contributions or donations; and (c) the value of discounts provided to members and customers.

5. You must use our proprietary software in conducting the business of your franchise. The Technology Fee covers your access to certain technology systems, services, platforms, and software we require you to obtain or access through us, as we deem necessary and advisable, including, for example, licenses, subscriptions, development, maintenance, and/or access to our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Dill Dinkers email address. We may make changes to the types, nature, and ultimate vendor of technology systems, services, platforms, and software we require you to obtain or access through us. Your precise monthly Technology Fee may change if there are changes in any cost or aspect of the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.
6. Item 11 contains more information about Local Marketing Cooperatives.
7. We may conduct an annual convention that our franchisees are required to attend. You will be responsible for your and any approved attendees' costs and expenses to attend the convention, including transportation, meals, and lodging. We may charge a registration fee for franchisees to attend the annual convention, which registration fee is subject to change.
8. If we terminate the Franchise Agreement due to your default, you will pay us liquidated damages in an amount equal to the product of the average yearly amount of Royalty Fees paid during the 3 years immediately preceding the termination (or such period as the Franchised Business was open for business, if the Franchised Business was not open for business during the entire three-year period), multiplied by the lesser of 3 or the number of years remaining in the then-current term.
9. If you, for any reason, fail to obtain or maintain insurance required by your Franchise Agreement, as these requirements may be revised by us in the Manuals or otherwise in writing, we have the right and authority (but not the obligation) to immediately obtain such insurance and to charge the same to you, which charges, together with an administrative fee of 18%, will be payable by you immediately upon notice. Insurance costs are non-refundable. Insurance coverage requirements are uniformly imposed on all new franchisees. However, the costs of this coverage may not be uniform for all franchisees because premiums may vary according to the insurer, marketplace conditions, the location of the insured's premises, the insurance requirements of applicable law, and other factors.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure <sup>1</sup>   | Amount   | Method of Payment | When Due     | To Whom Paid |
|------------------------------------|----------|-------------------|--------------|--------------|
| Initial Franchise Fee <sup>2</sup> | \$50,000 | Lump Sum          | Upon signing | Us           |



| Type of Expenditure <sup>1</sup>                               | Amount                       | Method of Payment                                     | When Due                                    | To Whom Paid                   |
|--|------------------------------|---|---|--------------------------------|
|  |                              |   | Franchise Agreement                         |                                |
| Site Review <sup>2</sup>                                       | \$0 - \$1,500                | Lump Sum  | As Invoiced                                 | Us                             |
| Training Fee & Expenses <sup>2</sup>                           | \$7,500 - \$9,000            | Lump Sum regarding Training Fee; Otherwise, As Agreed | Upon signing Franchise Agreement; As Agreed | Us; Third Parties              |
| Architectural, Engineer, and Legal Counsel <sup>3</sup>        | \$25,000 - \$40,000          | As Agreed   | As Agreed                                   | Vendors or Third Parties       |
| Construction Management  | \$0 - \$18,500               | As Agreed   | As Agreed                                   | Vendors or Third Parties       |
| Leasehold Improvements and Construction Costs <sup>4</sup>     | \$45,000 - \$275,000         | As Incurred   | Prior to Opening                            | Various                        |
| Rent & Utility Deposit <sup>5</sup>                            | \$58,000 - \$147,000         | As incurred   | As incurred                                 | Various                        |
| Signage, Graphics, & Interior Décor Items <sup>6</sup>         | \$12,000 - \$24,000          | As Incurred   | Prior to Opening                            | Vendors or Third Parties       |
| Furnishings, Fixtures, and Equipment <sup>6</sup>              | \$27,600 - \$39,500          | As Agreed   | As Agreed                                   | Vendors or Third Parties       |
| Computer, Software, Website, Point-of-Sale System <sup>7</sup> | \$21,000 - \$27,000          | As Incurred   | Prior to Opening                            | Vendors                        |
| Insurance <sup>8</sup>   | \$2,325 - \$9,300            | As Arranged   | As Agreed                                   | Vendors                        |
| Initial Inventory  | \$40,536 - \$64,246          | Lump Sump   | Prior to Opening                            | Vendors or Third Parties       |
| Grand Opening Marketing <sup>9</sup>                           | \$15,000 - \$20,000          | Various   | As Incurred                                 | Various (which may include Us) |
| Additional Funds – Initial 3 Months <sup>10</sup>              | \$25,000 - \$40,000          | Various   | As Incurred                                 | Various                        |
| <b>TOTAL<sup>11</sup></b>                                      | <b>\$328,961 - \$765,046</b> |   |   |                                |

### NOTES

- The chart above describes the estimated initial investment for a Franchised Business operated from a leased facility. We prepared these estimates based on the experience and data collected from our affiliate-owned operating experience. Except as expressly indicated otherwise, these estimates are intended to estimate the required initial cash investment up to the opening date of a Franchised Business, and potential working capital needs for the first 90 days of operations thereafter. They do not include cash needs to cover any financing incurred or other expenses. You should not plan to draw income from your Franchised Business during the start-up and development stage of your business, the actual duration of which will vary materially from one franchisee to another. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of a Franchised Business which, in turn, will depend upon factors such as public awareness of the business, the franchisee's ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from business to business, you should retain the services of an experienced accountant or financial advisor to develop a business plan and financial

projections for your Franchised Business. We have no obligation to refund any costs paid to us. Whether any third party will refund any costs will depend on the third party involved.

2. The Initial Franchise Fee, Site Review Fee, and Initial Training Fee are described in Item 5. You will be responsible for other expenses incurred in connection with training, including the costs of transportation, lodging, meals, wages, workers' compensation insurance.
3. This estimates the funds needed for professional advisors (attorneys, architects, real estate agents, and/or accountants) for the initial review and advice consistent with the start-up of a Dill Dinkers Franchised Business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity and related franchise documents, lease documents, and architectural designs for the Dill Dinkers franchise.
4. This estimate is based on the estimated cost of remodeling or constructing the interior finish of an existing building shell of a leased premises. The cost of the improvements will vary depending upon the location of the site, material costs, labor costs, market conditions, and other economic factors. In many cases, the landlord will provide an allowance ("Tenant-Improvement allowance" or "TI allowance") which is not reflected in the estimated amount. We do not estimate any leasehold improvements allowance that may be provided by the landlord. These amounts can range dramatically based on the condition of the space, the market you are going to operate in and the negotiations between you and the landlord. Additionally, for construction in a "vanilla shell," be aware that additional costs for electrical panels, and HVAC expansion may not be included in the assumed state of the property. Additional consideration should be made when negotiating with landlords and budgeting construction, buildout costs, and TI allowances for new construction or "vanilla shells" based on these and other factors. The costs of building permits and fees from any governmental agencies and utilities may vary greatly as well, depending on location.
5. We expect that you will lease the real estate for your Franchised Business. The range given provides our best estimate based on the experiences of our affiliate of the costs a franchisee will incur for two months' rent (first and last), a security deposit to lease an approved location, and miscellaneous deposits, including utility deposits. The rent will vary depending on the size, condition, and location of your Franchised Business, as well as local market availability and your negotiations with the landlord. The lease you sign may include percentage rent, contributions for taxes, common area maintenance fees, and payments for utilities, and other items, which may result in higher monthly payments.
6. You are required to purchase from approved third-party vendors all fixtures, furnishings, an initial equipment package, and signage in order to commence operation of your Dill Dinkers Franchised Business as outlined in the Manuals. The total costs of fixtures, furnishings, and the initial equipment package will depend on the size of the space, vendors' pricing, freight, installation, and applicable taxes. These estimates assume an approximate 15,000 to 40,000 square foot location.
7. The computer system, software, website, and point-of-sale system we require are described in Item 11.
8. You must carry insurance for the types of coverages and in the amounts that we specify in the Franchise Agreement and the Manuals. Insurance costs vary in different locations. The estimate is for one year of general liability insurance coverage, property and casualty insurance coverage, vehicle coverage, cyber security coverage and business interruption coverage as more fully described in the Manuals. You are required to incur expenses for workers' compensation insurance. We are unable to estimate the amounts that you may be required to spend for workers' compensation insurance. The requirements and rates vary widely from place to place. We reserve the right, 60 days prior written notice, to require you to obtain additional or different insurance, as

provided under the Franchise Agreement. See Item 11. In addition, you may be required to obtain certain licenses or certifications to operate your Franchised Business. Requirements vary by state.

9. In addition to your expenditures for local advertising and promotion, you must spend at least \$15,000 on the Grand Opening Program for your Franchised Business. We reserve the right to require that you pay us the Grand Opening Program Expenditure in advance of your Dill Dinkers scheduled opening, which we will apply towards your Grand Opening Program. If we spend additional amounts on advertising as part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after receipt of notice. We estimate that you will spend \$15,000 to \$20,000 in connection with your grand opening. See Item 5 for additional description.
10. This is an estimate of miscellaneous expenses you will incur during the first three months of operating the business. You should be aware that many of the initial expenses, such as advertising, rent, payroll, insurance, and your transitional living expenses, will repeat on a monthly basis. You should therefore make sure you have sufficient additional funds to meet your operational commitments during the first 90 days of operation. The actual amount of additional funds that you will need depends on a variety of factors, including your management skill, economic conditions, and competition in your area, your business plan, and other factors. The estimate of additional funds is based upon an owner-operated business and does not include any salaries or benefits for employees or any allowance for an owner's draw. We base these estimates on the experiences of our affiliate (Dill Dinkers, LLC) in developing and operating Dill Dinkers Clubs.
11. This total estimate is for expenses incurred before operations begin and during the first three months of operating the business. We base these estimates on our affiliate's experiences in developing and operating Dill Dinkers Clubs as well as the general experience of our officers and directors in connection with other branded concepts in the United States. You should review the amounts listed above carefully with a business advisor before making any decision to purchase the franchise. This is an estimate only and the actual cost can vary largely depending on the site-specific conditions and requirements for each location. We do not offer any financing directly or indirectly for any part of the initial investment.

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

### Required Purchases and Operation Standards

You must develop your Franchised Business premises and purchase, lease, license, and install and use all equipment, food products, beverages, supplies, fixtures, furnishings, computer, audio-visual, and point-of-sale systems, décor, signs, goods, uniforms, stationery, memorabilia, and merchandise and items intended for retail sales (whether or not bearing the Proprietary Marks), payment processing services, music services, advertising materials and services, and other products and services for your Franchised Business according to our standards and specifications, contained in the Manuals or that we otherwise provide in writing, solely from the suppliers we have approved in writing (which may be us or our affiliate), unless you have first obtained our written consent to do otherwise. We may modify our standards and specifications from time to time. We will notify you of any changes to our standards and specifications.

Generally, you must purchase all goods, products, inventory, supplies, foodstuffs, beverages, packaging materials, signage, furniture, fixtures, equipment, uniforms, stationery, paper goods, business card, forms, and computer hardware and software used to operate or furnish your Franchised Business from approved suppliers who demonstrate the ability to meet our standards and specifications and whom we have approved in writing.

In the operation of your Franchised Business, you are required to use only displays, trays, boxes, bags,

wrapping paper, labels, forms, and other paper and plastic products imprinted with our Proprietary Marks in accordance with our then-current standards and specifications. You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our minimum standards and specifications. These standards and specifications will be communicated to you in the Manuals, and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We will provide our current standards and specifications to approved suppliers. We may modify our standards and specifications, as well as the other standards and specifications discussed in this Item 8, by providing you with written notification.

You must maintain all your equipment, signage, decorations, fixtures, furnishings, and leasehold improvements used in connection with your facility in good order and repair. Additionally, you must promptly replace your equipment, signage, decorations, fixtures, furnishing, and leasehold improvements as they become worn, damaged, obsolete, out of style or mechanically impaired. As applicable, you may enter into preventative maintenance programs as further described in the Manual.

Except for your obligation to access certain aspects of your Computer System through us, neither we nor any of our affiliates are currently an approved or sole supplier of any goods or services, though we and our affiliates may be designated as approved or required suppliers in the future. We may appoint only one supplier (or a limited number of suppliers) for any particular good or service, and we may designate ourselves or our affiliate as the only supplier, or one of a limited number of suppliers, for any goods or services. We will provide you with a list of approved suppliers before you open your Franchise Business, which list we may update from time to time. Some suppliers may require you to enter into a separate agreement with them.

In connection with your local marketing, you must use advertising, promotional, and marketing materials that we have prepared or approved, and you must use a national or regional advertising agency acceptable to us. We have obtained a toll-free telephone number (1-866-592-DINK or 1-866-592-3465), and you may be required to promote the central telephone number in some or all of your advertising and marketing.

You or your accounting advisor must report all financials to us using our designated chart of accounts and accounting format. You also need to use such other bookkeeping services and professionals and/or software services as are approved by us to satisfy the bookkeeping and reporting requirements described in the Franchise Agreement. We currently require you to use QuickBooks Online and set it up using our designated chart of accounts.

None of our officers own an interest in any required or approved supplier, although we reserve the right in the future to designate, as an approved supplier, any supplier (which may be us or our affiliate) in which any of our officers owns an interest.

We estimate that the costs of your purchases from designated or approved sources or according to our standards and specifications will represent approximately 90% to 100% of the total cost of establishing your Franchised Business and approximately 90% to 100% of the total cost of operating your Franchised Business after that time.

#### Approval of Alternative Products, Services, and Suppliers

If you desire to purchase any unapproved products or services, or purchase any products or services from a supplier not previously approved, you must obtain our prior written approval. In determining whether to approve any products, services, or supplier, we consider various factors, including, for example: for products and services, those that meet our then-current standards and specifications, and for suppliers, suppliers who (i) can demonstrate the ability to meet our then-current standards and specifications for such products and services; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; (iii) enable the network of Dill Dinkers Clubs to take advantage of marketplace efficiencies;

and (iv) have been approved in writing by us prior to any purchases of such supplier's products or services by franchisees. The criteria we use in approving suppliers are available to franchisees upon written request.

As a condition to granting approval for any unapproved products or services, or any products or services from an unapproved supplier, you must first submit to us a written request for such approval. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may investigate the ability of the supplier to provide materials that meet our specifications. We or our representatives may inspect the unapproved products or services, or in the case of an unapproved supplier, the supplier's facilities, and may require samples of the products be delivered, either to us or to an independent laboratory we designate for testing. For approval of suppliers, we may also require that the supplier comply with such other requirements we may deem appropriate, including reimbursement of our actual costs associated with our review, payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees. If we elect to inspect the proposed supplier's facilities or test samples, the proposed supplier must pay a fee not to exceed the reasonable cost of the inspection and the actual cost of the test. We do not impose any fee upon you for such an investigation. We anticipate we will tell you within 30 days of our inspection, testing, or receipt of other information from the proposed supplier whether or not the proposed supplier will be approved. We may reinspect from time to time the facilities and products or services of any approved supplier and revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria or does not cooperate with us in our periodic re-approval process. Our determination regarding approval or disapproval is final.

#### Computer System, Software, and Other Technology

You must purchase, lease, license, and/or subscribe to solely from suppliers that we approve in writing (which may be us or our affiliate) a Computer System (as defined in Item 11 below) that meets our specifications, which are further detailed in Item 11, including any required hardware and software indicated in the Manuals. We may require that you purchase, lease, license, and/or subscribe to additional hardware, software, or other technology systems, services, or platforms we specify, meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf. You must maintain the latest available version of any required software.

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$1,250 per month. We currently require you to obtain or access our required point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Dill Dinkers email address from or through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software.

#### Insurance

You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Franchise Agreement and/or Manuals, including comprehensive general liability, all risk property and casualty, fire, business income and extra expense, automobile liability, workers' compensation, commercial umbrella liability, products liability, cyber liability, and employment practices. We may change the insurance coverages and policies we require from time to time. Each insurance policy must be issued by an issuer we approve, who must have an A.M. Best Rating of not less than "A" and an A.M. Best Class rating of not less than "xiv." These policies must be primary and non-contributory to any policies we might carry and include a waiver of subrogation in our favor. The policies

must list us and our affiliates, and our and their officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds. The policies must provide that we will receive at least 30 days' written notice of cancellation, material change or removal, or non-renewal. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require, 30 days prior to commencement of any activities or operations pursuant to the Franchise Agreement, 30 days prior to the expiration or renewal of any such policy, on each anniversary of the effective date of the Franchise Agreement, and from time to time upon written request from us. If you do not provide proof of insurance to us as required under the Franchise Agreement, we may secure insurance for you and charge the actual cost to you plus an administrative fee equal to 18% of such costs. We require you to obtain the following coverages and amounts:

| Insurance Policy Type                          | Required Coverage  |
|--|--|
| Comprehensive General Liability                | \$2 million aggregate for bodily injury liability and property damage/\$1 million per occurrence                                     |
| Fire   | 100% of replacement value of premises  |
| Business Income and Extra Expense              | Amount required to pay for monthly rent reserved under lease or sublease for a limit of 50% of annual sales or 12 months actual loss |
| Automobile Liability                           | \$1 million per occurrence for bodily injury and property damage   |
| Workers' Compensation and Employers' Liability | Statutory workers compensation; \$1 million per accident/\$1 million by disease policy limit/\$1 million by disease each accident    |
| Commercial Umbrella Liability                  | Amount with limits which bring the total of all primary underlying coverages to \$3 million  |
| Property                                       | Coverage for direct physical loss or damage to real and personal property for all risk perils  |
| Products Liability                             | \$1 million  |
| Cyber Liability                                | Amount we designate (currently \$1 million)  |
| Employment Practices                           | \$1 million for employment-related wrongful acts, including \$100,000 for third party coverage and wage and hour defense costs       |
| Other  | Any other coverage required by federal, state, or municipal law  |

### Revenue from Franchisee Purchases

We and our affiliates do not currently derive revenue or other material consideration from required purchases or leases by franchisees; however, we and our affiliates may become an approved or required supplier and earn revenue from franchisees' required purchases or leases in the future. In the fiscal year ended December 31, 2022, neither we nor our affiliates derived revenue or other material consideration from required purchases or leases by franchisees.

We and our affiliates do not currently receive payments, rebates, commissions, marketing or promotional allowances, discounts, and/or other consideration from suppliers based on franchisees' purchases from such approved suppliers; however, we and our affiliates reserve the right to do so in the future. If that occurs, we and/or our affiliates may retain all of the rebates, payments, commissions, allowances, discounts, or other

consideration we or they are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate.

### Cooperatives

We currently have no purchasing or distribution cooperatives, but we reserve the right to establish such cooperatives in the future.

### Negotiated Prices

We may negotiate system-wide purchase arrangements with our designated or approved suppliers, including price terms, for the benefit of the Dill Dinkers System, including us and company- or affiliate-owned Dill Dinkers Clubs and franchised Dill Dinkers Clubs.

### Material Benefits

You do not receive any material benefits from us, other than prices that we may have negotiated, as a result of your use of our designated or approved suppliers.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

**The following table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other items of this Disclosure Document.**

| Obligation   | Section in Franchise Agreement (FA)                   | Item(s) in Disclosure Document |
|--|---|--------------------------------|
| a. Location selection and acquisition/lease                | FA – 1.1, 1.2 and Exhibit B – Site Selection Addendum | 7 and 11                       |
| b. Pre-opening purchases/leases                            | FA – 5.1  | 7, 8 and 11                    |
| c. Location development and other pre-opening requirements | FA – 5.1 and 5.2                                      | 5, 6, 7, 8 and 11              |
| d. Initial and ongoing training                            | FA – 5.4  | 7 and 11                       |
| e. Opening   | FA – 5.3  | 7 and 11                       |
| f. Fees  | FA – 3  | 5, 6 and 7                     |
| g. Compliance with standards, policies and manuals         | FA – 5  | 8 and 11                       |
| h. Trademarks and proprietary information                  | FA – 8, 9 and 10                                      | 13 and 14                      |
| i. Restrictions on products and services offered           | FA – 5.12   | 16                             |
| j. Warranty and customer service requirements              | FA – 5.4 and 5.6                                      | Not Applicable                 |
| k. Territorial development and sales quotas                | FA – 1 and Exhibit B – Site Selection Addendum        | 12                             |
| l. Ongoing product and service purchases                   | FA – 4 and 5.12                                       | 8                              |
| m. Maintenance, appearance and remodeling requirements     | FA – 5.7–5.11   | 11                             |
| n. Insurance   | FA – 11   | 6, 8                           |
| o. Advertising   | FA – 6 and 8  | 11                             |

| Obligation  | Section in Franchise Agreement (FA)                                  | Item(s) in Disclosure Document |
|---|--|--------------------------------|
| p. Indemnification                                | FA – 16  | Not Applicable                 |
| q. Owner’s participation, management and staffing | FA – 5.6 and 5.26  | 11 and 15                      |
| r. Records and reports                            | FA – 5.18 and 7  | Not Applicable                 |
| s. Inspections and audits                         | FA – 5.17, 5.13 and 7.4  | 6                              |
| t. Transfer                                       | FA – 12  | 6 and 17                       |
| u. Renewal  | FA – 2   | 17                             |
| v. Post-termination obligations                   | FA – 14  | 17                             |
| w. Non-competition covenants                      | FA – 10 and Exhibit F – Non-Disclosure and Non-Competition Agreement | 17                             |
| x. Dispute resolution                             | FA – 17  | 17                             |

**ITEM 10  
FINANCING**

Neither we nor any of our affiliates offer, directly or indirectly, any financing arrangements to our franchisees. We do not guarantee your notes, leases, or other obligations.

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

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

Pre-Opening Obligations

Before you open your Franchised Business, we will provide the following assistance:

1. Designate your Service Area at the time you sign your Franchise Agreement. (Franchise Agreement, Section 1.2, Exhibit A).
2. Provide a copy of our standard construction/build-out package, as we may modify from time to time, including plans and specifications, site criteria, and sample site plans. We will also provide you a copy of our specifications for the furniture, fixtures, furnishings, equipment, signs, and other property that we may specify for use in a Dill Dinkers Club. You must adapt those plans and specifications, at your expense, for use at the location of the Franchised Business designated in Exhibit A to the Franchise Agreement. (Franchise Agreement, Section 4.1).
3. Provide site selection criteria and, as you may request, a reasonable amount of counseling and assistance with respect to the criteria. We will also provide such on-site evaluation as we may deem advisable as part of our evaluation of your request for site approval. (Franchise Agreement, Section 1.1, Exhibit B).
4. Review your site information and confirm the acceptability of your site subject to our minimum standards and specifications. Selecting the site is your responsibility. Factors considered in selection and confirmation of a site include population, traffic count, foot traffic, accessibility, visibility, demographics, and competition in the area. (Franchise Agreement, Section 1.1, Exhibit B).
5. Provide a list of approved suppliers. (Franchise Agreement, Section 5.12)



6. Provide pre-opening training to your Operating Principal and General (or another management-level employee whom we approve), at such times and places we designate for our training programs, together with any ongoing training we may, from time to time, deem appropriate. (Franchise Agreement, Sections 4.2, 5.4.1).
7. Provide you pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 4.3).
8. Permit you to use the Dill Dinkers trademarks, service marks, and the System, in accordance with our requirements. (Franchise Agreement, Section 8).
9. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4).

### Continuing Obligations

During the operation of your Franchised Business, we will provide the following assistance:

1. Provide ongoing training as we deem appropriate during the term of the Franchise Agreement. (Franchise Agreement, Section 4.2).
2. Loan to you or otherwise provide you access to our Manuals, which we may revise from time to time. (Franchise Agreement, Section 4.4).
3. Provide you with merchandising, marketing, and other related advice as we deem advisable and as we may develop from time to time. (Franchise Agreement, Section 4.5).
4. Provide periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail or e-mail from time to time as we deem advisable. (Franchise Agreement, Section 4.6).
5. Provide you with bulletins, intranet information, brochures and reports we may publish from time to time as we deem advisable. (Franchise Agreement, Section 4.7).
6. Once established, administer the Brand Development Fund. (Franchise Agreement, Section 6.2).
7. Permit you to use the Dill Dinkers trademarks, service marks, and the System, in accordance with our requirements. (Franchise Agreement, Section 8).

### Location Selection and Opening

We grant each franchise for a specific location. You will select the proposed location for your Franchised Business. We generally do not own, or lease to you, the real estate for your location. We must approve the location for your Franchised Business, and we may grant or withhold our consent of the location of the Franchised Business at our sole option. If you have not obtained a location for the Franchised Business at the time of execution of the Franchise Agreement, you must obtain a location for the Franchised Business in accordance with the Site Selection Addendum, which will be executed at the time you execute your Franchise Agreement. The Site Selection Addendum will identify the geographic area in which you may search for a site (the "Site Selection Area").

To obtain our approval for a proposed location, you must submit to us a site selection package containing all information that we request relating to the location you propose. We may conduct on-site visits for any proposed site, but we are not obligated to do so. You will reimburse us for our actual expenses incurred in connection with all on-site visits, including travel, lodging, and meals. We estimate such costs will not

exceed \$1,500. We will have 30 days after receipt of a complete site selection package and request for approval to approve or disapprove the proposed site. If we do not approve a proposed site by written notice within 30 days after receipt of all relevant information, the site will be deemed disapproved. If we do not receive all relevant information within 30 days after your initial submission of the location, the location will be deemed rejected. The factors that we consider in reviewing your proposed location include demographics of the market area for the location (including the population, population density, and income level of residents in the market area); the general character of the neighborhood; traffic patterns; access and visibility from adjoining roads or highways; lot size, configuration, and other physical attributes of the location; parking accommodations and ratios established by local zoning ordinances; tenant mix; competition from other businesses; proximity to residential neighborhoods; and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

Within 60 days after we approve your proposed site, you must execute a lease (which will be coterminous with the term of the Franchise Agreement) or purchase agreement regarding the site. If you will lease the premises for the Franchised Business, we must review the terms of the lease before you sign it. You are solely responsible for negotiating a lease for the premises. Our consent to any lease is conditioned upon inclusion of our Addendum to Lease into the lease. Our current form of Addendum to Lease is attached to the Franchise Agreement as Exhibit G. If your landlord refuses to agree to our Addendum to Lease, we may disapprove the lease, in which case you must find a new site for your Franchised Business.

We expect 6 to 9 months to elapse between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business. The factors affecting that length of time are expected to include time for obtaining financing arrangements, time for obtaining permits, construction time for the building and related improvements, local ordinance compliance, and delivery and installation of furniture, fixtures, equipment, and signs. If you have obtained an approved location for the Franchised Business at the time of execution of the Franchise Agreement, you must open the Franchised Business or business to the public within 120 days after the date you sign the Franchise Agreement. If you have not obtained a location for the Franchised Business at the time you sign the Franchise Agreement, you must open the Franchised Business 180 days from the later of our approval of the location for the Franchised Business, or your access to the leased premises as permitted by your landlord under the lease. You may request an extension of these deadlines, which we may grant at our option, if you experience delays beyond your reasonable control in connection with obtaining necessary permits. Your failure to timely open will constitute an event of default under the Franchise Agreement, for which we may terminate your franchise.

### Advertising and Promotion

#### The Brand Development Fund

As of the date of this Disclosure Document, we have not yet established a Brand Development Fund but we reserve the right to do so. We anticipate establishing a Brand Development Fund following the opening of the twentieth Dill Dinkers franchise location. We have no obligation to conduct advertising or spend any amount on advertising in the area or territory where you are located, except through the Brand Development Fund once established, and we will reference your Franchised Business on the brand's website ([www.dilldinkers.com](http://www.dilldinkers.com)) once you open.

Once established, we will administer and maintain the Brand Development Fund as follows:

1. You must pay us a monthly Brand Development Fund contribution fee equal to 1% of the preceding month's Gross Sales. We may increase this contribution amount by up to 1% of Gross Sales per year, but in no event will the contribution amount exceed 5% of Gross Sales during the term of the Franchise Agreement.

2. We may direct all advertising programs conducted by the Brand Development Fund, including the concept, materials, vendors, and media used in the programs and the placement and allocation of the programs. The Brand Development Fund is intended to maximize general public recognition, acceptance, and use of the System, and to test various marketing techniques, strategies, and advertising materials. We have the final right to approve all advertising vendors and materials. We are not obligated, in administering the Brand Development Fund, to make expenditures for you which are equivalent or proportionate to your contribution, to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund. We may engage a third party to manage or help manage the Brand Development Fund.
3. The Brand Development Fund, and all contributions to and earnings from the Brand Development Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing brand development, advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and/or conducting media advertising campaigns, social media campaigns, direct mail advertising, marketing surveys and other public relations activities; brand research and development; developing and hosting marketing, brand development and enhancement, and member and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; point of purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and member/customer satisfaction surveys; developing and implementing member and customer loyalty and gif card programs; member and customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System, the Proprietary Marks, and/or the “Dill Dinkers” brand; providing promotional and other marketing materials and services to the Dill Dinkers Clubs operated under the System; the salaries of employees of us or our affiliate to the extent such employees provide services in conjunction with System marketing activities; the fees or costs of any third party engaged to manage or help manage the Brand Development Fund; and all administrative and internal costs and expenses incurred in connection with the above. Media coverage may be national, regional, or local, and may be prepared by us in-house or by an advertising agency.
4. Although we intend to use the monies to develop advertising and marketing materials and programs and to place advertising that will benefit the entire network of Dill Dinkers Clubs, we have no obligation to use the contributions made from your Franchised Business or from the Dill Dinkers Clubs in your area for advertising in the area in which your Franchised Business operates. We cannot assure you that your Franchised Business will benefit directly or in proportion to your contribution.
5. The Brand Development Fund will not be audited. After the Brand Development Fund has been established, we or our affiliate will prepare an unaudited annual statement of monies collected and costs incurred by the Brand Development Fund during the prior year. We will furnish the statement to you upon your written request once per year.

6. Dill Dinkers Clubs owned by us or our affiliates will contribute to the Brand Development Fund at the same rate as franchisees.
7. We will not use any portion of the Brand Development Fund for marketing that is principally a solicitation for the sale of franchises.
8. Although the Brand Development Fund is intended to be of perpetual duration once established, we have the right to terminate it. We will not terminate the Brand Development Fund until all monies in it have been expended for advertising or other purposes outlined above or returned to its contributors in the manner and amounts we determine.
9. Any unspent contributions to the Brand Development Fund are carried forward to the next fiscal year. (Franchise Agreement, Section 6.2.)

### Grand Opening Program and Initial Marketing

In addition to your payment of the Brand Development Fund Fee and any expenditures for local advertising and promotion, you must spend at least \$15,000 (the “Grand Opening Program Amount”) for the Franchised Business’s Grand Opening Program. If we require that you pay the Grand Opening Program Amount to us, we will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for your Franchised Business. The Grand Opening Program may start prior to opening your Franchised Business and must be completed within 60 days after your Franchised Business commences operation. If we spend additional amounts on advertising as part of the Grand Opening Program, in amounts that you and we agree are part of the Grand Opening Program, you must reimburse us for the additional costs within 15 days after your receipt of notice from us. You may spend additional sums as you deem necessary or appropriate in connection with the opening of the Franchised Business. We estimate that you will spend \$15,000 to \$20,000 in connection with your Franchised Business’s grand opening. (Franchise Agreement, Section 6.1.)

### Local Marketing Cooperative

We have not yet established any local marketing cooperatives, but reserve the right to do so. We may establish a local or regional marketing cooperative for any geographic area in which a Dill Dinkers Club is located (“Local Marketing Cooperative”). If a Local Marketing Cooperative for your area is established at the time you commence operations at your Franchised Business, then you must immediately join that Local Marketing Cooperative. If a Local Marketing Cooperative for your area is established after the time you commence operations at your Franchised Business, then you must join the new Local Marketing Cooperative within 30 days after the Local Marketing Cooperative commences operations. You will not be required to be a member of more than one Local Marketing Cooperative for your Franchised Business. We may change, dissolve, or merge any Local Marketing Cooperative. The purpose of the Local Marketing Cooperative is to conduct marketing campaigns for the Dill Dinkers Clubs located in that geographic area.

If you are a member of a Local Marketing Cooperative, you will contribute up to 3% of the preceding month’s Gross Sales to the Local Marketing Cooperative (as determined by cooperative members). Any amount you pay toward the Local Marketing Cooperative Fee will be credited to your Local Advertising obligation (as described below) up to 2% of Gross Sales.

The following provisions will apply to each Local Marketing Cooperative (if and when organized):

1. Local Marketing Cooperatives will be organized and governed in the form and manner that we approve in advance, including any “Cooperative Advertising Guidelines” published and updated from time to time in the Manuals. Unless we specify otherwise, the activities carried on by each Local Marketing Cooperative will be decided by a majority vote of its

members. Each Dill Dinkers Club owner (including us or our affiliate) will be entitled to cast one vote for each Dill Dinkers Club owned that is part of the Local Marketing Cooperative.

2. Local Marketing Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising.
3. Local Marketing Cooperatives may not use advertising, promotional plans, or materials without our prior written approval, as described below.
4. You must submit your required contribution to the Local Marketing Cooperative at the same time as payments are required for royalties and the Brand Development Fund Contribution, together with the statements and reports that may be required by us or by the Local Marketing Cooperative, with our written approval. If we request in writing, you must submit your payments and reports for the Local Marketing Cooperative directly to us and we will distribute the money and reports to the Local Marketing Cooperative.
5. Although, if established, a Local Marketing Cooperative is intended to be of perpetual duration, we may terminate any Local Marketing Cooperative. A Local Marketing Cooperative will not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for marketing or promotional purposes or returned to its members.
6. Dill Dinkers Clubs owned by us or our affiliates will contribute to the Local Marketing Cooperative if established in their geographic areas at the same rate as franchisees. (Franchise Agreement, Section 6.5)

### Local Advertising

You must spend at least 3% of Gross Sales per month on local advertising, marketing, promotion, and social media engagement (“Local Advertising”). All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements. You must comply with all of our written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Service Area (including, for example, rules regarding honoring of gift certificates and promotions). You may not advertise, market, promote, or conduct other Local Advertising outside of your Service Area. You may not use any marketing or promotional plans (either in connection with local advertising and promotion, or any Local Marketing Cooperative) that we have not approved in writing, as set forth below. On a quarterly basis, you must provide us with a written report or summary regarding your Local Advertising expenditures during the prior calendar quarter. (Franchise Agreement, Sections 6.3, 6.4.)

The term Local Advertising consists only of direct costs of purchasing and producing local advertising, marketing, promotion, and social media engagement, including for advertising materials (such as camera-ready advertising and point-of-sale materials), media (space or time), and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your Service Area, associated advertising agency fees and expenses, as well as postage, shipping, telephone, and photocopying costs related thereto. Local Advertising does not, however, include any of the following:

- (a) salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to your employees, including discount coupons;

- (b) charitable, political, or other contributions or donations, whether in cash or services, unless otherwise approved; or
- (c) the value of discounts given to consumers.

### Approval of Advertising Materials

For all proposed Local Advertising that we did not prepare or previously approve, you will submit samples of plans and materials to us for our review and prior written approval at least 30 days prior to their use. If you do not receive written approval from us within 15 days after the date of our receipt of such samples or materials, we will be deemed to have approved the proposed Local Advertising. You must purchase your advertising, marketing, and promotional materials through a media buyer, advertising company, or other vendor we designate or approved. We may require you to promote the System's central toll-free telephone number (1-866-592-DINK or 1-866-592-3465) and/or website (www.dilldinkers.com).

### Advertising Council

There is currently no advertising council of the date of this Disclosure Document. We may establish an advertising council in the future. If established, we may form, change, dissolve, or merge any advertising council.

### Pricing

We may provide advice and guidance to you regarding establishing prices. In addition, we reserve the right to establish minimum and/or maximum prices you may charge for products and services, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify. Subject to your compliance with any minimum and/or maximum prices we specify, you may determine your local pricing strategy and are not obligated to follow your advice or recommendations. (Franchise Agreement, Section 5.24.)

### Memberships

We reserve the right to establish a maximum number of memberships you can sell, as outlined in the Manuals, to ensure that the Dill Dinkers members have reasonable access to court reservations.

### Computer Systems

You will purchase, lease, license, and/or subscribe to, and thereafter maintain, the certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware that meets our specifications and/or that we require, including: (a) back office and point-of-sale systems ("POS System"), operating system, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "Computer System"). We may designate ourselves or our affiliate as the only, or one of a limited number of, suppliers for all or part of your Computer System. We expect that the total cost to purchase, lease, or license the Computer System (including the POS System) will range from \$21,000 to \$27,000. Except for the POS System, we do not current require or recommend any particular supplier for computer equipment and you may purchase computer equipment from any supplier you choose.

You must comply with our requirements, specifications, and policies concerning the use of technology, as they may be specified in the Franchise Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as we may prescribe. You are prohibited from changing or modifying the software package we designate for your use and you will be bound by the terms of any license agreement that comes with the software.

Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. 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 cost for these services.

You must pay us a monthly Technology Fee if we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. The current Technology Fee is \$1,250 per month. We currently require you to obtain or access our required POS System's software and platform, brand website ([www.dilldinkers.com](http://www.dilldinkers.com)), intranet, online ordering system, streaming music software, learning management system, and a Dill Dinkers email address from or through us. As part of our franchisee intranet, we have obtained private, secure sites on the Internet, which are available to Dill Dinkers franchisees, 24 hours per day, 7 days per week. The franchisee intranet allows you and other franchisees to send e-mail to our staff, post and respond to questions and view other responses in question-and-answer forums, view and print news items, download files and software updates, update and order business forms, order products you will use in the operation of your business, conduct background checks on prospective employees, and access training courses and materials for you and your employees. We will provide you with a specific Dill Dinkers email address that you must use to communicate with us and operate the Franchised Business. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access from or through us, or in our costs regarding such technology systems, services, platforms, and software.

In addition, we require that you subscribe to QuickBooks Online, an accounting software program. The current cost of a QuickBooks Online subscription is approximately \$75 per month.

You may not obtain or maintain your website, domain name, or online presence, separate from the brand website we maintain, which contains anything related to the Dill Dinkers franchise, business, approved services, or any of our trademarks or service marks, without our express written approval.

You must install and maintain a hardware and software firewall device on your POS System that satisfies then-current Payment Card Industry (PCI) DSS merchant requirements as stated on the <http://www.pcisecuritystandards.org>. The POS System must be segmented from other internal venue networks. We may suggest third party PCI compliance vendors to you, but you are solely responsible for your own PCI compliance at your Franchised Business.

You must upgrade or update your Computer System, including the purchase of additional equipment if necessary, as specified by us from time to time to improve the overall effectiveness and competitiveness of your business. There is no contractual limitation on the frequency and costs of such obligations. You will be solely responsible for the cost of ongoing maintenance, updating, upgrading, and support contracts for the Computer System. Neither we, our affiliates, nor any third parties are responsible for such costs or for providing ongoing maintenance, repairs, upgrades or updates to your Computer System. We estimate your annual cost of maintenance, updating, upgrading, and support contracts related to the Computer System will not exceed \$4,000. The precise cost of maintenance, updating, upgrading, and support contracts related to the Computer System cannot be estimated at this time because it will depend on, among other factors,

your repair history, local costs of computer maintenance and service in your area, and technological advances that we cannot predict.

You must grant us access to all financial information generated and stored in your Computer System. We may independently access your Computer System remotely at any time to retrieve and use any electronic data and information from your Computer System (including the POS System), consult with you on problems you may be experiencing, and download information to update your software. There are no contractual limitations on our right to access such information.

### Remodeling and Upgrades

We may require you to remodel, replace and redecorate in and upon your premises and equipment as we may deem necessary, but no more than once the expiration of every 5-year period following the opening of the Franchised Business for business with the public. The expenditure to remodel the Franchised Business will be capped at \$125,000. You must also make, from time to time, the upgrades and other changes to the Computer System and electronic equipment utilized in the Franchised Business as we may request in writing (“Equipment Upgrades”). The cost for such Equipment Upgrades will be determined solely by the manufacturer or support provider. We may require any Equipment Upgrades we deem necessary for your Franchised Business. Other than as stated in this paragraph or described in the Franchise Agreement or Manuals, there are no other limitations on our ability to require you to upgrade your Franchised Business.

### Manuals

We will loan you one copy of the Manuals, which you will access through our proprietary franchisee portal. The Manuals contain mandatory and suggested specifications, standards, operating procedures, programs, and rules we prescribe periodically, as well as information relative to your obligations under the Franchise Agreement and the development and operation of your Franchised Business. The table of contents for our Brand Standards Manual is attached to this Disclosure Document as Exhibit G. The Brand Standards Manual contains 85 pages. If there is a dispute relating to the contents of the Manuals, the then-current version we posted on the franchisee portal will be controlling. The Manuals contain confidential information, and you agree not to copy any part of it or distribute it to anyone outside your Franchised Business.

### Training

Your Operating Principal and General Manager (or, if your Operating Principal and General Manager are the same person, your Operating Principal and one other of your management-level employees as approved by us) (collectively, the “Principal Trainees”) must attend and successfully complete our initial training program to our satisfaction before your Franchised Business opens and commences operations.

The initial training program will include online pre-training, in-person classroom training, and on-site training. We intend to provide you access to the online pre-training within 10 days after you sign your Franchise Agreement. Your Principal Trainees must complete the online pre-training before attending the in-person classroom training. In-person classroom training will take place in Columbia, Maryland, or at another training facility or location we designate. Classroom training will typically begin on a Monday and is expected to last ten business days. The on-site phase of the training will be conducted in your Service Area and is expected to last at least six business days. The Principal Trainees must complete the classroom portion of our initial training program at least 30 days before the Franchised Business opens, while on-site training will occur within the 30 days before the Franchised Business opens. The Principal Trainees must complete all phases of the initial training program to our satisfaction before the Franchised Business opens. Classroom and on-site trainings are expected to be held at least monthly or as needed.

As consideration for initial training of your Principal Trainees, you will pay us a Training Fee of \$7,500 upon execution of the Franchise Agreement. Except for the initial training fee, we do not charge a training



fee payable for the above-described initial training. However, you must pay for all costs and expenses, like salaries, wages, supplies, rooms, meals, and transportation for your attendees participating in the training program.

The following table summarizes the subjects taught during our initial training program:

### TRAINING PROGRAM

| Subject                                  | Hours of Classroom Training | Hours of On-the-Job Training | Location   |
|--|-----------------------------|------------------------------|--|
| Introduction / Orientation               | 1                           | 0                            | Columbia, Maryland, (or another location we designate); Online |
| History / Brand                          | 1                           | 0                            | Columbia, Maryland, (or another location we designate); Online |
| Industry Breakdown                       | 1                           | 0                            | Columbia, Maryland, (or another location we designate); Online |
| Franchise Policies (Support & Reporting) | 2-4                         | 2                            | Columbia, Maryland, (or another location we designate); Online |
| Operations (The Pickleball Program)      | 3-6                         | 4                            | Columbia, Maryland, (or another location we designate); Online |
| Operations (The Facility)                | 1-3                         | 2                            | Columbia, Maryland, (or another location we designate); Online |
| Technology                               | 4-5                         | 6                            | Columbia, Maryland, (or another location we designate); Online |
| Marketing / Grand Opening                | 6                           | 6                            | Columbia, Maryland, (or another location we designate); Online |
| Vendors / Suppliers                      | 1                           | 0                            | Columbia, Maryland, (or another location we designate); Online |
| Court Reserve / Memberships              | 4                           | 4                            | Columbia, Maryland, (or another location we designate); Online |
| <b>TOTAL</b>                             | <b>24-32</b>                | <b>24</b>                    |  |

Our training programs are overseen by Dr. Rocco Rinaldi, our Director of Franchisee Support. Dr. Rinaldi has over 20 years of franchisee training, operations, and support experience, and has been with Dill Dinkers since July 2023. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other proprietary Dill Dinkers materials that will be provided. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees, and other factors.

We may require the Principal Trainees to attend refresher courses, seminars, and other training programs

as we may reasonably specify from time to time. Franchisee must pay Franchisor's then-current per diem fee for such training as set forth in the Manual or otherwise in writing. You will be solely responsible for any costs and expenses of you and your personnel to attend any such ongoing, additional, or refresher courses, seminars, and other training programs, including transportation, meals, and lodging.

We anticipate holding an annual convention each year. Your Operating Principal and/or General Manager must attend any annual convention. Subject to our prior written approval, up to three other of your employees may attend an annual convention. We may, at our option, hold other periodic national or regional conferences or meeting, and may require some or all of your Principal Trainees to attend. We reserve the right to charge a registration fee for each convention or conference. If attendance at a convention or conference is mandatory, you will be charged our then-current registration fee even if you or personnel fail to attend. In addition, you will be solely responsible for the costs of your and your approved attendees' expenses for attending any convention, conference, or meeting, including transportation, meals, and lodging.

We may, but are not required to, provide you and your employees with additional training at your request. If you request additional training for services or ancillary services outside the scope of our training regimen and we agree to provide such training, we may charge additional fees for such additional training or consulting services. Currently, we charge a daily fee of \$500 plus expenses for any special assistance you request, however we reserve the right to change this fee. You will be expected to cover all out-of-pocket expenses (if any) for you and your employees to participate in such additional training, including transportation, meals, and lodging.

## **ITEM 12 TERRITORY**

The Franchise Agreement grants you the right to operate one Franchised Business at or from a single physical premises, selected by you and approved by us, within the Service Area. If an approved location has not been identified when you execute the Franchise Agreement, a Site Selection Addendum to the Franchise Agreement will identify the geographic area in which you may search for a site (the "Site Selection Area"). The exact size of the Site Selection Area will be agreed upon by you and us before the Franchise Agreement is executed. Once determined and/or approved by us, we will list the Franchised Business's approved location and Service Area (described below) on Exhibit A of the Franchise Agreement.

You are required to operate the Franchised Business only at the location we approve. You may not operate the Franchised Business or offer or sell any products or services at or from any location other than the approved location identified in Exhibit A of the Franchise Agreement. You may only market and solicit customers for your Franchised Business within your Service Area. You may not market or solicit customers outside of your Service Area without our prior written permission. As described below, we may offer and sell products and services through other channels of distribution, including the Internet, within the Service Area, under the Proprietary Marks or under different trademarks, without compensation to you. You are not permitted to provide goods or services through other channels of distribution, such as the Internet or in any form of social media, or make sales outside of your physical premises located within the Service Area, except as otherwise described in the Franchise Agreement.

When the Franchise Agreement is signed, you will be assigned a non-exclusive geographic area ("Service Area"). The Service Area will be the area defined by zip codes or other geographic boundaries in Exhibit A to the Franchise Agreement, excluding Alternative Points of Distribution (defined below). We will determine the Service Area based on several factors, including, among other factors, the population base; density of population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; your experience and qualifications; the reach of mass media marketing, such as radio or television; traffic generators, driving times; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas. The

Service Area will typically encompass a population of at least 25,000 people, but the ultimate size of your Service Area may vary from that of other franchisees based on the various factors noted above.

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.

As long as you are in compliance with the Franchise Agreement, we will not operate or license others to operate a Dill Dinkers Club at a physical premises located within the Service Area (subject to the reservations and limitations described below) during the term of your Franchise Agreement. Except as expressly limited by the previous sentence, we and our affiliates retain all rights with respect to Dill Dinkers Clubs, other branded, co-branded, or multi-branded businesses, the Proprietary Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, without compensation to you. Specifically, we and our affiliates retain the following rights:

1. Advertise and promote the Dill Dinkers brand and System within and outside of the Service Area.
2. Operate, and license others to operate, Dill Dinkers Clubs at any location outside the Service Area, including at locations that are adjacent to the Service Area and despite the proximity of such Dill Dinkers Clubs to the Service Area or your Franchised Business or their actual or threatened impact on sales at your Franchised Business.
3. Sell or authorize others to sell Dill Dinkers products and services to members and customers within and outside the Service Area through Alternative Points of Distribution, which include outlets (whether mobile or fixed, permanent, or temporary) located on military bases, institutional outlets (including college campuses, hospitals and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or other transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state, or any other outlet and to use the System in connection with those Alternative Points of Distribution.
4. Offer and sell, or license others to offer and sell, any products or services (including those offered by the Franchised Business), under any marks (including the Proprietary Marks) outside of the Service Area, and through any means (including through a Dill Dinkers Club);
5. Offer and sell, and authorize others to offer and sell, approved collateral products and services, including those offered and sold at the Franchised Business (such as pickleball equipment and paraphrenia, clothing, and other branded merchandise and memorabilia), under the Proprietary Marks or other marks at or from any location or through any channel of distribution (including, but not limited to, retail stores, infomercials, catalogs, the Internet, e-commerce, direct response marketing campaigns, or similar marketing channels or initiatives) and provide a limited number or representative sample of the products and services normally offered by the Franchised Business;
6. Establish, operate, and license others to establish and operate, businesses other than Dill Dinkers Clubs, which businesses may be identified by other trademarks, and/or may offer or sell products and services that are the same as or similar to the products and services offered by Dill Dinkers Clubs, within and outside of the Service Area and despite the proximity of such businesses to the Service Area or your Franchised Business or their actual or threatened impact on sales at your Franchised Business;
7. Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Service Area;

8. Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Service Area; (i) convert the other businesses to Dill Dinkers Clubs, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Dill Dinkers Clubs to such other name;
9. Engage in any other activity, action, or undertaking that we or our affiliates are not expressly prohibited from taking under the Franchise Agreement.

You may not relocate your Franchised Business without our prior written consent. We have not established conditions under which we will approve the relocation of a franchise because we believe relocations will occur very rarely. If you wish to relocate your Franchised Business, you must request to do so in writing. We anticipate that we will approve or deny any such request, subject to reasonable conditions we may impose, within 60 days of the time you submit your request. If we approve a relocation, you must comply with our then-current site selection and construction standards. We have not established conditions under which we will approve your establishment of additional Dill Dinkers Clubs. The Franchise Agreement does not grant you options, rights of first refusal, or similar rights to acquire additional Dill Dinkers Clubs.

Neither we nor any affiliate currently operates, franchises, or plans to operate or franchise any business under a different trademark that offers or sells, or will offer or sell, services or products similar to those of Dill Dinkers Clubs, but we and our affiliates have the right to do so under the Franchise Agreement.

The continuation of your rights within the Service Area under the Franchise Agreement does not depend on the achievement of a certain sales volume, market penetration, or any other contingency. If you commit a material breach of the Franchise Agreement that entitles us to terminate the Franchise Agreement, we may, in lieu of termination, modify or eliminate the Service Area. The restrictions on our right to operate in your Service Area do not apply to any Dill Dinkers Club existing or under development on the date the Franchise Agreement is signed. We are not required to pay you if we or our affiliates exercise any of the rights specified above inside or outside your Service Area.

### **ITEM 13 TRADEMARKS**

We grant you the right to operate a Franchised Business under the name “Dill Dinkers” and to use the Proprietary Marks that we designate for the operation of your Franchised Business.

Our affiliate, Dill Dinkers IP, following an assignment from William Richards, owns the rights to the trademark applications for the following Proprietary Marks, which were filed on the Principal Register of the United States Patent and Trademark Office (“USPTO”). Pursuant to such assignment, a formal trademark assignment will be recorded with the USPTO, which currently lists William Richards as the applicant.

| Mark         | Serial Number | Application Date |
|--------------|---------------|------------------|
| Dill Dinkers | 97528895      | August 1, 2022   |
| Dinkville    | 98098605      | July 24, 2023    |

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

There is no presently effective determination of the USPTO, the trademark administrator of any state, or

any court, and no pending interference, opposition, or cancellation proceeding or any pending material litigation involving the Proprietary Marks.

A third party, Paul Starita, filed a trademark application with the USPTO for the trademark “Dink & Dill” on March 7, 2022. On May 17, 2023, the USPTO issued a non-final office action regarding the application for the “Dill Dinkers” trademark, citing Starita’s application for the “Dink & Dill” trademark as a prior pending application. Effective July 24, 2023, William Richards entered into a perpetual Consent and Coexistence Agreement with Starita, under which each consented to the other’s registration and use of their respective trademarks. Each party agreed not to attempt to associate itself with the other party’s respective trademarks, products, or services, and, in the event of any actual consumer confusion regarding the two trademarks, each agreed to take prompt, reasonable, and effective steps to eliminate such confusion and any further likelihood of confusion.

Except as noted above, we know of no superior prior rights or infringing use that could materially affect your use of the Proprietary Marks, and we know of no other agreements currently in effect that significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to you.

William Richards assigned all of his all right, title, and interest in the Proprietary Marks and System to Dill Dinkers IP on August 31, 2023. On August 31, 2023, Dill Dinkers LLC licensed to Dill Dinkers IP the right to use and sublicense the System and related intellectual property. The initial term of the license agreement between Dill Dinkers LLC and Dill Dinkers IP is until the earlier of the date Dill Dinkers LLC assigns its rights to the System and related intellectual property to Dill Dinkers or three months, and the license agreement will thereafter automatically be extended for successive one-month periods until consummation of the assignment unless earlier terminated by Dill Dinkers LLC upon 30 days’ notice. We anticipate that Dill Dinkers LLC will assign all of its right, title, and interest in the System and any related intellectual property to Dill Dinkers IP within the three months of the issuance date of this Disclosure Document. If such assignment does not occur and the license agreement between Dill Dinkers LLC and Dill Dinkers IP is terminated, we will enter into a license agreement directly with Dill Dinkers LLC.

Our rights to the Proprietary Marks and System are derived from a nonexclusive, perpetual license between us and Dill Dinkers IP dated August 31, 2023 (“Intercompany License Agreement”). The Intercompany License Agreement grants us the right to use the Proprietary Marks and System, and to sublicense the use of the Proprietary Marks and System, in connection with the development and operation of Dill Dinkers Clubs and regional developer businesses, and the advertising, marketing, and promotion of the services and products that Dill Dinkers Clubs offer. The Intercompany License Agreement may be terminated for material defaults or by mutual written agreement, though any sublicense of the Proprietary Marks and System to franchisees and regional developers will survive such termination of the License Agreement. If the Intercompany License Agreement is terminated, Dill Dinkers IP will be deemed to directly license the Proprietary Marks and System to any franchisees and regional developers subject to the terms of the applicable sublicense with the franchisee or regional developer (including any franchise agreement or regional developer agreement).

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We have no obligation to protect or defend your right to use the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks, although we intend to do so when in the best interest of the System. If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things as may, in our counsel’s opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the

result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, then you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement. We do not have to indemnify you against, or reimburse you for, any damages in any proceeding arising out of the use of any name or Proprietary Mark or for any costs incurred by you in the defense of any of those claims.

We may substitute different marks for use in identifying the System and the businesses operating under it. You must bear the costs of modifying your signs and advertising materials to conform to our new Proprietary Marks as a result of this substitution.

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

We do not own any patents and do not have any pending patent applications that are material to a Dill Dinkers franchise.

We do not own any copyrights and do not have any pending copyright applications that are material to the franchise. However, we or our affiliate, Dill Dinkers, LLC, claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence, and communications with our franchisees, training, advertising, and promotional materials, and other written materials relating to the operation of Dill Dinkers Clubs and the System. Our rights to use and sublicense the Manuals and other intellectual property regarding the System are derived from the non-exclusive, perpetual Intercompany License Agreement. The Intercompany License Agreement may be terminated for material defaults or mutual written agreement. If the Intercompany License Agreement is terminated, Dill Dinkers IP will be deemed to directly license the Proprietary Marks and System to any franchisees and regional developers subject to the terms of the applicable sublicense with the franchisee or regional developer (including any franchise agreement or regional developer agreement). We consider the Manuals and related materials to be confidential and proprietary. You may use them only in the operation of your Franchised Business as provided in the Franchise Agreement. You may not use our and our affiliate's confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Franchise Agreement remains in effect.

Neither the United States Copyright Office nor any court has made any currently effective determinations regarding any of our copyrighted materials. We have no agreements in effect that significantly limit our right to use or license the use of our copyrighted materials. We have no obligation to protect or defend our copyrights or confidential information, although we intend to do so when in the best interest of the System. Finally, we know of no infringing uses that could materially affect your use of our copyrighted materials in any state.

During the term of the Franchise Agreement, you will receive information that we consider to be our trade secrets and confidential information, including confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of your Franchised Business, which may be communicated to you or which you may be apprised of by virtue of your operation under the terms of the Franchise Agreement ("Confidential Information"). You may only divulge Confidential Information to your owners, directors, members, officers, managers, or employees as must have access to it in order to operate your Franchised Business. Your employees who may have access to our Confidential Information must sign a confidentiality agreement. Our current form of confidentiality agreement is attached to the Franchise Agreement as Exhibit F. You will be liable for any unauthorized disclosure of our Confidential Information by your principals, employees, and agents. Upon expiration, non-renewal, or termination of a

Franchise Agreement, you must immediately stop using the Confidential Information in any business or otherwise and must return all proprietary or confidential materials to us.

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

We do not require you to participate personally in the direct operation of your Franchised Business, but we do recommend it. In any case, your designated Operating Principal must participate personally in the direct operation of your Dill Dinkers Club, though, with our consent, your Dill Dinkers Club may be under the day-to-day supervision of an approved General Manager. Your designated Operating Principal and General Manager must attend and satisfactorily complete the initial training program conducted by us as described in Item 11. To ensure a consistent brand experience, we require that your Operating Principal be approved by us and (1) have at least two years of management experience in the operation of a retail business or athletic facility, (2) have an equity interest of at least 5% in the business, if you are a legal entity, and (3) live no more than a two-hour drive from your Franchised Business. You will control and be solely responsible for the day-to-day operation of your Franchised Business and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

We may require that you and each person who is actively involved in the operation of the franchise with access to our Confidential Information, including the manager, execute an agreement in the form provided by us, under which each agree not to divulge any of our trade secrets or confidential or proprietary information, including the contents of any of our manuals, or to participate in or have any interest in any competitive business.

All individuals owning a direct or indirect interest in you must execute the Guarantee, Indemnification, and Acknowledgment, covering all of your obligations under the Franchise Agreement. We may also require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification and Acknowledgement. The current form of Guarantee, Indemnification, and Acknowledgement is attached to the Franchise Agreement as Exhibit E.

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

All products and services you use, sell, or offer at the Franchised Business must conform to our standards and specifications. These are described in our Manuals and other writings. You must not deviate from our standards and specifications unless we first give you our written consent. You must also comply with all applicable laws and regulations and secure all appropriate governmental approvals for the Franchised Business.

You must offer and sell only the products and services that we have expressly approved in writing. You may not offer for sale any products or perform any services that we have not authorized previously in writing, and you must stop selling any, products, or services that we disapprove in writing. You must not use or offer nonconforming items or services unless we first give you our written consent. We may add to, delete from, or otherwise modify or change the list and types of authorized products and services without limitation as we deem appropriate.

We do not restrict whom you may serve; however, we reserve the right to establish a maximum number of memberships you can sell, as outlined in the Manuals, to ensure that the Dill Dinkers members have reasonable access to court reservations. You must open and operate the Franchised Business during the hours we specify in the Manuals or otherwise in writing.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not install and offer vending machines, ATM machines, or other activities (such as cigarette machines, pool, darts, gambling activities, video games, slot machines, and other gaming devices) unless we have given our prior written consent to you to do so. We reserve the right to require you to use specified game consoles, vending machines, jukeboxes, or other entertainment devices or services that we designate.

We reserve the right to require you to only play such music and video programming at your Franchised Business that we have designated in the Manuals or approved in writing. We reserve the right to require you to subscribe to specific music and television offerings at your Franchised Business that we designate, including designated playlists, streaming services, specific television packages, premium channels, and/or other customized content distribution.

We reserve the right to establish minimum and/or maximum prices you may charge for products and services, as permitted by law. If we establish maximum or minimum prices, you will charge prices no higher than the maximum prices we specify and no lower than the minimum prices we specify.

We may change, supplement, improve, or modify the System at any time, as we deem appropriate. These changes may include, among others, the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. You must, upon reasonable notice, accept, adopt, implement, use, and display any change to the System we may make, at your sole expense. There are no limits on our right to make changes.

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

**THE FRANCHISE RELATIONSHIP**

**The following table lists certain important provisions of the Franchise Agreement pertaining to renewals, terminations, transfers and dispute resolutions. You should read those provisions in the Franchise Agreement attached as Exhibit C to this Disclosure Document.**

| Provision                           | Section in Franchise Agreement | Summary  |
|-------------------------------------|--------------------------------|--|
| a. Term of the franchise            | 2.1                            | The initial term expires 10 years after the effective date of the Franchise Agreement. |
| b. Renewal or extension of the term | 2.2                            | One additional term of 10 years.   |



| Provision   | Section in Franchise Agreement | Summary  |
|---|--------------------------------|--|
| c. Requirements for you to renew or extend          | 2.2.1–2.2.9                    | Renewal means the right to sign a successor franchise agreement to remain a franchisee. Requirements for renewal include: No default may exist under the existing agreement; you must provide notice of renewal at least 12 months in advance; you must sign our then-current franchise agreement, which may contain materially different terms and conditions than your original franchise agreement (including a different Service Area); you must sign a general release (see Exhibit F); you must satisfy all monetary obligations to us; you must pay a renewal fee; and you must present evidence that you have the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term (or obtain our approval of new premises for the duration of the renewal term). We also may require that you remodel your Franchised Business and complete additional training. |
| d. Termination by you                               | Not Applicable                 | Not Applicable, subject to state law.  |
| e. Termination by us without cause                  | Not Applicable                 | Not Applicable   |
| f. Termination by us with cause                     | 13                             | We may terminate upon default.   |
| g. “Cause” defined – defaults which can be cured    | 13.3                           | You have 30 days to cure operational defaults and 5 days to cure monetary defaults, subject to state law.  |
| h. “Cause” defined – defaults which cannot be cured | 13.1–13.2                      | The term “cause,” among other defaults, includes danger to health or safety; bankruptcy; assignment for the benefit of creditors; felony conviction; repeated violations; execution of levy not discharged within five days; attachment of property; failure to obtain approval of the site for your Franchised Business; failure to repair or renovate your Franchised Business premises; failure to complete initial training; abandonment of your Franchised Business; fraud; unauthorized transfer; failure to comply with non-compete and confidentiality obligations; default under lease or sublease for your Franchised Business; and unsatisfied final judgments of \$10,000 or more for 30 days or longer, and termination under any other agreement between you or your affiliates and us or our affiliates.  |
| i. Your obligations on termination and non-renewal  | 14                             | Among other obligations, you must cease to operate your Franchised Business, pay amounts due, cease the use of our System and Proprietary Marks, return our manuals, de-identify the Franchised Business, and comply with the post-term covenant not to compete.   |
| j. Assignment of contract by us                     | 12.1                           | The Franchise Agreement imposes no restriction on our right to assign.   |

| <b>Provision</b>   | <b>Section in Franchise Agreement</b> | <b>Summary</b>   |
|--|---------------------------------------|--|
| k. “Transfer” by you – definition                                      | 12.3                                  | The term “transfer” includes the transfer of the Franchise Agreement, Franchised Business’s assets, the leases or interest in the Franchised Business, or any interest in you.   |
| l. Our approval of transfer by you                                     | 12.4                                  | We have the right to approve all transfers; we will not withhold our consent unreasonably.   |
| m. Conditions for our approval of transfer                             | 12.4                                  | Among other conditions, no default may exist and you pay all amounts due, sign a general release and pay a transfer fee. The transferee must complete our training and meet all of our qualifications and other requirements and sign our then-current form of franchise agreement.  |
| n. Our right of first refusal to acquire your business                 | 12.6                                  | We have an option for 30 days to purchase upon same terms and conditions offered to the third party.   |
| o. Our option to purchase your business                                | 14.1.7 and 14.1.8                     | We have an option to acquire the leases to, or the right to acquire, the premises upon the termination or expiration of your Franchise Agreement. We have an option to purchase any or all of your business’s equipment or inventory related to the operation of the Franchised Business upon the termination or expiration of your Franchise Agreement.   |
| p. Your death or disability  | 12.7 and 12.8                         | Within six months of your death or disability, your interest in the Franchise Agreement, or in you, must be transferred to a third party whom we approve.  |
| q. Non-competition covenants during the term of the franchise          | 10.5                                  | You cannot divert business to a competitor. You cannot operate any “Competitive Business,” which means any business that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Franchised Business or the Dill Dinkers brand, including, without limitation, any business that is primarily related to pickleball or that provides facilities for paddle ball games played on a court, within your Service Area or within the Service Area or within 25 miles of any other Dill Dinkers Club open or under construction (subject to state law). |
| r. Non-competition covenants after the franchise terminates or expires | 10.6                                  | For a period of two years, you cannot operate a Competitive Business within the Service Area of your original location or within 10 miles of any other Dill Dinkers Club open or under construction (subject to state law).  |
| s. Modification of the agreement                                       | 23                                    | No changes to agreement can take place unless mutually agreed to in writing, except we can unilaterally modify the Manual and System.  |
| t. Integration / merger clause   | 23                                    | Only the written terms of the agreement and exhibits bind the parties (subject to applicable state law). However, nothing in the Franchise Agreement will exclude any representations we make in this Disclosure Document.   |

| <b>Provision</b>                                  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| u. Dispute resolution by arbitration or mediation | 17                                    | The parties must arbitrate any controversy or claim, except that either party may file for temporary or preliminary injunctive relief, a restraining order, or order of specific performance, including, without limitation, injunctive relief pertaining to the use of the Dill Dinkers System, Proprietary Marks, and Confidential Information, subject to state law. |
| v. Choice of forum                                | 17.2 and 17.3                         | All litigation must take place in federal or state court encompassing Columbia, Maryland, and all arbitration must take place in the Columbia, Maryland metropolitan area, subject to applicable state law. See Exhibit D.  |
| w. Choice of law                                  | 17.1                                  | Maryland law applies, subject to applicable state law. See Exhibit D.   |

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote Dill Dinkers franchises.

**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 this Disclosure Document. Financial performance information that differs from that included in Item 19 may only be given 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 Dr. Ben Litalien, 9179 Red Branch Road, Columbia, Maryland 21045, blitalien@dilldinkers.com or 866-592-3465, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
SYSTEM-WIDE OUTLET SUMMARY  
FOR FISCAL 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> |
|----------------------|-------------|---------------------------------|-------------------------------|-------------------|
| Franchised           | 2020        | 0                               | 0                             | 0                 |
|                      | 2021        | 0                               | 0                             | 0                 |
|                      | 2022        | 0                               | 0                             | 0                 |
| Company-Owned*       | 2020        | 0                               | 0                             | 0                 |
|                      | 2021        | 0                               | 0                             | 0                 |
|                      | 2022        | 0                               | 1                             | +1                |
| <b>Total Outlets</b> | <b>2020</b> | <b>0</b>                        | <b>0</b>                      | <b>0</b>          |
|                      | <b>2021</b> | <b>0</b>                        | <b>0</b>                      | <b>0</b>          |
|                      | <b>2022</b> | <b>0</b>                        | <b>1</b>                      | <b>+1</b>         |

\*For purposes of this Disclosure Document, the term “company-owned” refers to Dill Dinkers Clubs currently owned and operated by our affiliate, Dill Dinkers, LLC.

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR FISCAL YEARS 2020 TO 2022**

| <b>State</b>  | <b>Year</b> | <b>Number of Transfers</b> |
|---------------|-------------|----------------------------|
| All States    | 2020        | 0                          |
|               | 2021        | 0                          |
|               | 2022        | 0                          |
| <b>Totals</b> | <b>2020</b> | <b>0</b>                   |
|               | <b>2021</b> | <b>0</b>                   |
|               | <b>2022</b> | <b>0</b>                   |

**TABLE NO. 3  
FRANCHISED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2020 TO 2022**

| State      | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| All States | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|            | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Totals     | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|            | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|            | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |

**TABLE NO. 4  
COMPANY-OWNED OUTLETS STATUS SUMMARY  
FOR FISCAL YEARS 2020 TO 2022**

| State    | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets At End of Year |
|----------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| Maryland | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|          | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|          | 2022 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |
| Totals   | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|          | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|          | 2022 | 0                        | 1              | 0                                  | 0              | 0                          | 1                      |

**TABLE NO. 5  
PROJECTED OPENINGS  
AS OF DECEMBER 31, 2022**

| State        | Franchise Agreement Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|--------------|--|--|---|
| Arizona      | 0  | 1  |   |
| Colorado     | 0  | 1  |   |
| Florida      | 0  | 1  |   |
| Maryland     | 0  | 0  | 3   |
| Oklahoma     | 0  | 1  |   |
| Pennsylvania | 0  | 1  |   |
| Tennessee    | 0  | 1  |   |
| Texas        | 0  | 1  |   |

| State         | Franchise Agreement Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|---------------|--|--|---|
| <b>Totals</b> | <b>0</b>   | <b>7</b>   | <b>3</b>  |

Our fiscal year ends on December 31<sup>st</sup>.

#### Lists of Current and Former Franchisees

Exhibit E to this Disclosure Document reflects the name of each of our franchisees and the address and telephone numbers of their businesses as of the issuance date of this Disclosure Document. Exhibit E also reflects the name, city, state, and current business telephone number of every franchisee who ceased to do business under the Franchise Agreement or had an outlet terminated, canceled, not renewed, or transferred within the last fiscal year preceding the issuance date of this Disclosure Document, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. As of the issuance date of this Disclosure Document, we do not have any current or former franchisee.

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

#### Purchase of Previously-Owned Franchise

If you are purchasing a previously-owned franchised outlet, we will provide you additional information on the previously-owned franchised outlet in an addendum to this Disclosure Document.

#### Confidentiality Clauses

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Dill Dinkers. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

#### Trademark-Specific Franchisee Organizations

We know of no active franchisee organization associated with the System.

### **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit B to this Disclosure Document is our audited opening balance sheet as of August 8, 2023. We have not been in business for three years or more, and therefore cannot include all financial statements otherwise required to be disclosed in this Item. Our fiscal year ends on December 31<sup>st</sup>.

### **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

|           |                         |
|-----------|-------------------------|
| Exhibit C | Franchise Agreement     |
| Exhibit D | State Specific Addenda  |
| Exhibit F | Form of General Release |

**ITEM 23**  
**RECEIPTS**

The last two pages of this Disclosure Document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return the other signed copy of the Receipt to us. The Receipt contains the names of our franchise sellers.

**EXHIBIT A  
TO THE FRANCHISE DISCLOSURE DOCUMENT**

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

| <b>STATE</b>                      | <b>STATE ADMINISTRATOR/AGENT</b>   | <b>ADDRESS</b>   |
|-----------------------------------|--|--|
| California                        | Commissioner of Financial Protection and Innovation<br>California Department of Financial Protection and Innovation                    | 320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013-2344<br>1-866-275-2677<br>www.dfpi.ca.gov<br>Ask.DFPI@ca.gov |
| Hawaii<br>(State Administrator)   | Commissioner of Securities<br>Dept. of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch | 335 Merchant Street<br>Room 203<br>Honolulu, HI 96813  |
| Illinois                          | Illinois Attorney General  | 500 South Second Street<br>Springfield, IL 62706   |
| Indiana<br>(State Administrator)  | Indiana Securities Commissioner<br>Securities Division   | 302 West Washington Street, Room E111<br>Indianapolis, IN 46204  |
| Indiana<br>(Agent)                | Indiana Secretary of State   | 302 West Washington Street, Room E018<br>Indianapolis, IN 46204  |
| Maryland<br>(State Administrator) | Office of the Attorney General<br>Division of Securities   | 200 St. Paul Place<br>Baltimore, MD 21202-2020   |
| Maryland<br>(Agent)               | Maryland Securities Commissioner   | 200 St. Paul Place<br>Baltimore, MD 21202-2020   |
| Michigan                          | Michigan Department of Attorney General<br>Consumer Protection Division  | G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>525 West Ottawa Street<br>Lansing, MI 48933                                |
| Minnesota                         | Commissioner of Commerce<br>Minnesota Department of Commerce   | 85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198  |
| New York<br>(State Administrator) | NYS Department of Law<br>Investor Protection Bureau  | 28 Liberty Street, 21st Floor<br>New York, NY 10005<br>212-416-8222  |
| New York<br>(Agent)               | New York Secretary of State  | One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001   |
| North Dakota                      | Securities Commissioner<br>North Dakota Securities Department  | 600 East Boulevard Avenue<br>State Capitol, Fourteenth Floor, Dept. 414<br>Bismarck, ND 58505-0510                               |
| Rhode Island                      | Director, Department of Business Regulation,<br>Securities Division  | 1511 Pontiac Avenue<br>John O. Pastore Complex – Building 69-1<br>Cranston, RI 02920   |
| South Dakota                      | Department of Labor and Regulation<br>Division of Insurance - Securities Regulation  | 124 S. Euclid, Suite 104<br>Pierre, SD 57501-3185  |
| Virginia<br>(State Administrator) | State Corporation Commission<br>Division of Securities and Retail Franchising  | 1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>804-371-9051   |
| Virginia<br>(Agent)               | Clerk of the State Corporation Commission  | 1300 East Main Street, 1st Floor<br>Richmond, VA 23219-3630  |
| Washington                        | Department of Financial Institutions<br>Securities Division  | 150 Israel Road SW<br>Tumwater, WA 98501<br>360-902-8760   |
| Wisconsin                         | Commissioner of Securities   | Department of Financial Institutions<br>Division of Securities<br>201 W. Washington Ave., Suite 300<br>Madison, WI 53703         |



**EXHIBIT B**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**

**BALANCE SHEET**

**AUGUST 8, 2023**

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**AUGUST 8, 2023**

**Table of Contents**

|                                     | <b><u>Page</u></b> |
|-------------------------------------|--------------------|
| <b>Independent Auditor's Report</b> | 1 - 2              |
| <b>Financial Statement</b>          |                    |
| Balance sheet                       | 3                  |
| Notes to financial statement        | 4 - 8              |

## INDEPENDENT AUDITOR'S REPORT

To the Member  
Dill Dinkers Franchising, LLC

### **Opinion**

We have audited the accompanying balance sheet of Dill Dinkers Franchising, LLC (a limited liability company) as of August 8, 2023, and the related notes to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Dill Dinkers Franchising, LLC as of August 8, 2023, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statement**

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

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

## Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dill Dinkers Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dill Dinkers 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.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
August 31, 2023

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**AUGUST 8, 2023**

**ASSETS**

|                     |                                 |
|---------------------|---------------------------------|
| Cash                | \$ <u>100,000</u>               |
| <b>TOTAL ASSETS</b> | <b>\$ <u><u>100,000</u></u></b> |

**LIABILITIES AND MEMBER'S EQUITY**

|   |                                 |
|---|---------------------------------|
| Liabilities                                   | \$ -                            |
| Commitments and contingencies (Notes 4 and 5) |                                 |
| Member's equity                               | <u>100,000</u>                  |
| <b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>  | <b>\$ <u><u>100,000</u></u></b> |

See accompanying notes to financial statement.

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**AUGUST 8, 2023**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Dill Dinkers Franchising, LLC (the "Company"), a wholly-owned subsidiary of Dill Dinkers Holdings, Inc. (the "Parent"), was formed on July 28, 2023, as a Delaware limited liability company, to sell franchises pursuant to a license agreement dated August 31, 2023, between the Company and Dill Dinkers IP, LLC (the "Licensor"), an entity related to the Company by common ownership and control of the Parent. Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Dill Dinkers" name and system that offers dedicated indoor pickleball facilities with a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events. The Company has not had significant operations from the date of formation through August 31, 2023, the date on which the financial statement was available to be issued, and has not executed any franchise agreements as of that date.

The Company is a limited liability company and, therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Variable interest entities

U.S. GAAP provides a framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its financial statements. In general, a VIE is a corporation, partnership, limited liability corporation, trust, or any other legal structure used to conduct activities or hold assets that (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that is unable to direct the activities of the entity that most significantly impact its economic performance, or (3) has a group of equity owners that does not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual or other financial interest in the VIE that is considered a variable interest (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests as if it were consolidated based on a majority voting interest.

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**AUGUST 8, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Variable interest entities (continued)

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has determined that the related party, as described in Note 5, meets the conditions under the standard, and accordingly, is not required to include the accounts of the related party in the Company's financial statement.

Use of estimates

The preparation of a balance sheet in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Revenue and cost recognition

The Company expects that it will derive substantially all its revenue from franchise agreements related to franchise fee revenue, royalty fees, technology fees, transfer fees, training fees, regional developer fees and brand development fund fees. No such franchise agreements have been executed by the Company as of the date this financial statement was available to be issued.

*Franchise fees, royalties and other franchise-related fees*

Contract consideration from franchisees is expected to consist primarily of initial or renewal franchise fees, regional developer fees ("RDAs"), sales-based royalties, sales-based brand development fund fees, training fees, technology fees and transfer fees payable by a franchisee for the transfer of their franchise unit to another franchisee. The Company intends to collect an up-front fee for the grant of such rights. The initial franchise fees and up-front regional developer fees are nonrefundable and collectable when the underlying franchise agreement or RDA is signed by the franchisee. Sales-based royalties and brand development fund fees and technology fees are payable on a monthly basis. Renewal and transfer fees are due from franchisees when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement includes granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." The Company will determine if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a Company-branded franchise unit. The portion of pre-opening activities that is not brand specific will be deemed to be distinct, as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's intellectual property, and will therefore be accounted for as a separate performance obligation. All other pre-opening activities are expected to be highly interrelated to the use of the Company's intellectual property and will therefore be accounted for as a single performance obligation, which is satisfied by



**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**AUGUST 8, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and cost recognition (continued)

*Franchise fees, royalties and other franchise-related fees (continued)*

granting certain rights to use the Company's intellectual property over the term of each franchise agreement.

The Company will estimate the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities that are not brand specific will be recognized when those performance obligations are satisfied.

Initial and renewal franchise fees and RDA fees allocated to the right to access the Company's intellectual property will be recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Royalties will be earned as a percentage of franchisee gross sales ("sales-based royalties") over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property will be recognized as franchisee sales occur and the royalty is deemed collectible.

*Brand development fund*

The Company may maintain a brand development fund which will be established to collect and administer funds contributed for use in marketing and promotional programs for franchise units. Brand development fund fees will be collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the brand development fund and therefore will recognize the revenues and expenses related to the brand development fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand development fund are highly interrelated and therefore will be accounted for as a single performance obligation. As a result, revenues from the brand development fund represent sales-based royalties related to the right to access the Company's intellectual property, which will be recognized as franchisee sales occur.

If brand development fund fees exceed the related brand development fund expenses in a reporting period, advertising costs will be accrued up to the amount of brand development fund revenues recognized.

*Other revenues*

The Company will recognize revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

*Incremental costs of obtaining a contract*

The Company will capitalize direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortize them over the term of the franchise agreement.

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**AUGUST 8, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts receivable

Accounts receivable will be stated at the amount the Company expects to collect. The Company will maintain an allowance for doubtful accounts to estimate expected lifetime credit losses that are based on historical experience, the aging of accounts receivable, consideration of current economic conditions and its expectations of future economic conditions. If the financial condition of the Company's franchisees was to deteriorate or other circumstances occur that result in an impairment of franchisees' ability to make payments, the Company will record additional allowances as needed. The Company will write off uncollectible receivables against the allowance when collection efforts have been exhausted.

Income taxes

The Company is treated as a partnership for tax purposes and, as such, is not liable for federal or state income taxes. As a single-member limited liability company and, therefore, a disregarded entity for income tax purposes, the Company's assets and liabilities are combined with and included in the income tax return of the Parent. Accordingly, the accompanying financial statement does not include a provision or liability for federal or state income taxes.

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at August 8, 2023.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through August 31, 2023, the date on which this financial statement was available to be issued. Except as disclosed in Note 5, there were no other material subsequent events that required recognition or additional disclosure in this financial statement.

**NOTE 3. CONCENTRATIONS OF CREDIT RISK**

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

**DILL DINKERS FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENT**  
**AUGUST 8, 2023**

**NOTE 4. BRAND DEVELOPMENT AND LOCAL MARKETING COOPERATIVE FUNDS**

Brand development fund

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect brand development fund fees up to 5% of franchisees' gross sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. There have been no contributions to the brand development fund as of the date this financial statement was available to be issued.

Local marketing cooperative fund

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to designate any geographical area in which franchisees are operating for purposes of establishing a local or regional advertising cooperative ("Cooperative"). If the Cooperative is established, franchisees will contribute up to 3% of franchisees' monthly gross sales. Amounts contributed to the cooperative will offset the franchisees' local advertising requirement of up to 2% of monthly gross sales as further defined in the franchise agreement.

**NOTE 5. RELATED-PARTY TRANSACTIONS**

License agreement

On August 31, 2023, the Company entered into a perpetual royalty-free and non-exclusive license agreement with the Licensor for the use of the registered name "Dill Dinkers" (the "license agreement"). Pursuant to the license agreement, the Company acquired the right to sell "Dill Dinkers" franchises, and the right to earn franchise fees, royalties and other fees from franchisees.

**EXHIBIT C**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**



**DILL DINKERS FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

## Table of Contents

|  | <b>Page</b> |
|--|-------------|
| 1. GRANT .....   | 2           |
| 2. TERM AND RENEWAL .....                                      | 4           |
| 3. FEES AND PAYMENTS .....                                     | 5           |
| 4. SERVICES BY FRANCHISOR.....                                 | 7           |
| 5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS .....      | 8           |
| 6. ADVERTISING AND MARKETING .....                             | 23          |
| 7. RECORDS AND REPORTS .....                                   | 27          |
| 8. PROPRIETARY MARKS .....                                     | 28          |
| 9. MANUALS .....   | 31          |
| 10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE.....          | 31          |
| 11. INSURANCE .....  | 33          |
| 12. TRANSFER OF INTEREST .....                                 | 36          |
| 13. DEFAULT AND TERMINATION.....                               | 41          |
| 14. OBLIGATIONS UPON TERMINATION OR EXPIRATION.....            | 45          |
| 15. TAXES, PERMITS, AND INDEBTEDNESS .....                     | 47          |
| 16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION .....           | 48          |
| 17. GOVERNING LAW AND DISPUTE RESOLUTION.....                  | 49          |
| 18. TIME IS OF THE ESSENCE.....                                | 51          |
| 19. APPROVALS, WAIVERS, AND BINDING EFFECTS .....              | 51          |
| 20. NOTICES .....  | 52          |
| 21. FORCE MAJEURE.....   | 52          |
| 22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES .....             | 52          |
| 23. ENTIRE AGREEMENT AND AMENDMENT .....                       | 53          |
| 24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION ..... | 53          |
| 25. JOINT AND SEVERAL OBLIGATION .....                         | 53          |
| 26. INCORPORATION OF EXHIBITS .....                            | 53          |
| 27. COUNTERPARTS.....  | 54          |
| 28. SURVIVAL OF PROVISIONS .....                               | 54          |
| 29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS.....       | 54          |
| 30. BUSINESS JUDGMENT .....                                    | 55          |

### **Exhibits:**

- A Identification of Franchisee
- B Site Selection Addendum
- C Authorization Agreement for Prearranged Payments (Direct Debits)
- D Statement of Ownership Interests
- E Guarantee, Indemnification, and Acknowledgment
- F Non-Disclosure and Non-Competition Agreement
- G Addendum to Lease

## FRANCHISE AGREEMENT

Dill Dinkers Franchising, LLC (“Franchisor”) and the undersigned (the “Franchisee”) enter into this Franchise Agreement (this “Agreement”) as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”).

### RECITALS

A. Franchisor, as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Dill Dinkers System” or “System”) for establishing and operating businesses that provide dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events, and which locations feature indoor pickleball facilities, a retail pro shop with a variety of pickleball-related items for sale, ready-to-eat food and beverages, and event space (“Dill Dinkers Services and Products”).

B. The distinguishing characteristics of the System include, among other things: one or more specially-designed indoor pickleball facilities; site selection and layout criteria; distinctive interior and exterior image, design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in the Manuals (defined below) and all of which Franchisor may change, improve, and further develop at its option from time to time;

C. Franchisor identifies the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Dill Dinkers” and such other trade names, service marks, and trademarks as are now designated (and may hereinafter be designated) by Franchisor in writing for use in connection with the System (the “Proprietary Marks”). Franchisor uses such Proprietary Marks in order to identify for the public the source of products and services marketed thereunder and under the System, and to represent the System’s high standards of cleanliness, quality, appearance, and service;

D. Franchisor is in the business of franchising others to operate pickleball clubs that sell Dill Dinkers Services and Products and products and services that Franchisor designates under the System and the Proprietary Marks (each a “Dill Dinkers Club”) and Franchisee desires to operate a Dill Dinkers Club and to receive the training and other assistance provided by Franchisor in connection therewith; and

E. Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with Franchisor’s standards and specifications.

Now, therefore, in consideration of the foregoing and of the covenants contained in this Agreement, the parties agree as follows:

## 1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee the right, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) Dill Dinkers Club under the System (the “Franchised Business”); (b) to use, only in connection with the Franchised Business, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only at or from a physical premises located within the Service Area (defined below in Section 1.2) at the location specified in Exhibit A. Franchisee may only market and solicit customers for the Franchised Business within the Service Area. Franchisee may not market or solicit customers outside of the Service Area without Franchisor’s prior written permission. If, at the time of execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Franchised Business, subject to Franchisor’s written consent in accordance with the Site Selection Addendum attached as Exhibit B (the “Site Selection Addendum”). Franchisor shall grant or withhold consent of the location of the Franchised Business under this Section 1.1 at its sole option. In connection with Franchisor’s consent to the location, Franchisee shall execute, and cause the landlord to execute, the Addendum to Lease appended hereto as Exhibit G. Franchisee acknowledges and agrees that Franchisor’s consent to Franchisee’s proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Franchisor of any kind. Franchisee may not relocate the Franchised Business without Franchisor’s prior written consent.

1.2 Service Area. Except as otherwise described in this Agreement, for so long as Franchisee is in full compliance with this Agreement, Franchisor will not, during the term of this Agreement, operate or license others to operate a Dill Dinkers Club at a physical premises located within the Service Area. “Service Area” shall mean the area described in Exhibit A, with the exception of any outlet that is defined in this Agreement as an Alternative Point of Distribution (defined below) that is developed, constructed, operated, merchandised, sold, licensed, and/or franchised to others by Franchisor to sell Dill Dinkers Services and Products, products, and services to the public within the Service Area, as may be revised in accordance with Section 1.2.2 hereof. “Alternative Point(s) of Distribution” shall mean any outlet described in Section 1.2.2 of this Agreement. Franchisor retains all other rights not expressly granted in this Agreement. Without obligation to Franchisee, Franchisor and its affiliates may, among other things, and regardless of proximity to or economic impact upon the Franchised Business:

1.2.1 Advertise and promote the brand and System within and outside of the Service Area;

1.2.2 Operate, and license others to operate, Dill Dinkers Clubs at any location outside the Service Area, including at locations that are adjacent to the Service Area and despite the proximity of such Dill Dinkers Clubs to the Service Area or Franchisee’s Franchised Business or their actual or threatened impact on sales at Franchisee’s Franchised Business.

1.2.3 Sell or authorize others to sell Dill Dinkers Services and Products, products, and services to members and customers within and outside the Service Area through Alternative Points of Distribution, which include outlets (whether mobile or fixed, permanent, or temporary) located on military bases, institutional outlets (including college campuses, hospitals and school lunch programs), fairs, athletic contests, or other special events, convenience stores, casinos, airports, and larger retail outlets, toll roads, limited access highways, schools, universities, enclosed shopping malls, hotels, industrial or government facilities, amusement or theme park complexes, train stations, bus stations, or other transportation facilities, and other locations owned or operated by major institutions with sites throughout the country or a particular state, or any other outlet and to use the System in connection with those Alternative Points of Distribution.



1.2.4 Offer and sell, or license others to offer and sell, any products or services (including those offered by the Franchised Business), under any marks (including the Proprietary Marks) outside of the Service Area, and through any means (including through a Dill Dinkers Club);

1.2.5 Offer and sell, and authorize others to offer and sell, approved collateral products and services, including those offered and sold at the Franchised Business (such as pickleball equipment and paraphrenia, clothing, and other branded merchandise and memorabilia), under the Proprietary Marks or other marks at or from any location or through any channel of distribution (including, but not limited to, retail stores, infomercials, catalogs, the Internet, e-commerce, direct response marketing campaigns, or similar marketing channels or initiatives) and provide a limited number or representative sample of the products and services normally offered by the Franchised Business;

1.2.6 Establish, operate, and license others to establish and operate, businesses other than Dill Dinkers Clubs, which businesses may be identified by other trademarks, and/or may offer or sell products and services that are the same as or similar to the products and services offered by Dill Dinkers Clubs, within and outside of the Service Area and despite the proximity of such businesses to the Service Area or Franchisee's Franchised Business or their actual or threatened impact on sales at Franchisee's Franchised Business;

1.2.7 Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such concepts for locations within and outside of the Service Area;

1.2.8 Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the Service Area; (i) convert the other businesses to Dill Dinkers Clubs, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the other businesses to operate under another name and convert existing Dill Dinkers Clubs to such other name. Franchisee agrees to participate at Franchisee's expense in any such conversion as may be required by Franchisor and to waive any claims, demands or damages arising from or related to the loss of the "Dill Dinkers" name, the Proprietary Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement;

1.2.9 Engage in any other activity, action, or undertaking that Franchisor or its affiliates are not expressly prohibited from taking under this Agreement.

1.3 No Right to Subfranchise. Franchisee may not subfranchise, sublicense, or relicense to others any right to use the System or the Proprietary Marks.

1.4 Goodwill and Dill Dinkers Name. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title, or interest in and to the System. Any and all goodwill associated with the System or Proprietary Marks shall inure exclusively to Franchisor's benefit; and, upon the expiration or termination of this Agreement for any cause whatsoever, Franchisor shall not have any obligation to pay any money for any goodwill associated with Franchisee's use of the System. Franchisee shall not take any action whatsoever to contest the validity or ownership of the System or the goodwill associated with the System. Franchisee shall have no right to use in its name the name "Dill Dinkers" or any other names used by Franchisor.

## 2. TERM AND RENEWAL

2.1 Term. Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the initial term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date.

2.2 Renewal. Franchisee may, at its option, renew Franchisee's right to operate the Franchised Business for one (1) additional consecutive term of ten (10) years, subject to the following conditions, each of which Franchisee must meet prior to such renewal:

2.2.1 Franchisee shall deliver to Franchisor a written notice of Franchisee's election to renew no fewer than twelve (12) months nor more than eighteen (18) months prior to the expiration of the initial term;

2.2.2 Franchisee shall pay in lieu of the initial franchise fee, a renewal fee equal to twenty-five percent (25%) of Franchisor's then-current initial franchise fee for a new Dill Dinkers Club when it delivers the written notice required under Section 2.2.1;

2.2.3 Franchisee shall not have received, prior to its election to renew, written notice of three (3) or more separate defaults under this Agreement or written notice of default on more than three (3) separate occasions and, from the time of Franchisee's election to renew through the expiration of the initial term, Franchisee shall not have been in default of any provision of this Agreement, any amendment to this Agreement, or any other agreement between Franchisee or its affiliates and Franchisor or its affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.4 Franchisee shall present evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Franchised Business for the duration of the renewal term, or shall obtain approval by Franchisor of a new location for the Franchised Business for the duration of the renewal term;

2.2.5 Franchisee shall refurbish, remodel, renovate, and upgrade the Franchised Business to comply with Franchisor's then-current specifications for new Dill Dinkers Clubs of the same or similar type, including fixtures, furnishings, technology and kitchen equipment, which may differ materially from the specifications in effect as of the Effective Date of this Agreement.

2.2.6 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates, and shall have timely met those obligations throughout the term of this Agreement;

2.2.7 Franchisee shall execute a general release, in a form satisfactory to Franchisor of any and all claims against Franchisor and its current and former affiliates, and their respective past and present owners, officers, directors, agents, and employees;

2.2.8 Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2.2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement, including

a higher percentage Royalty Fee and Brand Development Fund Contribution or local advertising expenditure, and a different or modified Service Area;

2.2.9 Franchisee and its personnel shall comply with Franchisor's then-current qualification and training requirements, prior to commencement of operations under the renewal form of franchise agreement.

2.3 No Assurances of a Renewal Franchise Agreement. Franchisee accepts this Agreement with the full and complete understanding that the grant of rights to operate a franchise hereunder is not a promise or assurance that Franchisee will be granted a renewal franchise agreement.

### **3. FEES AND PAYMENTS**

3.1 Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of Fifty Thousand Dollars (\$50,000), upon execution of this Agreement. Except as otherwise stated in this Agreement, the Franchise Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to offer the rights to this franchise to others.

3.2 Training Fee. Franchisee shall pay to Franchisor a training fee of Seven Thousand, Five Hundred Dollars (\$7,500) (the "Training Fee") upon execution of this Agreement. The Training Fee is consideration for initial training for Franchisee's Principal Trainees, as described in Section 5.4.

3.3 Royalty Fees. Franchisee shall pay Franchisor a continuing royalty fee in an amount equal to eight percent (8%) of the Franchised Business's Gross Sales ("Royalty Fees") for the immediately preceding month. Franchisor may, at its sole option, adjust the amount of the required monthly Royalty Fees upon thirty (30) days' prior written notice to Franchisee; provided, (i) the Royalty Fees will not be increased by more than one-half percent (0.5%) during any 12-month period, and (ii) the Royalty Fees will not exceed ten percent (10%) of Gross Sales. Franchisee shall pay the Royalty Fees on a monthly basis in the manner designated in Section 3.6 below.

3.3.1 "Gross Sales" means all revenue from the provision of all services and products sold or performed by or for Franchisee in, at, from or away from the Franchised Business, or through or by means of the Franchised Business, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, whether from cash, check, credit card, debit card, barter or exchange, or other means, and irrespective of the collection thereof, and including, all member and customer fees and payments, including, without limitation, membership agreement fees, corporate/third party payor fees, and proceeds from any business interruption insurance; provided, however, that "Gross Sales" excludes (i) sales taxes, use taxes, and other similar taxes added to the sales price and collected from the member or customer and paid to the appropriate taxing authority; (ii) any bona fide refunds and credits that are actually provided to members or other customers; and (iii) receipts from the sale of used equipment.

3.4 Brand Development Fund Contribution. Following establishment of a Brand Development Fund, Franchisee shall pay Franchisor or its designee a Brand Development Fund Contribution (defined in Section 6.2) in an amount designated by Franchisor (beginning at one percent (1%) of Gross Sales), but in no event no more than five percent (5%) of Gross Sales. The required Brand Development Fund Contribution will not be increased by more than one percent (1%) during any 12-month period. The Brand Development Fund Contribution is payable monthly by Franchisee in the manner designated or prescribed by Franchisor in Sections 3.5 and 6.2 below and/or in the Manuals.

3.5 Continuing Payments, EFT, and Reporting Obligations. Except as otherwise described in this Agreement, all payments required by this Section 3 and Section 6 below based on the Gross Sales for the preceding calendar month shall be paid and submitted by electronic funds transfer so as to be received by Franchisor by the fifteenth (15th) day of each calendar month, or such other date as Franchisor may designate in writing in the Manuals. Franchisee shall execute a form of electronic funds transfer (“EFT”) authorization (in the form attached as Exhibit C to this Agreement or such other forms that Franchisor designates) for direct debits from Franchisee’s business bank operating account. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under this Agreement, including Section 7 below, at the time and in the format reasonably requested by Franchisor, which may include electronically polled data from Franchisee’s point-of-sale system. Franchisee shall comply with the payment and reporting procedures specified by Franchisor in this Agreement and the Manuals. To ensure that payments are received by Franchisor on a timely basis, such policies and procedures may require that Franchisee have sufficient funds in its account by a date certain, as the EFT process may sweep such account the day before for payment on the preceding day. Franchisee’s obligations for the full and timely payment of Royalty Fees and Brand Development Fund Contributions, and all other amounts provided for in this Agreement, shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow, or set off same against any claims or alleged claims Franchisee may allege against Franchisor or others. Franchisee shall not, on grounds of any alleged nonperformance by Franchisor or others, withhold payment of any fee, including Royalty Fees or Brand Development Fund Contributions, nor withhold or delay submission of any reports due hereunder. Franchisor reserves the right to change the due date of any fees upon ten (10) days’ prior written notice to Franchisee.

3.6 Technology Fee. Franchisee must pay Franchisor a monthly technology fee (“Technology Fee”) in its then-current amount for access to and/or use of technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain or access through Franchisor, as Franchisor deems necessary and advisable in its sole determination, which may include, for example, licenses, subscriptions, development, maintenance, and/or access to point-of-sale software and platform, intranet, online ordering system, streaming music software, learning management system, and a Dill Dinkers email address. Franchisor reserves the right to change, add to, remove from, or substitute the types, nature, and ultimate vendor of technology systems, services, platforms, and software that Franchisee must obtain or access through Franchisor. Franchisor may increase or otherwise change the amount of the Technology Fee upon prior written notice to Franchisee, including upon changes in the technology systems, services, platforms, and software that Franchisee must obtain or access through or from Franchisor or changes in Franchisor’s costs regarding such technology systems, services, platforms, and software.

3.7 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

3.8 Overdue Payments and Reports; Interest. Any payment or report not actually received by Franchisor (or the appropriate brand development fund) on or before the date such payment or report is due shall be deemed overdue. If any payment or report is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, a late payment/late report charge of one hundred dollars (\$100) for each week or part thereof that the payment or report is late, and interest on the past due amount from the date it was due until paid, at the rate of two percent (2.0%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

3.9 Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any

monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

3.10 Other Payments. All payments and fees owed by Franchisee to Franchisor shall be paid by Franchisee in the manner and within the time periods as provided for in this Agreement or in the Manuals. Franchisor reserves the right to collect all fees and payments due by Franchisee by EFT as provided for in Section 3.5 or otherwise in the Manuals.

3.11 No Refunds. Upon the expiration or termination of this Agreement, Franchisor shall not refund any amounts paid pursuant to this Agreement for any reason whatsoever.

#### **4. SERVICES BY FRANCHISOR**

4.1 Development of the Franchised Business. Franchisor or its designee shall make available to Franchisee a copy of its standard construction/build-out package, as modified from time to time, including plans and specifications, site criteria, and sample site plans, which Franchisee must adapt, at Franchisee's expense, for use at the site selected by Franchisee and approved by Franchisor, and a copy of Franchisor's specifications for the furniture, fixtures, furnishings, equipment, signs, and all other property that Franchisor may specify for use in the Franchised Business. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction/build-out drawings or other documentation necessary to obtain permits or authorization to build a specific Dill Dinkers Club, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Franchised Business location, subject to Franchisor's approval, as provided in Section 5.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the architectural plans and specifications as Franchisor deems appropriate from time to time.

4.2 Initial and Ongoing Assistance. Prior to the Franchised Business opening, Franchisor shall provide to Franchisee's Operating Principal (as defined in Section 5.26.4.1 below), General Manager (as defined in Section 5.26.4.3 below) and to such of Franchisee's other employees of which Franchisor shall approve for training, such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

4.3 Opening Assistance. Franchisor will provide such pre-opening assistance to Franchisee as Franchisor deems advisable, which may include assisting Franchisee in formulating its initial opening orders for equipment, inventory, and supplies. Franchisor may have one of its representatives present at the Franchised Business for such assistance and consultation as it deems appropriate. The date, time, and nature of the pre-opening support will be determined by Franchisor at its sole option.

4.4 Manuals. Franchisor shall loan or otherwise provide Franchisee access to Franchisor's confidential Brand Standards Manual and other manuals (the "Manuals"), which may be revised from Franchisor from time to time.

4.5 Merchandising and Marketing Advice. Franchisor shall provide Franchisee such merchandising, marketing, advertising, sales, and other related advice as Franchisor deems advisable and

as Franchisor may develop from time to time. Franchisor may establish and administer a system-wide Brand Development Fund in the manner set forth in Section 6 below.

4.6 Ongoing Assistance. Franchisor shall provide such periodic individual or group advice, consultation, and assistance, rendered by personal visit, telephone, mail, or e-mail and made available from time to time as Franchisor deems advisable at the time(s) and in the manner determined by Franchisor.

4.7 Bulletins and Reports. Franchisor shall provide Franchisee such bulletins, intranet information, brochures, and reports published by Franchisor from time to time as Franchisor deems advisable regarding its plans, policies, research, developments, and activities.

4.8 Computer System. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, software, and hardware to be used by, between, or among Dill Dinkers Clubs, including: (a) back office and point-of-sale systems, reservations systems, learning management system, data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchisee's Franchised Business, between or among Dill Dinkers Clubs, and between and among Franchisee's Franchised Business and Franchisor and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; (e) e-mail systems; and (f) Internet access mode and speed (collectively, the "Computer System").

4.9 Inspection. Franchisor shall have the right to inspect the Franchised Business prior to the opening of the Franchised Business and periodically throughout the term of this Agreement as described in Section 5.13 below.

4.10 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on or available to Franchisor by this Agreement, as Franchisor may direct.

## **5. OBLIGATIONS OF FRANCHISEE; OPERATIONAL STANDARDS**

5.1 System Standards and Development of Franchised Business. Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisor, Franchisee, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Franchisor's reputation and goodwill. Franchisee shall construct, furnish, and open the Franchised Business according to the requirements contained herein, and Franchisee shall open the Franchised Business at the later of (a) one hundred twenty (120) days after the Effective Date, or (b) if upon execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Franchisor, one hundred eighty (180) days after the later of (i) Franchisor's approval of the location for the Franchised Business pursuant to the Site Selection Addendum, or (ii) Franchisee's access to the leased premises as permitted by the lessor under the lease.

5.2 Pre-Opening Obligations. Before commencing any construction or build-out of the Franchised Business, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is approved by Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Franchised Business based upon the site construction package furnished by Franchisor or its designee pursuant to Section 4.1, and as may otherwise be authorized by Franchisor due to the particularities of the site of the proposed location. Franchisor's approval shall be limited to conformance with Franchisor's standard image specifications and layout and shall not relate to

Franchisee's obligations with respect to any federal, state and local laws, codes and regulations including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply, at Franchisee's expense, with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction/build-out, design, and operation of the Franchised Business.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Dill Dinkers Clubs. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Franchised Business for business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction, build-out, and operation of the Franchised Business and shall certify in writing to Franchisor that all such permits and certifications have been obtained. Franchisee shall provide copies of all such permits and certificates to Franchisor within ten (10) days of Franchisor's request for same.

5.2.5 Franchisee shall employ a qualified licensed general contractor approved by Franchisor to construct/build-out the Franchised Business and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and Franchisee shall deliver to Franchisor such proof of such insurance as Franchisor shall require.

5.2.6 Prior to signing a lease, Franchisee shall submit to Franchisor a final draft of the lease for the Franchised Business premises. The lease must contain the provisions contained in Exhibit G (Addendum to Lease) hereof and be approved in writing by Franchisor prior to Franchisee's signing of the final lease. Within fifteen (15) days following Franchisee's execution of the lease for the Franchised Business premises, Franchisee shall provide to Franchisor copies of (i) the fully-executed lease for the premises and the executed Addendum to Lease and (ii) the landlord's and property management company's notice address and contact information.

5.3 Franchised Business Opening. In connection with the opening of the Franchised Business:

5.3.1 Franchisee shall not open the Franchised Business for business without first complying with all of Franchisor's pre-opening requirements and obligations contained in this Agreement and the Manuals and obtaining Franchisor's prior written consent.

5.3.2 Franchisee shall draw upon the Grand Opening Program Amount as described in Section 6.1 to conduct such grand opening and promotional activities as Franchisor may require.

5.3.3 Franchisee shall not open the Franchised Business until Franchisor has determined that all construction/build-out has been substantially completed, and that such construction/build out

conforms to Franchisor's standards, including materials, quality of work, signage, decor, paint, and equipment.

5.3.4 Franchisee shall not open the Franchised Business until the Operating Principal and the General Manager have successfully completed all training required by Franchisor, and Franchisee has hired and trained a sufficient number of employees to service the anticipated level of the Franchised Business's members and customers.

5.3.5 Franchisee shall not open the Franchised Business until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.4 Training. Franchisee acknowledges that its owners and managers must be knowledgeable regarding the operation of Dill Dinkers Clubs, including the preparation and delivery of Dill Dinkers Services and Products and the provision of customer service in accordance with the brand standards established by Franchisor, which may be modified by Franchisor from time to time. Franchisee acknowledges that successful completion of Franchisor's training programs by Franchisee's owners and managers is critical to properly own, operate, and manage the Franchised Business. Franchisee's Operating Principal and General Manager (or another employee that attends Franchisor's initial training program) must also successfully complete any state and/or local mandated food handling program, if any, before commencing training with Franchisor, and each trainee must provide a certificate of successful completion of such program prior to commencing training. Also, Franchisee's employees must be covered by Franchisee's workers' compensation insurance policy prior to commencing training with Franchisor, and Franchisee must provide evidence of such coverage upon request by Franchisor. At least two (2) individuals must attend and successfully complete Franchisor's initial training program: the Franchisee's Operating Principal, and at least one (1) full-time General Manager (or if Franchisee's Operating Principal and General Manager are the same person, Franchisee's Operating Principal and one (1) other management-level employee of Franchisee as approved by Franchisor) (collectively, the "Franchisee's Principal Trainees").

5.4.1 Initial Training. Prior to the opening of the Franchised Business, the Franchisee's Principal Trainees must attend and successfully complete, to Franchisor's satisfaction, the initial training program (including any required on-site training) offered by Franchisor. All aspects of the Franchised Business shall be conducted under the management and supervision of the Operating Principal. In addition, the daily operations of the Franchised Business shall be supervised under the active full-time, on-site management of the Operating Principal or General Manager who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program. In exchange for Franchisee's payment of the Training Fee set forth in Section 3.2, the cost of all initial training instruction and required materials shall be borne by Franchisor. All other expenses incurred in connection with training and, if required, attendance at Franchisor's conventions and conferences, including the costs of transportation, lodging, meals, wages, workers' compensation insurance and trainees' meals during training sessions, for Franchisee, its investors, and all of its employees, shall be borne by Franchisee.

5.4.2 Operating Principal and General Manager. If the Operating Principal or the General Manager cease active management of or employment at the Franchised Business, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in Franchisor's initial training program not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the initial training program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so. Franchisee shall pay Franchisor's then-current training fees and per diem expenses for such training.

5.4.3 Ongoing Training. The Franchisee's Principal Trainees may also be required to attend such ongoing, additional, or refresher courses, seminars, and other training programs as Franchisor



may reasonably specify from time to time. Franchisee must pay Franchisor's then-current per diem fee for such training as set forth in the Manual or otherwise in writing. Franchisee will be solely responsible for any costs and expenses of its personnel to attend or participate in any such ongoing, additional, or refresher courses, seminars, and other training programs, including transportation, meals, and lodging.

5.4.4 Annual Convention and Conferences. Franchisor may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting the System. If Franchisor elects to hold an annual convention, Franchisee's Operating Principal and/or General Manager must attend, and with Franchisor's prior permission up to three (3) other employees of Franchisee may attend, Franchisor's annual convention at Franchisee's sole expense. Attendance at other conferences by Franchisee and Franchisee's Principal Trainees may be mandatory or optional at Franchisor's option. Franchisee will be solely responsible for Franchisee's and any approved-attendees' costs and expenses to attend any convention or conference, including transportation, meals, and lodging. In addition, Franchisor reserves the right to charge a registration fee for attendance at each convention or conference. If attendance at convention or conference is mandatory, Franchisee must pay Franchisor's then-current registration fee, whether or not Franchisee or its Operating Principal, General Manager, or other its personnel personally attend the convention or conference.

5.4.5 Additional Assistance or Training. Upon Franchisee's request, Franchisor, at its option, may provide additional assistance or training to Franchisee at a mutually convenient time, in the manner and format that Franchisor deems appropriate, and Franchisee must pay Franchisor's then-current per diem fee as set forth in the Manual or otherwise in writing, and Franchisee must reimburse Franchisor for its out-of-pocket expenses.

5.5 Franchised Business Premises. Franchisee shall use the Franchised Business premises solely for the operation of the Franchised Business; shall keep the Franchised Business open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the Franchised Business premises for any other purpose or activity at any time. As used in this Section 5.5, the term "premises" shall include the grounds surrounding the Franchised Business. Franchisee shall comply with all terms and conditions of the lease for the Franchised Business, and shall provide Franchisor with copies of all notices of default or breach of the lease, notices regarding the renewal or extension of the lease, and all other notices or correspondence related to Franchisee compliance with the lease and Franchisee's right to remain in possession of the premises not later than two (2) days after receipt thereof by Franchisee.

5.6 Personnel. Franchisee agrees to maintain a competent, conscientious, trained staff in numbers sufficient to promptly service members and customers, including at least one (1) General Manager on duty at all times and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe. Franchisee shall comply with all applicable employment, personnel, and wage and hour laws and regulations. Franchisee is solely responsible for all employment and personnel decisions and functions of the Franchised Business, including those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee receives advice from Franchisor on these subjects. Franchisee acknowledges and agrees that all employment and personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by Franchisee, without any influence from Franchisor, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Franchisor. Further, it is the intention of the parties to this Agreement that Franchisor shall not be deemed an employer or joint employer of Franchisee or Franchisee's employees for any reason. Franchisee is solely responsible for ensuring its managers and employees are adequately trained and supervised.

5.7 Health, Sanitation, and Safety Standards. Franchisee shall meet and maintain the highest health, sanitation, and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state, or municipal agency with jurisdiction over the Franchised Business. Without limiting the foregoing, Franchisee and all required personnel shall obtain and maintain all necessary and required licenses and certificates for food service and food handling as may be required by applicable local rules and regulations and/or the Manual.

5.8 Franchised Business Maintenance. Franchisee shall at all times maintain the Franchised Business in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and décor as Franchisor may reasonably direct.

5.9 Remodeling. Without limiting Section 5.10 below, Franchisor shall have the right (the "Remodel Right") to require Franchisee to perform such remodeling, repairs, replacements, and redecoration in and upon the premises and equipment as Franchisor may deem necessary and practical to bring the premises and equipment up to the then-current operational standards and image of Franchisor. Franchisor may exercise its Remodel Right upon (a) the expiration of every 5-year period following the opening of the Franchised Business for business with the public. The expenditure required to remodel the Franchised Business will not exceed One Hundred Twenty-Five Thousand Dollars (\$125,000) indexed pursuant to the Consumer Price Index (CPI); (b) the sale, assignment, transfer, or encumbrance (collectively, the "Transfer") of any of the rights created by this Agreement, any part of the System, or any other interest created under this Agreement, including if Franchisee is a legal entity, the sale, resale, pledge, assignment, transfer or encumbrance of any ownership interest in Franchisee that, alone or together with any other related, previous, simultaneous or proposed transfers, would result in a change in "control" of Franchisee within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated under that act; or (c) the issuance of a renewal or successor franchise agreement. If Franchisor chooses to exercise its Remodel Right upon the occurrence of a Transfer, then, after the Transfer, Franchisor may exercise its Remodel Right upon the occurrence of any of the following events: (a) the expiration of every 5-year period following the Transfer; (b) a subsequent Transfer; or (c) the issuance of a renewal or successor franchise agreement. Franchisor reserves the right to designate the type and scheduling of the refurbishing, remodeling and/or renovation referred to above. If Franchisee at any time deems it necessary and practical to replace any equipment or repair or remodel the premises or take any similar action, Franchisee shall perform the replacement, repairs or remodeling in accordance with Franchisor's then-current standards and specifications. The obligations imposed under this Section 5.9 supplement any obligation to maintain, restore or repair the premises imposed under any lease or sublease with respect to the Franchised Business.

5.10 Equipment Upgrades. In addition to the Remodel Right, Franchisee shall make, from time to time, such upgrades, replacements, or other changes to the electronic equipment utilized in the Franchised Business and the Computer System as Franchisor may request in writing (and as also specified above) (collectively, "Equipment Upgrades"). Franchisor shall have the right to require any Equipment Upgrades it deems necessary for Franchisee's Franchised Business.

5.11 Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.11.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, materials, supplies, and merchandise as conform to Franchisor's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Franchisor's specific prior written consent.

5.11.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all such products and services as specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications, including the manner of preparation of products and services, without Franchisor's prior written consent; and to discontinue selling and offering for sale any products and services, which Franchisor shall have the right to disapprove, in writing, at any time.

5.11.3 To permit Franchisor or its agents, at any reasonable time, to remove samples of products and merchandise, and to observe and receive the delivery of services, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples and services meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample or service fails to conform to Franchisor's specifications.

5.11.4 To purchase and install, at Franchisee's expense, all fixtures, kitchen display systems, furnishings, equipment (including the Computer System), décor, and signs as Franchisor shall specify; and to refrain from installing or permitting to be installed on or about the Franchised Business premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, or other items not previously approved as meeting Franchisor's standards and specifications.

5.11.5 To refrain from installing or permitting to be installed any vending machine, game or coin operated device, unless specifically approved in writing, in advance, by Franchisor.

5.11.6 To fully and faithfully comply with all applicable governing authorities, laws, and regulations. Franchisee shall immediately close the Franchised Business and terminate operations in the event that: (i) any products sold at the Franchised Business evidence adulteration or deviation from the standards set for products by Franchisor; (ii) any products sold at the Franchised Business fail to comply with applicable laws or regulations; or (iii) Franchisee fails to maintain the products, Franchised Business premises, equipment, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, Franchisee shall immediately notify Franchisor in writing and Franchisee shall destroy or preserve for inspection and/analysis immediately in accordance with procedures set forth in the Manual, or otherwise in writing by Franchisor, all products which it knows, or should know through the exercise of reasonable care, to be adulterated, tainted, contaminated, spoiled, unsafe, or otherwise unfit for human consumption and eliminate the source thereof, and remedy any unsanitary, unsafe, or other condition or other violation of the applicable law or regulation. Franchisee shall not reopen the Franchised Business until after Franchisor has inspected the Franchised Business premises, and Franchisor has determined that Franchisee has corrected the condition and that all products sold at the Franchised Business comply with Franchisor's standards.

5.12 Supplies and Suppliers. Franchisee shall purchase, lease, or license and install and/or otherwise use at the Franchised Business all equipment (including the Computer System, and physical, electronic, and other security systems), supplies, ingredients, products, fixtures, furnishings, décor, signs, goods, and services (including payment processing services) that are designated or prescribed in the Manuals ("goods" and "services"). Such purchase may include the purchase of software licenses and the entry into software license agreements. Franchisee shall purchase, lease, or license such goods and services

solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate. In determining whether it will approve any particular good or service or supplier, Franchisor shall consider various factors, including, for goods and services, those that meet Franchisor's then-current standards and specifications, and have not thereafter been disapproved, and for suppliers, suppliers who can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the network of Dill Dinkers Clubs, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular good or service, and Franchisor may designate itself or its affiliate as the only, or one of a limited number of, suppliers for any goods or services. Franchisor or its affiliate(s) may earn a profit from the sale of any goods or services.

5.12.1 If Franchisee wishes to purchase any unapproved goods or services, or any goods or services from an unapproved supplier, Franchisee shall first submit to Franchisor a written request for such approval. Franchisee shall not purchase any unapproved goods or services or any goods or services from any unapproved supplier unless and until such goods or services or such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the unapproved goods or services, or in the case of an unapproved supplier, the supplier's facilities, and that samples of the goods be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by the supplier. For approval of unapproved suppliers, Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers. Franchisor reserves the right, at its option, to reinspect from time to time the facilities and goods or services of any approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria or failure to cooperate in Franchisor's periodic re-approval process.

5.12.2 Nothing in the foregoing shall be construed to require Franchisor to approve any particular goods or supply or supplier, nor to require Franchisor to make available to prospective suppliers, standards, and specifications, which Franchisor shall have the right to deem confidential.

5.12.3 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Dill Dinkers Clubs with some or all of the goods and services that Franchisor requires for use and/or sale in the development and/or operation of Dill Dinkers Clubs. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all goods and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the network of Dill Dinkers Clubs. Franchisor shall have the sole option to approve or disapprove of the suppliers who may be permitted to sell goods and services to Franchisee.

5.12.4 Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, distribution allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "Allowances") offered by suppliers to Franchisee or to Franchisor or its affiliates based upon Franchisee's purchases of goods and services. These Allowances are

based on network-wide purchases of goods and services. Franchisee assigns to Franchisor or its designee all of Franchisee's right, title, and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier); provided, however, that Franchisor's current policy is to utilize such funds for purposes that Franchisor believes, in its sole determination, may enhance the "Dill Dinkers" brand and/or public awareness of the brand.

5.12.5 Franchisee shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise or multiple-Dill Dinkers Club supply and distribution arrangement, and Franchisee's contracts with and obligations to suppliers. Franchisee shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Franchisee fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such supplier(s) on behalf of Franchisee, and Franchisee shall promptly reimburse Franchisor for such payment following notice from Franchisor, or Franchisor may obtain payment through the EFT process described in Section 3 above and the Manuals.

5.13 Inspections. Franchisee grants Franchisor and its designees and agents the right to enter upon the Franchised Business premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals. Franchisor shall also have the right to take and maintain photographs and videos, in any medium, of the Franchised Business and the operations at the Franchised Business. Franchisee shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its designees or agents, and without limiting Franchisor's other rights under this Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Franchisee shall reimburse Franchisor for all of Franchisor's costs and expenses, including labor and travel expenses, incurred in conducting all such follow-up inspections after the first follow-up inspection. Franchisee shall make such payments within fifteen (15) days of receipt of an invoice from Franchisor, or Franchisor may elect to obtain payment through the EFT provisions of Section 3.5.

5.14 Technology and Computer System. At Franchisor's request, Franchisee must purchase, lease, license, and/or subscribe to solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate, and thereafter maintain, the Computer System, and comply with Franchisor's requirements, specifications, and policies concerning the use of technology, as they may be specified in this Agreement, or specified or modified in the Manuals or otherwise in writing. Such purchase may include the purchase of software licenses and the entry into such software license agreements as Franchisor may prescribe. Franchisee must pay the then-current Technology Fee in connection with any aspects of the Computer System or related technology systems, services, platforms, and software that Franchisor requires Franchisee to obtain from or access through Franchisor.

5.14.1 Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Computer System, and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communication capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees, at its expense, that Franchisee shall keep its Computer System in good maintenance and repair, and, at its expense, and following the determination that Franchisor shall have the right to make, to the effect that same will prove economically

or otherwise beneficial to all System franchisees, that Franchisee shall promptly install such additions, changes, modifications, substitutions, and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Franchisor directs periodically in writing. Franchisee shall provide to Franchisor, upon Franchisor's request, all e-mail lists and member and customer lists used or maintained by Franchisee on the Computer System or elsewhere.

5.14.2 Franchisor has the right, but not the obligation, to develop or have developed for it, or to designate, any or all of the following: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee must install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee must install; (c) the tangible media upon which such Franchisee must record or receive data; (d) the database file structure of Franchisee's Computer System; and (e) an Extranet for informational assistance, which may include the Manuals, training other assistance materials, and management reporting solutions.

5.14.3 Franchisee agrees to install and use the Computer System and Required Software in the manner that Franchisor requires and to use only the Computer System and Required Software that Franchisor designates.

5.14.4 Franchisee agrees to implement and periodically upgrade and make other changes to the Computer System and Required Software as Franchisor may reasonably request in writing (collectively, "Computer Upgrades"), at Franchisee's own expense.

5.14.5 Franchisee agrees to comply with Franchisor's written specifications (whether in the Manuals or otherwise) with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at Franchisee's own expense.

5.14.6 Franchisee agrees to afford Franchisor unimpeded access to its Computer System and Required Software in the manner, form, and at the times that Franchisor requests.

5.14.7 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees: (a) that Franchisor has the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's reasonable new standards as if this Section 5.14, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.15 Data. Franchisee may collect information from members and customers, and potential members and customers, in connection with the operation of the Franchised Business, including personally-identifiable names and addresses, payment information, health histories, and other information ("Customer Data"). All data provided by Franchisee in any form, and whether required by this Section 5.15 or any other requirement under the System or in the Manuals, including data uploaded to Franchisee's Computer System, and/or downloaded from Franchisee's Computer System to Franchisor's computer system, is and will be owned exclusively by Franchisor, including without limitation, Customer Data, member and/or customer lists, and e-mail lists, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon its request. Franchisor hereby

licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the Franchised Business. Franchisee shall not sell, share, or otherwise disseminate such data without Franchisor's prior written consent. Franchisor may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations. Franchisee must secure from its vendors, members, customers, prospective members or customers, and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to Franchisor and its affiliates and for Franchisor and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

5.16 Privacy Laws. Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("Privacy Laws").

5.16.1 Franchisee agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Privacy Laws within the bounds of applicable law.

5.16.2 Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

5.16.3 For purposes of this Section 5.16, "Personal Information" means Customer Data and any other information that is received from Franchisor, or collected on Franchisor's behalf, that identifies, relates to, describes, is capable of being associated with, or is linked or could reasonably be linked, directly or indirectly, with a particular consumer or household, and including particular elements of "personal information" as defined under Cal. Civ. Code § 1798.140.

5.16.4 With regard to Personal Information that Franchisee may collect, receive, or otherwise process as a result of any agreements between Franchisee and Franchisor (or its subsidiaries or affiliates), including this Agreement, Franchisee agrees and certifies that it will:

5.16.4.1 Process Personal Information only for the limited and specified purposes of providing services requested by Franchisor.

5.16.4.2 Notify Franchisor, and provide Franchisor with the ability to object, before transmitting Personal Information to a service provider, sub-processor, subcontractor, or other vendor.

5.16.4.3 Require any service provider, sub-processor, subcontractor, or other vendor that receives Personal Information to agree to provisions materially similar to those found within this Section 5.16.

5.16.4.4 Cooperate and assist Franchisor with responding to any request from an individual to exercise their rights under a data privacy or data security law or regulation.

5.16.4.5 Comply with all applicable data privacy and data security laws including, but not limited to, Cal. Civ. Code 1798.100. et seq.

5.16.4.6 Notify Franchisor if it believes that it can no longer meet the obligations of this Section 5.16.

5.16.4.7 Implement and maintain reasonable and appropriate security procedures and practices designed to protect the Personal Information from unauthorized access, destruction, use, modification, or disclosure.

5.16.4.8 Notify Franchisor immediately after becoming aware of any loss, unauthorized, or unlawful processing, destruction, damage, alteration, or unauthorized disclosure of, or access to, the Personal Information (a “Security Breach”), and cooperate with Franchisor in the event of a Security Breach, including by sharing information relevant to the Security Breach.

5.16.4.9 Allow and contribute to reasonable audits by Franchisor, including inspections by the Franchisor or its auditor, to verify Franchisee’s compliance with data processing and security obligations and applicable data protection statutes and regulations.

5.16.5 Franchisee further agrees and certifies that it will not:

5.16.5.1 Sell, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information to another business or a third party for monetary or other valuable consideration.

5.16.5.2 Retain, use, disclose, collect, sell, or otherwise process Personal Information for any purpose other than for the specific purpose of, and as necessary for, performing services for Franchisor pursuant to a written agreement(s). For clarity, Franchisee may not retain, use, or disclose the Personal Information for any other commercial purposes or outside of the direct business relationship between Franchisee and Franchisor.

5.16.5.3 Combine the Personal Information that it receives from Franchisor with the Personal Information that it receives from another company or business (or that it collects from its own interaction with individuals), except if expressly permitted to do so by Franchisor or required to do so by law.

5.16.5.4 Share, rent, release, disclose, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information for the purpose of cross-context behavioral advertising.

5.16.6 This Section 5.16 will survive expiration or termination of this Agreement and any other agreement(s) that may exist between Franchisee and Franchisor (or its subsidiaries or affiliates). Existing terms in such agreement(s) remain in effect except that this Section 5.16 controls in the event of a conflict with such terms. In the event of a breach of this Section 5.16, Franchisor may take reasonable and appropriate steps to stop and remediate the unauthorized use by Franchisee of Personal Information.

5.17 Website and Internet Advertising. Franchisor shall have the right to establish and maintain an Internet website that provides information about the System, brand, and the products and services that Dill Dinkers Clubs offer. Franchisor will have sole control over the website’s design and contents and may modify the content of and/or discontinue the website at any time. Franchisor may use part of the Brand Development Fund Contributions it collects and part of the Brand Development Fund’s revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use Brand Development Fund Contributions to pay for those components of the website that are devoted to the sale of franchises for new Dill Dinkers Clubs. The website may include a section that provides the address,



telephone number, and e-mail address of each Dill Dinkers Club in the System, including the Franchised Business; provided, the Franchised Business may be referenced on the website only while Franchisee is in full compliance with this Agreement. In addition, Franchisor's approved supplier may establish an individual webpage identifying the Franchised Business's location and services. Franchisor must approve all content on the individual webpage. Franchisor will own the website (including any webpages for the Franchised Business) and domain name at all times. Franchisee will not have any independent right to advertise the Franchised Business on the Internet or in any form of social media, without Franchisor's prior written consent. If Franchisee desires to advertise online, Franchisee must follow Franchisor's online policy, which is contained in the Manuals. Franchisee will not be permitted to operate a separate website or social media page (including without limitation Facebook, Instagram, Snapchat, or TikTok) without Franchisor's prior written approval and without sharing the administrative rights with Franchisor. Franchisee must provide administrator passwords and privileges to Franchisor, and shall not change or update either the administrator or password without first notifying Franchisor in writing. The term "website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, Twitter, LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.

5.18 POS or Cash Register Systems. Franchisee agrees to record all sales on computer-based point-of-sale systems or such other types of cash register systems that Franchisor has the right to designate or approve in the Manual or otherwise in writing ("POS System"). The POS System is deemed to be part of Franchisee's Computer System. Franchisee must utilize computer-based point-of-sale devices that are fully compatible with any program or system that Franchisor has the right to designate, and Franchisee must record all Gross Sales and all revenue information on such equipment.

5.19 Gift Cards/Stored Value Cards. Franchisor shall have the right to require Franchisee to participate in such gift card/stored value card program(s) that Franchisor specifies. For this purpose, Franchisee must purchase the software, hardware, blank cards, and other items needed to sell and process gift cards or stored value cards, which Franchisor may specify in the Manuals or otherwise in writing. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift/stored value cards only in accordance with Franchisor's written standards. Franchisee must account for all gift/stored value card sales, gift/stored value card redemptions, and other gift/stored value card transactions in the manner Franchisor specifies in the Manuals. Franchisee must maintain sufficient cash reserves to pay Franchisor or other franchisees as part of any network-wide periodic reconciliation of the gift/stored value card program(s). Franchisee shall pay Franchisor or make payments as specified by Franchisor, in such amounts and at such times as directed by Franchisor, in accordance with Franchisor's gift/stored value card rules, programs, and policies. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift/stored value cards that Franchisor has approved in writing.

5.20 E-Mail, Internet, and Other Media. Franchisee must comply with Franchisor's requirements and policies (as described in the Manuals or otherwise in writing) with respect to the transmission of all e-mails and other electronic communications in connection with the Franchised Business, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Franchised Business. Such activities include participation in any Internet "blogs" or social networking sites. Any such activities which are not expressly permitted in the Manuals or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, shall be subject to Franchisor's approval as described in Section 6 below.

5.20.1 Franchisee agrees that exchanging information with Franchisor by e-mail is an important way to enable quick, effective, and efficient communication, and that Franchisor and Franchisee are entitled to rely upon each other's use of e-mail for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of e-mail to exchange information, Franchisee authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "Official Senders") to Franchisee and Franchisee's employees during the term of this Agreement. Franchisor's list of Official Senders shall be the master and official list of Official Senders.

5.20.2 Franchisee shall not transmit or cause any other party to transmit advertisements or solicitations by telephone, text, e-mail, or other electronic media without Franchisor's prior written consent as to: (a) the content of such advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements or solicitations. Franchisor's review of Franchisee's advertisements or solicitations, or of Franchisee's plan for transmitting such advertisements or solicitations, is only for Franchisor's benefit and Franchisor's review will pertain to whether the proposed advertisements or solicitations comply with Franchisor's specifications. Franchisee agrees that it will be solely responsible for complying with any laws pertaining to sending such advertisements and solicitations, including the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003") and the Telephone Consumer Protection Act of 1991.

5.20.3 Franchisee agrees that: (a) Official Senders are authorized to send e-mails, other electronic messages, and faxes to Franchisee and its employees; (b) Franchisee will cause its officers, directors, and employees (as a condition of their employment or position with Franchisee) to give their consent (in an e-mail, electronically, or in a pen-and-paper writing, as Franchisor may reasonably require) to Official Senders' transmission of e-mails, other electronic messages, and faxes to those persons, and that such persons shall not opt-out, or otherwise ask to no longer receive e-mails, other electronic messages, and/or faxes, from Official Senders during the time that such person works for or is affiliated with Franchisee; and (c) Franchisee will not opt-out, or otherwise ask to no longer receive e-mails, other electronic messages, and/or faxes, from Official Senders during the term of this Agreement.

5.20.4 The consent given above in this Section 5.20 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.21 Credit Cards and Other Methods of Payment. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check, or credit verification services, financial-center services, and electronic-funds-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies as prescribed in the Manuals. Franchisee must comply with the Payment Card Industry Data Security Standards ("PCI DSS") as they may be revised and modified by the Payment Card Industry Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or such successor or replacement organization and/or in accordance with other standards as Franchisor may specify, and the Fair and Accurate Credit Transactions Act ("FACTA"). Franchisee shall also upgrade periodically its POS System and related software, at Franchisee's expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

5.22 Uniforms. To promote a uniform System image, Franchisee shall require all of its Franchised Business personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.23 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by members or customers, or otherwise fully participate in, any incentive, convenience, or member or customer loyalty programs that Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs.

5.24 Prices. With respect to the sale of all Dill Dinkers Services and Products, products, or services, Franchisee shall have sole discretion as to the prices to be charged to members and customers; provided, however, that Franchisor may establish, advertise, and promote minimum or maximum prices on such Dill Dinkers Services and Products, products, and services, subject to compliance with applicable laws. If Franchisor has imposed such a minimum or maximum price on a particular Dill Dinkers Services and Products, product, or service, and subject to applicable law, Franchisee may not charge a price for such Dill Dinkers Services and Products, product, or service below the minimum price or in excess of the maximum price set by Franchisor.

5.25 Compliance with Laws and Good Business Practices. Franchisee shall operate the Franchised Business in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to operation of an athletic facility or similar business, handling of food products, occupational hazards and health, workers' compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Franchisee shall be factually accurate and conform to the highest standards of ethical advertising. Franchisee shall in all dealings with its members, customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Franchisee shall refrain from any business or advertising practice which may be injurious to the business of Franchisor, the System, and/or the goodwill associated with the Proprietary Marks, brand, and other Franchised Businesses.

5.26 Franchisee Structure; Operating Principal and Owners.

5.26.1 Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Franchisor with a copy of its articles or certificates of incorporation and bylaws, as well as such other documents as Franchisor may reasonably request, and any amendment thereto; (iii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iv) not issue any voting securities or securities convertible into voting securities; and (v) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request, which list shall be amended to reflect changes in ownership, as permitted under this Agreement.

5.26.2 If Franchisee is a partnership or limited liability partnership it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this

Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.3 If a Franchisee is a limited liability company, Franchisee shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Franchised Business; (ii) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.26.4 Franchisee shall designate, subject to the review and approval or disapproval by Franchisor, individuals to serve in the following positions:

5.26.4.1 Operating Principal. An Operating Principal shall participate personally in the direct operation of the Franchised Business, provided, with Franchisor's consent, the Franchised Business may be under the day-to-day supervision of General Manager. If Franchisee is an individual and meets the required qualifications, Franchisee may serve as the Operating Principal for the Franchised Business. Franchisee shall notify Franchisor promptly if the individual serving as the Operating Principal for the Franchised Business no longer serves as an employee of Franchisee or no longer meets the requirements of being an Operating Principal for the Franchised Business. "Operating Principal" shall mean an individual who (1) has at least two (2) years of management experience in the operation of a retail business or athletic facility, (2) has completed Franchisor's required training program, (3) Franchisor has approved to supervise the day-to-day operations of the Franchised Business, (4) owns at least five percent (5%) of the equity interest in Franchisee if Franchisee is a business entity, and (5) lives no more than a two (2) hour drive from the Franchised Business.

5.26.4.2 Owners: An "owner" is any person that has any direct or indirect interest in Franchisee, or in any entity that has any direct or indirect ownership interest in Franchisee. All owners along with their ownership interests, shall be identified in Exhibit D hereto, and any change in ownership, whether subject to Section 12.3 or not, shall be provided to Franchisor, in advance and in writing, and Exhibit D shall be amended to reflect all changes in ownership.

5.26.4.3 General Manager: Franchisee shall designate a Franchised Business general manager, subject to approval by Franchisor, and satisfactory completion of Franchisor's training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Franchised Business (the "General Manager"). Franchisee at all times shall maintain at least one certified General Manager in the Franchised Business trained and certified by Franchisor for the Franchised Business. If the General Manager's position becomes vacant, Franchisee shall fill the vacancy within sixty (60) days with a fully-trained and certified general manager. The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Franchisor.

5.27 Personal Guarantee, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, if Franchisee is a business entity, each owner shall execute the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit E, provided, however, that no guarantee shall be required from a person who acquires Franchisee's securities (other than

a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934. In addition, Franchisor may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment.

5.28 System Modifications. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System as Franchisor deems appropriate, including to reflect the changing market and/or to meet new and changing member and customer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Dill Dinkers Clubs. Franchisor's changes to the System may include the adoption and use of new or modified products, services, equipment, and furnishings, and new techniques and methodologies relating to the operation of a Dill Dinkers Club, the preparation, sale, promotion, and marketing of food and beverage products and services, and new trademarks, service marks, and copyrighted materials. Notwithstanding the provisions and limitations of Section 5.9, Franchisee shall, upon reasonable notice, accept, implement, use, and display in the operation of the Franchised Business any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Dill Dinkers Club or the System. Franchisee shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

5.29 Membership Program and Membership Agreements.

5.29.1 Franchisor reserves the right to require that Franchisee participate in a System membership program in which a member of any Dill Dinkers Club may visit and enjoy privileges at all Dill Dinkers Club, including the Franchised Business. The terms for such membership program, including any Franchisee reimbursement and/or compensation requirements will be designated or prescribed by Franchisor in the Manuals. Franchisor may eliminate and/or modify the membership program at any time.

5.29.2 Franchisee must ensure that every form of membership agreement that Franchisee uses complies with the System and applicable laws, including laws pertaining to and escrow requirements. Franchisee must send Franchisor (a) copies of all forms of membership agreements Franchisee intends to use at least thirty (30) days before Franchisee begins offering memberships; and (b) copies of any revised forms of membership agreements within ten (10) days after Franchisee makes any revisions. Franchisor may review and approve or disapprove such agreements, provided that Franchisor's review will be limited to verifying compliance with the System and not evaluating compliance with applicable laws (which remain solely Franchisee's responsibility). Franchisee must not use (and must discontinue use of) any forms of membership agreements that Franchisor does not approve.

5.30 No Third-Party Management. The Franchised Business shall be operated under the control and supervision of Franchisee, its Operating Principal, the General Manager, or another general manager hired by and employed by Franchisee and approved by Franchisor. Franchisee shall not hire or retain a management company, manager (other than an employee manager trained and approved by Franchisor), or third party to undertake any of the management or operational functions of the Franchised Business.

## 6. ADVERTISING AND MARKETING

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

6.1 Grand Opening Program. In addition to and not in lieu of the Brand Development Fund Contribution and any expenditures for local advertising and promotion, Franchisee shall spend a minimum of Fifteen Thousand Dollars (\$15,000) for grand opening advertising and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan which Franchisor and Franchisee will collaborate and agree upon (the "Grand Opening Program"). Franchisor reserves the right to require that Franchisee pay to Franchisor the required and agreed upon Grand Opening Program amount ("Grand Opening Program Amount") at a time that is sufficiently in advance of the scheduled opening to implement the Grand Opening Program. If Franchisor requires that Franchisee pay the Grand Opening Program Amount to Franchisor, Franchisor will use the Grand Opening Program Amount to develop and implement the Grand Opening Program for Franchisee's Franchised Business. The Grand Opening Program may commence prior to opening the Franchised Business and shall be completed within sixty (60) days after the Franchised Business commences operation. If Franchisor spends additional amounts on advertising as part of the Grand Opening Program, in amounts that Franchisor and Franchisee agree are part of the Grand Opening Program, Franchisee must reimburse Franchisor for the additional costs within fifteen (15) days after the receipt of notice from Franchisor. Franchisee may spend such additional sums as Franchisee deems necessary or appropriate in connection with the opening of the Franchised Business. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a Grand Opening Program marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor.

6.2 Brand Development Fund Expenditure. Franchisor shall have the right to establish the Brand Development Fund and/or a Local Marketing Cooperative, as described in this Section 6.

6.2.1 Brand Development Fund. Commencing once Franchisor has established a Brand Development Fund and continuing for each calendar month thereafter during the term of this Agreement, Franchisee shall pay to Franchisor an amount equal to one percent (1%) of the preceding month's Gross Sales (the "Brand Development Fund Contribution"). For all Dill Dinkers Clubs owned by Franchisor, Franchisor shall contribute to the Brand Development Fund on the same basis as franchisees. Franchisor shall have the right to increase the Brand Development Fund Contribution by not more than one percent (1%) of Gross Sales per year. During the term of this Agreement, the Brand Development Fund Contribution shall not exceed five percent (5%) of Gross Sales. The Brand Development Fund shall be maintained and administered by Franchisor or its designee, as follows:

6.2.2 Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. The Brand Development Fund is intended to maximize general public recognition, acceptance, perception of, and use of the System; and Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Development Fund. Franchisor may engage a third party to manage or help manage the Brand Development Fund.

6.2.3 Franchisor may use the Brand Development Fund Contribution for any and all costs of maintaining, administering, directing, conducting, creating, and/or otherwise preparing brand development, advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image of the System, including the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and member and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; point-of-purchase (POP)

materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and member/customer satisfaction surveys; developing and implementing member and customer loyalty and gift card programs; member and customer retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events and sponsorships; developing, implementing, and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more websites devoted to the System, Marks, and/or the “Dill Dinkers” brand; providing promotional and other marketing materials and services to the Dill Dinkers Clubs operated under the System; the salaries of Franchisor’s employees to the extent such employees provide services in conjunction with the System marketing activities; the fees or costs of any third party engaged to manage or help manage the Brand Development Fund; and all administrative and internal costs and expenses incurred in connection with the above. Franchisor or its designee shall have the right to direct all advertising programs, as well as all aspects thereof, including the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that Franchisor’s expenditures from the Brand Development Fund are intended to maximize general public recognition, acceptance, perception of, and use of the System; and that Franchisor and its designee are not obligated, in administering the Brand Development Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee’s contribution, or to ensure that any particular franchisee benefits directly or pro rata from such expenditures.

6.2.4 Franchisee shall contribute to the Brand Development Fund in the manner specified by Franchisor. All sums paid by Franchisee to the Brand Development Fund will be maintained by Franchisor or its designee in an account separate from Franchisor’s other monies. Franchisor may charge the Brand Development Fund for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the direction and implementation of the Brand Development Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs and accounting services reasonably related to the operation and functions of the Brand Development Fund.

6.2.5 The Brand Development Fund is not intended to be, and will not be used for, Franchisor’s ordinary operating expenses. The Brand Development Fund is not a trust, and Franchisor does not assume any fiduciary obligation to Franchisee for maintaining, directing, or administering the Brand Development Fund or for any other reason. Franchisor will prepare an annual statement of the Brand Development Fund’s operations and will make it available to Franchisee upon request.

6.2.6 Although the Brand Development Fund is intended to be of perpetual duration, Franchisor has the right to terminate the Brand Development Fund. The Brand Development Fund shall not be terminated, however, until all monies in the Brand Development Fund have been expended for purposes authorized by this Section 6.2 or returned to Brand Development Fund contributors in the manner and amounts determined by Franchisor.

6.3 Local Advertising and Promotion. Commencing on the Effective Date, Franchisee must spend at least three percent (3%) of Gross Sales per month on Local Advertising and Promotion (defined below in Section 6.4) within the Service Area. All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Franchisor may specify; and shall comply with all applicable laws. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 6.6 below. Franchisee shall comply with all of Franchisor’s written instructions, policies, procedures, and restrictions regarding advertising and marketing within the Service Area

(including, without limitation, rules regarding honoring of gift certificates, stored value cards, and promotions). Franchisee may not conduct Local Advertising and Promotion outside the Service Area. Each calendar quarter at the time designated by Franchisor in the Manuals, Franchisee must provide a written report or summary in the form specified by Franchisor in the Manuals regarding Franchisee's Local Advertising and Promotion expenditures during the prior calendar quarter.

6.4 Costs of Local Advertising and Promotion. As used in this Agreement, the term "Local Advertising and Promotion" shall consist only of the direct costs of purchasing and producing local advertising, marketing, promotion, and social media engagement, including for advertising materials (including, but not limited to, camera ready advertising and point-of-sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in the Service Area, advertising agency fees and expenses, and postage, shipping, telephone, and photocopying charges related thereto; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

6.4.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

6.4.2 Charitable, political, or other contributions or donations, whether in cash or services; and

6.4.3 The value of discounts provided to members and customers.

6.5 Local Marketing Cooperative. Franchisor shall have the right to designate any geographical area for the purpose of establishing a market brand development and promotional cooperative fund ("Local Marketing Cooperative"). If a Local Marketing Cooperative for the geographic area in which the Franchised Business is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Local Marketing Cooperative, unless otherwise permitted by Franchisor. If a Local Marketing Cooperative for the geographic area in which the Franchised Business is located is established during the term of this Agreement, Franchisee shall become a member of such Local Marketing Cooperative within thirty (30) days after the date on which the Local Marketing Cooperative commences operation, unless otherwise permitted by Franchisor. In no event shall Franchisee be required to be a member of more than one (1) Local Marketing Cooperative relating to the Franchised Business. Franchisee shall contribute to the Local Marketing Cooperative of which Franchisee is a member an amount each calendar month during the term of this Agreement that is determined by Franchisor, which shall not be more than three percent (3%) of the preceding month's Gross Sales (the "Local Marketing Cooperative Fee"); provided that any amount paid by Franchisee toward the Local Marketing Cooperative Fee will be credited towards Franchisee's Local Advertising and Promotion (as described in Section 6.3) up to a maximum of two percent (2%) of Gross Sales. If a Local Marketing Cooperative for the geographic area in which a Dill Dinkers Club owned or operated by Franchisor or its affiliate is located is established, Franchisor or such affiliate will contribute to the Local Marketing Cooperative on the same basis as franchisees. The following provisions shall apply to each such Local Marketing Cooperative:

6.5.1 Each Local Marketing Cooperative shall be organized (including bylaws and other formation documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Local Marketing Cooperative shall be decided by a majority vote of its members. Any Dill Dinkers Clubs that Franchisor or its affiliate operates in the region shall have the same voting rights as



those owned by franchisees. Each Dill Dinkers Club owner shall be entitled to cast one (1) vote for each Dill Dinkers Club owned.

6.5.2 Each Local Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising.

6.5.3 No advertising or promotional plans or materials may be used by a Local Marketing Cooperative or furnished to its members without Franchisor's prior approval, pursuant to the procedures and terms as set forth in this Agreement.

6.5.4 Franchisee shall submit Franchisee's required contribution to the Local Marketing Cooperative at the time required under Section 3.5 above, together with such statements or reports as may be required by Franchisor or by the Local Marketing Cooperative with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit Franchisee's payments and reports to the Local Marketing Cooperative directly to Franchisor for distribution to the Local Marketing Cooperative.

6.5.5 Although once established, each Local Marketing Cooperative is intended to be of perpetual duration, Franchisor shall maintain the right to terminate any Local Marketing Cooperative. A Local Marketing Cooperative shall not be terminated, however, until all monies in that Local Marketing Cooperative have been expended for advertising and/or promotional purposes or returned to its members.

6.6 Approvals. For all proposed Local Advertising and Promotion, Franchisee shall submit samples of such plans and materials to Franchisor in the manner that Franchisor prescribes, for Franchisor's review and prior written approval at least thirty (30) days prior to use of such materials (except with respect to prices to be charged by Franchisee unless otherwise permitted in this Agreement). If written approval is not received by Franchisee from Franchisor within fifteen (15) days after the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have approved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

6.7 Promotional Materials. Franchisor may make available to Franchisee from time to time, at Franchisee's expense, advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point of purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials. Franchisor may provide periodic marketing assistance to Franchisee, including telephone and e-mail marketing assistance, and templates or other materials for e-mail-based marketing. Franchisor shall have the right to require all advertising and promotional materials, signs, decorations, paper goods (including disposable food and beverage containers, bags, napkins, menus, and all forms and stationery used in the Franchised Business), any and all replacement trade dress products, and other items which may be designated by Franchisor, to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

## **7. RECORDS AND REPORTS**

7.1 Records. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by

Franchisor from time to time in the Manuals or otherwise in writing. Franchisee shall prepare and maintain all books and records required under this Agreement and as prescribed by Franchisor during each fiscal year during the term of this Agreement and for the three (3) years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Franchisor or its designee without special hardware or software.

7.2 Periodic Reports. Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, such financial and operating reports that Franchisor prescribes. Failure to provide any periodic reports in a timely manner will result in a One Hundred Dollars (\$100) per day late fee, in addition to all other rights and remedies available to Franchisor.

7.3 Reporting Requirements. In addition to the Sales Reports required pursuant to Section 3.5, Franchisee shall also submit to Franchisor such other forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4 Audit. Franchisor or its designee shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor's expense, all books, records, and sales and income tax returns of Franchisee. Franchisee shall cooperate fully with all audits and requests for information made by Franchisor or its designees. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection reveals that any payments have been understated or overstated in any report to Franchisor, then Franchisee shall immediately pay Franchisor, in the event of an understatement, the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of two percent (2%) per month, or the maximum rate permitted by law, whichever is less. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging, and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **8. PROPRIETARY MARKS**

8.1 Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.1.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor. All items bearing the Proprietary Marks shall bear the then-current logo.

8.1.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location.

8.1.3 Unless Franchisor otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Franchised Business only under the name "Dill Dinkers," without prefix or suffix.

8.1.4 Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the independent owner of the franchised Dill Dinkers Club in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in

such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

8.1.5 Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights.

8.1.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor.

8.1.7 Franchisee shall not use the Proprietary Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites or other identification of Franchisee in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Franchisee or the Franchised Business in any forum or medium. Franchisor reserves the right to require Franchisee to file or otherwise update its corporate or other legal name with state or local government authorities to reflect "Dill Dinkers" as a DBA.

8.1.8 Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8.1.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

8.1.9.1 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to Franchisor's or its affiliate's ownership of, or Franchisee's right to use, the Proprietary Marks licensed hereunder. Franchisee acknowledges that Franchisor or its affiliate shall have the right to direct and control any administrative or arbitral proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor or its affiliate shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

8.1.9.2 Except to the extent that any litigation or arbitration involving the Proprietary Marks is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement or involving any other claim against Franchisor, Franchisor will reimburse Franchisee for its out-of-pocket litigation and arbitration costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor or its affiliate shall bear the costs of any judgment or settlement but only if the claim on which the judgment or settlement is made is only related to the validity or ownership of the Proprietary Marks. To the extent that such litigation or arbitration is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor or its affiliate for the cost of such litigation or arbitration (or, upon Franchisor's written request, pay Franchisor's legal fees directly), including attorney's fees, as well as the cost of any judgment or settlement.

8.1.9.3 If Franchisor or its affiliate undertakes the defense or prosecution of any litigation or arbitration relating to the Proprietary Marks, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action.

8.2 Franchisee Acknowledgements Regarding Proprietary Marks. Franchisee expressly understands and acknowledges that:

8.2.1 As between Franchisee and Franchisor, Franchisor or its affiliates are the exclusive owner of the Proprietary Marks. The Proprietary Marks are valid and serve to identify the System and those who are authorized by Franchisor to operate and/or develop under the System.

8.2.2 Neither Franchisee nor any owner of Franchisee shall directly or indirectly contest the validity of ownership of the Proprietary Marks by Franchisor or its affiliate, or Franchisor's license to use and sublicense the Proprietary Marks. Nor shall Franchisee or any owner of Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with the express prior written consent of Franchisor.

8.2.3 Franchisee's right to use Proprietary Marks is derived solely from this Agreement and limited to its operation of the Franchised Business pursuant to and in compliance with this Agreement and Franchisor's standards and specifications. Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

8.2.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor. This Agreement does not confer any goodwill or other interests in Proprietary Marks upon Franchisee other than the limited right to operate the Franchised Business in compliance with this Agreement. Upon expiration or earlier termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

8.2.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and its affiliates thus have and retain the rights, among others:

8.2.5.1 To use the Proprietary Marks itself in connection with selling products and services;

8.2.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees or other licensees authorized to operate using the Proprietary Marks;

8.2.5.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

8.2.6 Franchisor may, at any time, at its sole option, require Franchisee to use any additional, alternative, or substitute Proprietary Marks. If Franchisor for any reason is required to or deems it advisable to modify or discontinue the use of any Proprietary Marks and/or use one or more additional, alternative, or substitute trademarks or service marks, Franchisee will comply with Franchisor's directions within a reasonable time after receiving notice from Franchisor. All costs and expenses relating to the modification or discontinuance of the use of any Proprietary Marks and/or the use of one or more additional, alternative, or substitute trademarks or service marks will be paid by Franchisee. All provisions of this Agreement applicable to Proprietary Marks apply to any additional, alternative, or substitute trademarks and service marks or other commercial symbols that Franchisor authorizes Franchisee to use pursuant to this Agreement.

## **9. MANUALS**

9.1 Manuals. In order to protect the reputation and goodwill of Franchisor, its affiliates, and the Dill Dinkers brand and System and to maintain high standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals, one (1) copy of which Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement. The Manuals may consist of multiple volumes of printed text, video and/or audio tapes and files, computer disks, and other electronically stored data, and various and periodic or episodic operational and/or management bulletins, in any format, and Franchisee acknowledges and agrees that Franchisor may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including through the Internet.

9.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Franchisee 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 unauthorized person.

9.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be kept in a secure place on the Franchised Business premises. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's home office shall be controlling.

9.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to make corresponding revisions to its copy of the Manuals and to comply with each new or changed standard immediately upon receipt of such revision.

## **10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE**

10.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement (the "Confidential Information"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee who may have access to any Confidential Information regarding the Franchised Business shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on the then-current form provided by Franchisor, which form may, among other things, designate Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Exhibit F to this Agreement is Franchisor's current form of Non-Disclosure and Non-Competition Agreement. Franchisee shall deliver to Franchisor copies of such executed covenants immediately upon

Franchisor's request. Failure by Franchisee to obtain execution of a covenant required by this Section 10.1 shall constitute a default under this Section 10.

10.2 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10.

10.3 Information Exchange. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, and products conceived or developed by Franchisee, its affiliates, owners, agents, or employees during the term of this Agreement relating to the development and/or operation of the Franchised Business. Franchisee hereby grants to Franchisor, and agrees to procure from its affiliates, owners, agents, or employees, a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, and products in all food service businesses operated by Franchisor or its affiliates, franchisees, and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

10.4 Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Franchisor, the Operating Principal or a General Manager appointed in accordance with Section 5 shall devote full time, energy, and best efforts to the management and operation of the Franchised Business.

10.5 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable trade secrets, specialized training, and Confidential Information, including information regarding Franchisor's operational, sales, promotional, and marketing methods and techniques and the System. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not (a) within the Service Area or (b) within twenty-five (25) miles of any other Dill Dinkers Club owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of Franchisor, either directly or indirectly, for Franchisee, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

10.5.1 Divert or attempt to divert any business, member, or customer of the Franchised Business or of any Dill Dinkers Club using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks, brand, and the System.

10.5.2 Except as otherwise approved in writing by Franchisor, directly or indirectly, own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any "Competitive Business," which means any business that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Franchised Business or the Dill Dinkers brand, including, without limitation, any business that is primarily related to pickleball or that provides facilities for paddle ball games played on a court.

10.6 Post-Term Covenants. Except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 below; (b) expiration or earlier termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with

respect to the enforcement of this Section 10.6, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the Service Area of the Franchised Business or (b) within ten (10) miles of any other Dill Dinkers Club owned and/or operated or then under construction by Franchisor or any other franchisee or licensee of Franchisor as of the time that the obligations under this Section 10.6 commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Franchisee does not comply with the post-term covenants as specified in this Section 10.6, the post-term non-compete period shall not begin to run until Franchisee begins to comply.

10.7 Publicly-Held Corporations. Section 10.6 above shall not apply to ownership by Franchisee of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term “publicly held corporation” shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

10.8 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 10 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.

10.9 Scope of Covenants. Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 10.5 and 10.6 in this Agreement, or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 24 below.

10.10 Enforcement of Claims. The existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 10. Franchisee agrees to pay all costs and expenses (including reasonable attorneys’ fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Franchisor in connection with the enforcement of this Section 10.

10.11 Irreparable Injury. Franchisee acknowledges that Franchisee’s violation of the terms of this Section 10 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 10.

10.12 Remedies Not Exclusive. The remedies in this Section 10 are in addition to the other right and remedies available to Franchisor and shall not serve as an election of remedies or a waiver of any other rights.

## 11. INSURANCE

11.1 Franchisee shall comply with the following insurance provisions:

11.1.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect 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 Franchisee's expense, the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A" and a class rating of at least "xiv" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Franchised Business is located. All policies will be primary and non-contributory to any insurance that Franchisor may carry and include a waiver of subrogation in Franchisor's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

11.1.1.1 Liability. A comprehensive general liability policy in the amount of not less than \$2,000,000 bodily injury liability and property damage aggregate and \$1,000,000 liability per occurrence, including premises, operations, products, and completed operations, broad form property damage, blanket contractual owner's and contractor's protective, personal injury, and non-owned or hired automobiles.

11.1.1.2 Fire. Fire, extended coverage, and "all risk" or direct physical loss, subject to standard exclusions, in an amount not less than 100% of the replacement value of the premises (exclusive of foundation and excavation costs), including all Equipment and any additions to or substitutions for the premises and Equipment. The replacement cost values as defined in said policy shall include the replacement value of stated items then being constructed or purchased by Franchisor at the time of loss.

11.1.1.3 Business Income and Extra Expense. Business income and extra expense insurance in an amount not less than adequate to pay for the monthly rent reserved under any real property lease or sublease, Franchised Business equipment lease or sublease, sign lease or sublease, royalties, and other continuing expenses for a limit of fifty percent (50%) of annual sales or twelve (12) months actual loss sustained basis and an extended period of indemnity for not less than one hundred eighty (180) days.

11.1.1.4 Business Automobile Liability Insurance. Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

11.1.1.5 Statutory Workers' Compensation Insurance. Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchised Business is located. Franchisee shall have and maintain such insurance for all of its employees prior to any employee commencing any training with Franchisor. Franchisee agrees to obtain a waiver of subrogation endorsement on its workers' compensation policy, and shall provide to Franchisor proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.



11.1.1.6 Commercial Umbrella Liability Insurance. Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Three Million Dollars (\$3,000,000) total limit of liability.

11.1.1.7 Property Insurance. Property insurance providing coverage for direct physical loss or damage to real and personal property for all risk perils, including the perils of flood and earthquake.

11.1.1.8 Products Liability Insurance. Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy shall be considered primary.

11.1.1.9 Cyber Liability Insurance. Cyber liability insurance in an amount that Franchisor designates.

11.1.1.10 Employment Practices Liability Insurance. Liability for employment-related wrongful acts of Franchisee's employees and harassment and discrimination from non-employees for a minimum limit of not less than One Million Dollars (\$1,000,000). This shall also include third party coverage and wage & hour defense costs of at least One Hundred Thousand Dollars (\$100,000).

11.1.1.11 Other Insurance. Any other insurance coverage that is required by federal, state, or municipal law.

11.2 Referenced in Manuals. All policies listed in Section 11.1 (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

11.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Franchisor in the manner provided in Section 11.7 below. Franchisee shall arrange for a copy of such notification to be sent to Franchisor by the insurance company.

11.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Franchisor, having a rating as set forth in Section 11.1.1 above.

11.5 No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

11.6 Franchisor to be Additional Named Insured. All insurance policies shall list Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as additional named insureds, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26, the Additional Insured/Grantor of Franchise endorsement, or such other form that Franchisor approves in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall

be no endorsement limiting coverage for) Franchisor's negligent acts, errors, or omissions or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on Franchisee's general liability policies continuously during the term of this Agreement. The Employment Practices Liability policy shall name Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as a co-defendant.

11.7 Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration or renewal of any such policy, Franchisee shall deliver to Franchisor, certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Franchisor (collectively, "certificates"), evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage. In the event that Franchisee fails to obtain the required insurance or to provide evidence reasonably satisfactory to Franchisor of the insurance policies required by this Section 11.7, Franchisor shall have the right, but not the obligation, to obtain such required policies on Franchisee's behalf, and Franchisee agrees that it will promptly reimburse Franchisor for all costs related to obtaining such policies, and pay Franchisor an administrative fee equal to eighteen percent (18%) of such costs, upon notice from Franchisor.

11.8 Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Franchisor with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require.

11.9 Policy Limit Changes. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits, endorsements, and types of coverage as it deems advisable.

11.10 Franchisor's Insurance. Franchisee acknowledges and agrees that any insurance policies maintained by Franchisor for Franchisor's benefit shall have no effect upon Franchisee's obligation to obtain any insurance required by this Section 11.

## **12. TRANSFER OF INTEREST**

12.1 Franchisor Transfers. Franchisor has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Franchisor's rights or obligations under this Agreement or Franchisor's interest in the System and Confidential Information to any person or legal entity without Franchisee's consent. Any transferee or assignee of this Agreement from Franchisor will become solely responsible for all of Franchisor's obligations under this Agreement from the date of the transfer or assignment. Without limiting the foregoing, Franchisor may sell its assets (including its rights in the Proprietary Marks and the System) to a third party; may offer its securities privately or publicly; may merge with or acquire other legal entities, or be acquired by another legal entity; and may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring. Nothing contained in this Agreement will require Franchisor to remain in the business of operating or licensing the operation of Dill Dinkers Clubs or other businesses or to offer any services or products to Franchisee, whether or not bearing the Proprietary Marks, if Franchisor transfers or assigns its rights in or obligations under this Agreement and the System.

12.2 Owners. Each owner of Franchisee, and the interest of each of them in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that its owners are set forth on Exhibit D attached to this Agreement, and covenants that Franchisee will not permit the identity of such owners, or their respective interests in Franchisee, to change without Franchisor's consent and without complying with this Agreement.

12.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee or its owners' business skill, financial capacity, and personal character. Accordingly:

12.3.1 Franchisee and its owners shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber: (a) this Agreement or any of Franchisee's rights and obligations under this Agreement; (b) the Franchised Business or all or substantially all of the assets of the Franchised Business; (c) the leases or any other interest in the Franchised Business; (d) Franchisee; or (e) any direct or indirect ownership interest in Franchisee (individually and collectively, a "Transfer").

12.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without Franchisor's prior written consent, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become an owner under this Agreement, if so designated by Franchisor.

12.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without Franchisor's prior written consent, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

12.3.4 Franchisee's owner shall not, without Franchisor's prior written consent, transfer, assign, sell, convey, pledge, gift, or otherwise encumber any interest of an owner in Franchisee as shown in Exhibit D.

12.3.5 Franchisee shall not transfer or assign the lease for the Franchised Business, or permit a default or surrender of the lease that will or may cause the Franchised Business to be owned, leased, or operated by, any person or entity that will not operate a Dill Dinkers Club, without Franchisor's prior written consent.

12.4 Conditions for Approval. No Transfer is permitted or authorized without Franchisor's prior written consent. Franchisor will not unreasonably withhold any consent required by Section 12.3 above; provided, Franchisor may require, among other things, any or all of the following as conditions of Franchisor's consent:

12.4.1 Franchisee and the proposed transferee shall comply with Franchisor's then-current transfer policies. Franchisee and the proposed transferee shall provide Franchisor with all information and documents requested by Franchisor for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction including the leases and/or any assignments, renewal, or extension of the leases and any necessary landlord consents, financial and operational information regarding the proposed transferee, and evidence of any financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

12.4.2 Franchisee and its owners shall execute a general release (which shall include a release from the transferor, Franchisee, Franchisee's owners, and guarantors), in a form satisfactory to

Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective owners, directors, officers, shareholders, equity holders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Franchisor and Franchisee or their affiliates, and federal, state, and local laws and rules.

12.4.3 The transferee of an owner shall be designated as an owner and each transferee who is designated as an owner shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as an owner under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if Franchisee's obligations were guaranteed by the transferor, the owner shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor.

12.4.4 Prior to, and after the transfer, the transferee and its owners shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business. The price, consideration, and other proposed terms of the proposed transfer must not, in Franchisor's reasonable business judgment, have the effect of negatively impacting the future viability of the Franchised Business.

12.4.5 At Franchisor's option, the transferee shall execute the form of franchise agreement then being offered to new franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including higher Royalty Fees and Brand Development Fund Contributions, and a different or modified Service Area, provided however that the term of such franchise agreement shall be equal to the then unexpired term of this Agreement.

12.4.6 At Franchisor's option, Franchisee or transferee, at the sole cost and expense of Franchisee or transferee, shall upgrade the Franchised Business to conform to the then-current standards and specifications of new Franchised Business then being established in the System, and shall complete the upgrading and other requirements set forth in this Section 12.4.6 or as required under Section 5.9 above within the time specified by Franchisor.

12.4.7 All of Franchisee's monetary obligations hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of Franchisee's obligations hereunder including Franchisee's reporting obligations.

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

12.4.9 Transferee and its Operating Principal, and such other owners or managers as specified by Franchisor, shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor (including the initial training program) upon such terms and conditions as Franchisor may reasonably require (and while Franchisor will not charge a training fee for attendance at such training programs, the transferee shall be responsible for the salary and all expenses of all persons who attend such training).

12.4.10 To compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Franchisor a non-refundable transfer fee in the amount of Ten Thousand Dollars (\$10,000). The transfer fee shall be paid at the earlier of (a) when the transferee signs the new franchise agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Franchisee or the proposed transferee shall reimburse Franchisor for all of Franchisor's costs and expenses incurred in connection with Franchisor's evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

12.4.11 The transferor must certify to Franchisor that the transferor has provided to the transferee true, complete, and accurate copies of Franchisee's financial information and documents regarding the operation of the Franchised Business, including the trailing two years of financial statements and monthly cash reports, the lease for the Franchised Business premises, material contracts, and such other information as may be specified by Franchisor.

12.4.12 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 10 above.

12.5 Transfers to Entities for the Convenience of Ownership. If Franchisee desires to transfer all of Franchisee's interest in this Agreement, or if all of Franchisee's owners desire to transfer all of their ownership interests in Franchisee, to a corporation, limited liability company, or other entity, solely for the convenience of ownership and/or for tax or estate planning reasons, Franchisor shall not unreasonably withhold Franchisor's consent to such transfer, and Franchisor shall not require that Franchisee comply with the provisions and conditions of Section 12.4 or 12.6, if Franchisee complies with all of the following conditions:

12.5.1 Franchisee shall provide written notice to Franchisor not less than thirty (30) days prior to the date of the proposed transfer, and shall provide Franchisor with such documents and information as Franchisor may request in support of Franchisee's request, which may include, among other things, entity formation and good standing certifications, evidence of insurance in the name of the new franchisee entity, and bank information for the new franchisee entity.

12.5.2 Franchisee and Franchisee's owners shall own all of the outstanding equity interests in the new franchisee entity, and shall own the same percentage ownership interests in the new franchisee entity as they own in Franchisee, and if Franchisee is an individual, Franchisee shall own 100% of the outstanding voting equity interests in the new franchisee entity.

12.5.3 Each owner of the outstanding equity interests in the new franchisee entity shall execute a Guarantee, Indemnification, and Acknowledgement in the form attached as Exhibit E hereto.

12.5.4 Franchisee and Franchisee's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.26 through 5.30 of this Agreement.

12.5.5 Franchisee and Franchisee's owners shall execute such transfer documents, agreements, and other materials as Franchisor may require.

## 12.6 Right of First Refusal.

12.6.1 If Franchisee or any owner desires to accept any bona fide offer from a third party to purchase Franchisee, all or substantially all of the assets of the Franchised Business, or any direct or indirect interest in Franchisee, Franchisee or such owner shall promptly notify Franchisor of such offer and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor.

12.6.2 Any material change in the terms of the bona fide offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Franchisor's failure to exercise the option afforded by this Section 12.6 shall not constitute consent to a proposed transfer, a waiver of any other provision of this Agreement, including all of the requirements of this Section 12 with respect to a proposed transfer, or a waiver of any subsequent offer.

12.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 12.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half ( $\frac{1}{2}$ ) of the cost of the appraisal, if any, against any payment to the seller.

12.7 Transfer Upon Death. Within six (6) months after Franchisee's death (if a natural person) or the death of an owner of Franchisee, the executor, administrator, or other personal representative of the deceased will transfer the interest of the deceased in this Agreement or Franchisee to a third party approved by Franchisor in accordance with Section 12.4. If no personal representative is designated or appointed and no probate proceedings are instituted with respect to the estate of the deceased, the distributee of the interest of the deceased must be approved by Franchisor. If the distributee is not approved by Franchisor, the distributee will transfer the interest of the deceased to a third party approved by Franchisor within six (6) months after the date of death of the deceased in accordance with Section 12.4.

12.8 Transfer Upon Permanent Disability. Upon Franchisee's permanent disability or the permanent disability of any owner with a controlling interest in Franchisee, Franchisor may require Franchisee's or the owner's interest to be transferred to a third party approved by Franchisor within six (6) months after notice to Franchisee. "Permanent disability" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. If Franchisor and Franchisee or Franchisee's representative disagree as to whether a person has a permanent disability, the existence of the permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically

be deemed permanently disabled for the purposes of this Section 12.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

12.9 Notification Upon Death or Permanent Disability. Within ten (10) days after the death or permanent disability of Franchisee (if a natural person) or an owner, Franchisee or Franchisee's representative shall notify Franchisor of the death or permanent disability in writing. Any transfer upon death or permanent disability will be subject to the same terms and conditions set out in this Section 12 for any transfer.

12.10 No Waiver of Claims. Franchisor's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.11 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding, intent, and agreement that any transfer in this Agreement, Franchisee, Franchisee's obligations and/or rights hereunder, all or substantially all of the assets of the Franchised Business, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12.

12.12 Securities Offerings. All materials for an offering of stock or partnership interests in Franchisee or any of Franchisee's affiliates which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee or any of Franchisee's affiliates shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Franchisee and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Franchisor to endorse such indemnification; provided, there will be no indemnification for Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

### **13. DEFAULT AND TERMINATION**

13.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is

filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment of Ten Thousand Dollars (\$10,000) or more against Franchisee or Franchisee's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if an attachment or execution is levied against Franchisee's business or property, including Franchisee's bank accounts, property, or any receivables and is not dismissed within thirty (30) days; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within five (5) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to obtain approval of the site for the Franchised Business pursuant to this Agreement or the Site Selection Addendum;

13.2.2 If Franchisee fails to construct, timely open, maintain, repair, or renovate the Franchised Business in accordance with this Agreement or Franchisor's plans and specifications or fails to equip the Franchised Business in accordance with Franchisor's standards and specifications;

13.2.3 If Franchisee, its Operating Principal, or other Principal Trainees fail to complete the initial training program pursuant to Section 5.4 of this Agreement;

13.2.4 If Franchisee at any time without the written consent of Franchisor ceases to operate or otherwise abandons the Franchised Business for three (3) consecutive business days, or loses the right to possession of the Franchised Business premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Franchised Business, which approval shall not be unreasonably withheld;

13.2.5 If Franchisee defaults under any lease or sublease for the Franchised Business (the "Lease") and fails to cure the default within the time period specified in the Lease, or if the Lease is terminated, for any reason, or expires;

13.2.6 If Franchisee, any owner of Franchisee, or any affiliate of Franchisee is convicted of or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

13.2.7 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;



13.2.8 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business;

13.2.9 If Franchisee or any of Franchisee's owners purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12;

13.2.10 If Franchisee fails to permit an inspection pursuant to Section 5.13 or an audit pursuant to Section 7.4;

13.2.11 If Franchisee fails to comply with the covenants in Section 10.5;

13.2.12 If, contrary to the terms of Sections 9 or 10 above, Franchisee or any individual described in Section 10 discloses or divulges the contents of the Manuals or other Confidential Information;

13.2.13 If Franchisee knowingly maintains false books or records, or submits any false reports (including information provided as part of Franchisee's application for this franchise) to Franchisor;

13.2.14 If Franchisee makes, or has made, any misrepresentation or engaged in any act of fraud in connection with obtaining this Agreement or in conducting the business franchised and licensed under this Agreement;

13.2.15 If Franchisee fails to pay any supplier or vendor when due, and fails to cure such default within the time period specified by the supplier or vendor, or in the applicable supply contract;

13.2.16 If Franchisee fails to pay any third party, including a lender, seller, or lessor of products, services or equipment, any amount due by Franchisee to such parties on any note, financing, obligation, or financial instrument when due, and such failure to pay the full amount owed is not cured after any notice required by the contract or under applicable law;

13.2.17 If Franchisee makes any unauthorized or improper use of the Proprietary Marks, or if Franchisee or any owner of Franchisee fails to utilize the Proprietary Marks solely in the manner and for the purposes directed by Franchisor, or directly or indirectly contests the validity of Franchisor's ownership of the Proprietary Marks or Franchisor's right to use and to license others to use the Proprietary Marks;

13.2.18 If Franchisee fails to submit to Franchisor any financial or other information required under this Agreement;

13.2.19 If Franchisee fails to operate the Franchised Business in accordance with this Agreement, including operating the Franchised Business in compliance with the operating standards and specifications established from time to time by Franchisor as to the quality of service, specifications and use of computer hardware and software, cleanliness, health and sanitation, or if Franchisee receives a failing score on any inspection conducted in accordance with Section 5.13 hereof;

13.2.20 If any other agreement between Franchisee (or any of its affiliates) and Franchisor (or any of its affiliates) is terminated for cause;

13.2.21 If Franchisee fails on more than three (3) or more occasions during any 12-month period to comply with one (1) or more requirements of this Agreement, regardless of whether the prior defaults were cured;

13.2.22 If Franchisee fails to comply with any applicable laws as more specifically set forth in Section 5.25;

13.2.23 If Franchisee, prior to operating the Franchised Business, does not obtain Franchisor's prior written approval of an Operating Principal if (1) Franchisee is not an individual or (2) Franchisee does not participate personally in the direct operation of the Franchised Business;

13.2.24 If the right of Franchisee to possess the Franchised Business premises terminates for any reason whatsoever.

13.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of Franchisee's obligations hereunder, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination (or, with respect to monetary defaults, five (5) days); provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof satisfactory to Franchisor, all within the thirty (30) (or five (5)) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) (or five (5)) day period or such longer period as applicable law may require.

13.4 Extended Notice of Termination. If any law applicable to this Section 13 requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

13.5 Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Franchisor does not elect to exercise the options described in this Section 13.5, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 12.

13.6 Other Remedies. Franchisor has the right to undertake any one or more of the following actions in addition to, or in lieu of, terminating this Agreement:

13.6.1 Franchisor may require Franchisee to close the Franchised Business and take the necessary steps to bring the Franchised Business (including the operation, maintenance, repair and restoration of the Franchised Business) into strict conformity with Franchisor's standards and specifications

and the requirements of this Agreement. Franchisee shall not reopen the Franchised Business until Franchisee has brought it into conformity with Franchisor's standards and specifications;

13.6.2 Franchisor may modify, or eliminate completely, the Service Area described in Section 1.2 above;

13.6.3 Franchisor may elect, but has no obligation, to assume complete operating control and possession of the Franchised Business and operate the same in the capacity of a receiver. Franchisor shall apply funds received from that operation, first to the payment of all of Franchisor's costs and expenses of operation, then to the current obligations of Franchisee to Franchisor or any third party, and then to the past due obligations of Franchisee to Franchisor or any third party, with any remaining funds paid over to Franchisee;

13.6.4 Franchisor may disable access to or remove all or any references to the Franchised Business or webpage(s) of the Franchised Business from the Authorized Website, until such time as the default is fully cured;

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.6, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, and/or to terminate any other rights, options, or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

#### **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

14.1 Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

14.1.1 Cease Operations. Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold Franchisee out as a present or former franchisee of Franchisor.

14.1.2 Cease Use of System and Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System, the mark "Dill Dinkers" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, advertising materials, displays, stationery, forms, and any other articles that display the Proprietary Marks, remove all such articles and/or permit Franchisor to enter the Franchised Business and remove or permanently cover all signs or advertisements identifiable in any way with Franchisor's name or business, at Franchisee's expense.

14.1.3 Cancellation of Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Mark "Dill Dinkers" and all other Proprietary Marks, and/or any other service mark or trademark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.1.4 Pay Monies Owed; Liquidated Damages. Within ten (10) days after the effective date of expiration or termination of this Agreement, or such later date that the amounts due to us are determined, Franchisee shall pay Franchisor all sums and amounts then due to Franchisor or its affiliates. Franchisee shall also pay to Franchisor, in addition to any amounts then due and owing, all damages

suffered and expenses incurred by Franchisor as a result of any default, including reasonable attorneys' fees, expenses, and costs, and interest on such attorneys' fees, expenses, and costs. Franchisee acknowledges and agrees that, in the event this Agreement is terminated prior to its expiration due to a default by Franchisee, such termination will result in lost future revenue and profits to Franchisor, harm to the goodwill associated with the Proprietary Marks, and increased costs to Franchisor to re-develop or re-franchise the Service Area in which the Franchised Business is located. Franchisee further acknowledges and agrees that the actual damages that would be incurred by Franchisor in the event of any early termination of this Agreement would be difficult to calculate or ascertain. Accordingly, if this Agreement is terminated prior to its expiration due to a default by Franchisee, Franchisee will, within ten (10) days after the effective date of such termination, pay Franchisor in a single lump sum payment, as liquidated damages and not as a penalty, an amount equal to the product of the average yearly amount of Royalty Fees paid by Franchisee under Section 3.3 of this Agreement during the three (3) years immediately preceding the termination (or such period as the Franchised Business was open for business, if the Franchised Business was not open for business during the entire three-year period), multiplied by the lesser of (i) three (3) or (ii) the number of years remaining in the Agreement's then-current initial term or renewal term. Franchisee acknowledges and agrees that such amount is considered to be a reasonable, bona fide pre-estimate of damages, which is fair and reasonable under the circumstances, and not a penalty. Franchisee acknowledges and agrees that the liquidated damages specified in this Section 14.1.4 are only intended to compensate Franchisor for the early termination of this Agreement and Franchisor's loss of revenue resulting therefrom, but not for any other breach of this Agreement by Franchisee or any other damages, losses, or expenses incurred by Franchisor, and all other applicable remedies under the law remain available to Franchisor.

14.1.5 Return of Manuals and Other Materials. Franchisee shall immediately deliver to Franchisor the Manuals, plans, specifications, designs, records, data, samples, models, programs, handbooks, and drawings relating to the Dill Dinkers brand, System, operations, or business, and all other materials containing Confidential Information (including any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be Franchisor's property.

14.1.6 No Confusion. Franchisee agrees that, if it continues to operate or subsequently begins to operate any other business, Franchisee shall not use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the brand, the System, or the Proprietary Marks.

14.1.7 Assign Leases; Modification of Premises. Franchisor shall have the right and option, but not the obligation, to acquire the Leases for the Franchised Business, or otherwise acquire the right to occupy the premises. Franchisor may assign or delegate this right or option to any of Franchisor's affiliates or a third-party designee, without notice to, or request for approval from, the landlord or lessor of the premises. If Franchisor or its assignee or delegatee does not elect or is unable to exercise any option Franchisor may have to acquire the leases or subleases for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to de-identify and distinguish the appearance of said premises from that of other Dill Dinkers Clubs, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Franchisor requests shall transfer to Franchisor, all telephone numbers, member or customer "loyalty" lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisor while operating the Franchised Business, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from

all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section 14.1.7, Franchisor (or its designee) shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at Franchisee’s expense, which expense Franchisee agrees to pay upon demand.

14.1.8 Option to Purchase Equipment and Furnishings. Franchisor shall have the option, to be exercised within thirty (30) days after expiration or earlier termination of this Agreement, to purchase from Franchisee any or all of the equipment or inventory related to the operation of the Franchised Business, at the lesser of the fair market value or Franchisee’s book value. The book value shall be determined based upon a five (5) year straight line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment’s original cost. If Franchisor elects to exercise any option to purchase herein provided, Franchisor shall set off all amounts due from Franchisee. Notwithstanding any term or provision in this subparagraph to the contrary, Franchisor expressly reserves the right, but not the obligation, to negotiate to purchase the equipment directly from the lessor of the equipment. The transfer of the equipment from Franchisee to Franchisor shall take place within sixty (60) days after the expiration or earlier termination of this Agreement upon receipt of payment or any applicable transfer and release documents from Franchisor; provided, however, that if the transfer cannot take place within that time period because of delays caused by Franchisee’s lender or lessor, the time period shall extend by a like number of days. All such equipment and inventory shall be transferred without liens or other encumbrances of any kind and Franchisor shall receive free and clear title. If Franchisor exercises the options contained in Sections 14.1.7 and 14.1.8 of this Agreement, Franchisee shall leave all of the equipment at the Franchised Business in good working order and repair and shall allow Franchisor to use the equipment without charge until the transfer of the equipment takes place.

14.1.9 Damages and Costs. Franchisee shall pay Franchisor all damages, costs, interest, and expenses, including reasonable attorneys’ fees, costs, and expenses (and interest on such fees, costs, and expenses), incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.1.

## **15. TAXES, PERMITS, AND INDEBTEDNESS**

15.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax, or similar tax from any payment to Franchisor, then, to the extent that Franchisor is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Franchisor shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Franchisor would have received had no tax payment been required, provided that such shortfall is not caused by Franchisor’s gross negligence, willful misconduct, or fraud in filing the claims, or for reasons that can be solely attributable to Franchisor.

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

15.3 Compliance With Laws. Franchisee shall comply with all applicable federal, state, and local laws, rules, and regulations, including employment, labor, and wage and hour laws, tax laws, and local operating regulations. Franchisee shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or Franchisor's other instructions, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

15.4 Notification of Claims. Franchisee shall notify Franchisor in writing within three (3) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within three (3) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or Franchisee's financial condition, or give rise to liability or a claim against Franchisee or Franchisor.

## 16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

16.1 It is understood and agreed by the parties hereto that this Agreement does not in any way create the relationship of principal, agent, fiduciary, joint venture, joint employer, or employer/employee between Franchisor and Franchisee; that Franchisee shall be an independent contractor; and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. For the avoidance of doubt, Franchisor is not the employer or joint employer of Franchisee or Franchisee's employees.

16.1.1 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor.

16.1.2 No Agency. Franchisee shall not act or attempt to act or represent itself, directly or by implication, as an agent of Franchisor. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission by Franchisee in Franchisee's conduct of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. Franchisee shall not have the authority, express or implied, to bind or obligate Franchisor in any way.

16.1.3 Indemnification. Franchisee, on behalf of itself, its affiliates, and their respective owners, will, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Franchisor, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "Indemnified Parties") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees, and consequential damages (together, "Losses and Expenses") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Franchised Business, any breach of this Agreement or the Manuals, by Franchisee, its affiliates, any of their respective owners, or any breach by Franchisee, its affiliate, or any of their respective owners of any other agreement between Franchisor or its affiliate, on the one hand, and Franchisee, its affiliate, or any of their respective owners, on the other hand. The indemnity set forth above includes claims, directly or

indirectly, arising out of, from, or related to the Indemnified Parties' negligence, but not claims caused solely by the Indemnified Parties' gross negligence, fraud, or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Franchisor has the right, at its option, to defend any such claim against it at Franchisee's sole cost and expense with counsel of Franchisor's choosing. If Franchisee defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Franchisor's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding, the expiration or earlier termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Franchisee's Losses and Expenses, in order to maintain and recover fully a claim against Franchisee, Franchisee's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable by Franchisor or another Indemnified Party from Franchisee, Franchisee's affiliate, or their respective owners. Franchisee's obligations under this Section 16.1.3 will survive the expiration or earlier termination of this Agreement.

## **17. GOVERNING LAW AND DISPUTE RESOLUTION**

17.1 Governing Law. This Agreement and the relationship of the parties shall be governed and construed in accordance with the laws of Maryland, without regard to its conflicts of laws provisions. Nothing in this Section 17 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or any other law, rule, or regulation of the State of Maryland to which this Agreement would not otherwise be subject.

17.2 Venue. Subject to the terms and provisions of Section 17.3 below, the parties agree that any action brought by one party against the other in any court, whether federal or state, shall be brought only before a federal or state court encompassing Columbia, Maryland. The parties agree that this Section 17.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee and its owners hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

17.3 Arbitration. Except as otherwise provided in this Agreement, any claim, controversy, or dispute arising out of or relating to this Agreement, the Franchised Business, or the relationship created by this Agreement, including any claim by Franchisee or its owners, concerning the entry into, the performance under, or the termination of this Agreement, or any other agreement between the parties or their affiliates will be resolved via binding arbitration under the authority of the Federal Arbitration Act in accordance with the following provisions:

17.3.1 Any arbitration will be administered by the American Arbitration Association (or its successor) pursuant to its then-current commercial arbitration rules and procedures. The arbitrator will have the authority to decide issues regarding arbitrability and the scope of the arbitrator's jurisdiction. The arbitration must take place in the metropolitan area in which our headquarters are located at the time of the dispute (currently the Columbia, Maryland metropolitan area).

17.3.2 Any arbitration must be on an individual basis, and not as part of a common, consolidated, or class action. The parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts.

17.3.3 The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Maryland could order or grant, including, without limitation, general damages, specific performance of any obligation created under this Agreement, the issuance of an injunction or other extraordinary relief, or the imposition of sanctions for abuse or frustration of the arbitration process; however, the arbitrator may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or other prohibited damages; or (iii) make an award that extends, modifies, or suspends any lawful term of this Agreement or its related agreements or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court of competent jurisdiction. The decision of the arbitrator will be binding and final on all parties to the dispute.

17.3.4 Except as necessary to obtain interim or provisional relief, to enforce any arbitration award or order, or to comply with any franchise-specific disclosure obligation, the arbitration proceeding and award will be maintained as strictly confidential and neither party hereto nor the arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties hereto.

17.3.5 Each party will bear its share of the costs of the arbitration proceeding. The prevailing party to the arbitration will have the right to an award of its reasonable attorneys' fees and costs incurred after the filing of the demand for arbitration. If either Franchisor or Franchisee seeks to enforce this Agreement in any arbitral or other proceeding, the prevailing party will be entitled to recover its reasonable costs and expenses (including reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17.3.6 This agreement to arbitrate will survive the expiration or termination of this Agreement.

17.4 Injunctive Relief. Notwithstanding anything to the contrary contained in this Section 17, either party may file suit in a court of competent jurisdiction (pursuant to Section 17.2) for the entry of temporary or preliminary injunctive relief, restraining orders, and orders of specific performance, including injunctive relief pertaining to Franchisee's use or misuse of the System, Proprietary Marks, or Confidential Information, or impermissible competition, prior to or after the expiration or earlier termination of this Agreement. The Parties hereto agree that seeking and obtaining such relief will not waive the parties' agreements to arbitrate.

17.5 Limitation of Actions. Except with regard to claims related to Franchisee's obligations to make payments to Franchisor pursuant to this Agreement, Franchisee's indemnification obligations, and claims related to unauthorized use of the Proprietary Marks or Confidential Information (all of which claims will be subject only to the applicable state or federal statute of limitations), any and all claims and actions arising out of or relating to this Agreement (including the offer and sale of this Agreement), the Franchise relationship, or Franchisee's operation of the Franchised Business (including any defenses and any claims of set-off or recoupment) shall be irrevocably barred unless brought or asserted before the expiration of the earlier of (A) the time period for bringing an action under any applicable state or federal statute of limitations; (B) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (C) two (2) years after the first act or omission giving rise to an alleged claim.



17.6 Consolidated, Common, or Class Actions. Any lawsuit, arbitration, or action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Franchisee and its owners waive any and all rights to proceed on a consolidated, common, or class basis.

17.7 Waiver of Damages. Except with respect to the exclusions set forth in this Section 17.6, to the fullest extent permitted by applicable law and as provided below, Franchisor, Franchisee, and Franchisee's owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, treble, incidental, indirect, consequential, or other similar damages against Franchisor, Franchisee, any of their respective affiliates, owners, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, consequential damages, for adverse harm to the Proprietary Marks or the System; or (c) indemnification and damages for any third-party claims arising under Section 16.1.3. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or consequential damages will continue in full force and effect.

17.8 Waiver of Jury Trial. The parties hereto irrevocably waive trial by jury in any action, proceeding, or counterclaim in connection with any matter or dispute of any kind arising under or in any way connected with this Agreement or any right or remedy hereunder, whether at law or in equity, brought by either party hereto.

## **18. TIME IS OF THE ESSENCE**

As to all reports and fees payable to or to be made to Franchisor and any inspections initiated by Franchisor under Section 5.14, time shall be of the essence.

## **19. APPROVALS, WAIVERS, AND BINDING EFFECTS**

19.1 Approvals. Whenever this Agreement requires Franchisor's prior approval or consent, Franchisee shall make a timely written request to Franchisor for the approval or consent, which Franchisor shall grant, if at all, only in writing.

19.2 Waivers. Except as set forth in this Agreement, no rights or remedies set forth in this Agreement shall exclude any other right or remedy allowed by law or in equity. No failure by any party to this Agreement to take action on account of any default by any other party, or to exercise any right hereunder, whether in a single instance or repeatedly, shall constitute a waiver of any such default or right or the performance required of such other party. No waiver by a party of any covenant or condition or breach of any covenant or condition of this Agreement shall constitute a waiver of any subsequent breach or nonobservance on any other occasion of the same or any other covenant or condition of this Agreement. Subsequent acceptance by Franchisor of payments due it shall not constitute a waiver by Franchisor of any prior breach.

19.3 Binding Effect; No Other Rights. This Agreement shall bind the parties and their respective executors, administrators, successors, and assigns. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, and such of the parties' respective successors and assigns as may be contemplated (and, as to Franchisee, permitted) by Sections 12.1 and 12.3 above, any rights or remedies under or by reason of this Agreement.

## **20. NOTICES**

20.1 Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses below, unless and until a different address has been designated by written notice to the other party. 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.

|             |   |
|-------------|---|
| Franchisor: | Dill Dinkers Franchising, LLC<br>9179 Red Branch Road<br>Columbia, Maryland 21045<br>Attn: Dr. Ben Litalien, CFE<br>blitalien@dilldinkers.com |
| Franchisee: | Franchisee's notice address set forth on<br>Exhibit A to this Agreement   |

## **21. FORCE MAJEURE**

Neither Franchisor nor Franchisee will be liable for loss or damage or deemed to be in breach of this Agreement if performance is rendered impossible or commercially impractical by a Force Majeure Event (defined below). Any delay resulting from any Force Majeure Event will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable in the judgment of the Party to whom performance is owed, except no Force Majeure Event will operate to excuse Franchisee from the prompt payment of any fee or other amount due to Franchisor or its affiliates under this Agreement. Franchisee or Franchisor will, within five (5) days of the occurrence of the Force Majeure Event, give a written notice to the other party stating the nature of the Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect. Any suspension of performance will be of no greater scope and of no longer duration than is reasonably required; provided, however, if the suspension of performance continues for ninety (90) days from the date of the occurrence and such failure to perform would constitute an event of default of this Agreement in the absence of such Force Majeure Event, Franchisor may, subject to any applicable franchise relationship law, terminate this Agreement immediately by giving written notice to Franchisee. As used in this Agreement, "Force Majeure Event" means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war (declared or undeclared), riot, terrorist act, or other civil disturbances; cybersecurity incidents; epidemics; pandemics; public health emergencies; governmental action; or any other cause that is beyond the reasonable control of the party affected thereby and that materially and adversely affects the ability of such party to perform. Financial inability of a party hereto will not constitute a Force Majeure Event.

## **22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES**

Notwithstanding anything in this Agreement to the contrary, Franchisee and its affiliates may, in accordance with any applicable law, including the federal Defend Trade Secrets Act, disclose Confidential Information, including Franchisor's trade secrets: (a) in confidence, to federal, state, or local government officials, or to an attorney of Franchisee, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a document filed in a lawsuit or other legal proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with any applicable law or create liability for disclosures expressly allowed by law.

## **23. ENTIRE AGREEMENT AND AMENDMENT**

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and agreements. There are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. However, and notwithstanding the foregoing, nothing in this Franchise Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Franchisee, if any. Except for those permitted to be made unilaterally by Franchisor 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. The System and Manuals are subject to change by Franchisor at any time, at Franchisor's option.

## **24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION**

24.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine that any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the Agreement.

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

24.3 Construction. All captions and headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision. Each pronoun used in this Agreement shall include the other numbers and genders, as appropriate. The words "include" and "including" will be construed to include the words "without limitation."

## **25. JOINT AND SEVERAL OBLIGATION**

If Franchisee consists of more than one person or entity, each person and entity shall have joint and several liability for Franchisee's obligations under this Agreement.

## **26. INCORPORATION OF EXHIBITS**

All exhibits referred to in this Agreement constitute an integral part of this Agreement.

## **27. COUNTERPARTS**

This Agreement may be executed in any number of counterparts each of which when so executed will be an original, but all of which together will constitute one (1) and the same instrument.

## **28. SURVIVAL OF PROVISIONS**

All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

## **29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS**

29.1 Franchisee represents, warrants, and acknowledges to Franchisor as follows:

29.1.1 Modification of Offers. Franchisee understands that present and future franchisees of Franchisor may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ materially from the obligations and rights contained in this Agreement. Franchisee also acknowledges and agrees that Franchisor may modify the offer of Franchisor franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

29.1.2 No Other Obligations. Each party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract, or covenant to which such party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

29.1.3 Franchised Business Location. Franchisee acknowledges having sole and complete responsibility for the choice of the location of the Franchised Business, and that Franchisor has not (and shall not be deemed to have, even by Franchisor's approval of the location) given any representation, promise, or guarantee of Franchisee's success at the location.

29.1.4 Compliance with Anti-Terrorism Laws and Other Laws. Franchisee and its owners represent and warrant to Franchisor that: (a) neither Franchisee nor any of its owners have made any untrue statement of any material fact nor omitted to state any material fact in Franchisee and their franchise application and other documents and information submitted to Franchisor, or in obtaining the rights granted herein; (b) neither Franchisee nor any of its owners have any direct or indirect legal or beneficial interest in any business that may be deemed a Competitive Business, except as otherwise completely and accurately disclosed in Franchisee's franchise application materials; (c) Franchisee and its owners have a legal right to own and operate the Franchised Business, and the owner or officer that executes this Franchise Agreement on Franchisee's behalf has all legal right an authority to execute on Franchisee's behalf and to legally and contractually bind Franchisee; and (d) neither Franchisee nor its owners (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at <https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx> /); (iii) have not violated and will not violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror

against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law. Franchisee has a continuing obligation to advise OBT of any material changes in these statements and representations made to Franchisor in this Agreement or in the franchise application.

### **30. BUSINESS JUDGMENT**

Franchisee understands and agrees that Franchisor may operate and change the System in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's sole judgment of what is in the best interest of Franchisor, the System, and the brand overall, including Franchisor, its affiliates, and the franchise network, at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Dill Dinkers company-owned or affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with the express wording of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

[Signature Page Follows]

Executed as of the day and year first set forth above.

Franchisor:

Dill Dinkers Franchising, LLC

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

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

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

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

Franchisee:

\_\_\_\_\_

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

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

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

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

**EXHIBIT A**

**IDENTIFICATION OF FRANCHISEE**

1. Name of Franchisee: \_\_\_\_\_
2. Type of Entity/State of Formation \_\_\_\_\_ / \_\_\_\_\_
3. Principal Business Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
E-Mail: \_\_\_\_\_
4. Notice Address of Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
E-Mail: \_\_\_\_\_
5. Location of Franchised Business: \_\_\_\_\_  
\_\_\_\_\_
6. Service Area: \_\_\_\_\_  
(subject to Section 1.2) \_\_\_\_\_  
of the Franchise Agreement) \_\_\_\_\_
7. Date of Opening: \_\_\_\_\_

## EXHIBIT B

### SITE SELECTION ADDENDUM

Dill Dinkers Franchising, LLC (“Franchisor”), a \_\_\_\_\_ limited liability company, and the undersigned (the “Franchisee”) have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) entered into a Dill Dinkers Franchise Agreement (“Franchise Agreement”) and desire to supplement its terms as set out below in this Site Selection Addendum (this “Site Selection Addendum”).

#### Agreement

**1. Time to Locate Site:** Within one hundred eighty days (180) days after the Effective Date (the “Search Period”), Franchisee shall acquire or lease/sublease, at Franchisee’s expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “Franchised Business”) and open and begin operating the Franchised Business at a site consented to by Franchisor as hereinafter provided. Such location shall be within the following area: \_\_\_\_\_

\_\_\_\_\_ (the “Site Selection Area”). The Site Selection Area is described solely for the purpose of selecting a site for the Franchised Business. Franchisor shall not establish, nor franchise another to establish, a Dill Dinkers Club operating under the System within the Site Selection Area until Franchisor consents to a location for the Franchised Business, or until the expiration of the Search Period, whichever event first occurs. Notwithstanding anything to the contrary in the Franchise Agreement, if a suitable site has not been identified and consented to by the end of the Search Period, Franchisor may, at its option, extend the Search Period by up to sixty (60) days. Franchisee acknowledges and agrees that Franchisor shall have no responsibility for, or liability to Franchisee for, any site review, analysis, evaluation, or recommended undertaken by or on behalf of any real estate broker or advisor used or retained by Franchisee. Failure by Franchisee to acquire or lease an approved site for the Franchised Business within the Search Period shall constitute a default under Section 13 of the Franchise Agreement and under this Addendum, and Franchisor may terminate the Franchise Agreement and this Addendum, pursuant to the terms of Section 13 of the Franchise Agreement.

**2. Site Evaluation Services:** Franchisor shall furnish to Franchisee suggested site selection criteria, which is currently reflected in advice based on site and demographic factors, and will include Franchisor’s minimum standards for a location for the Franchised Business. Franchisor will also provide such site selection counseling and assistance as Franchisor may deem advisable. Franchisor shall perform any on-site evaluation as Franchisor may deem advisable in response to Franchisee’s requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee’s request) for any Franchised business to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, and meals.

**3. Additional Site Evaluation Services:** Franchisor recommends, but does not require, that Franchisee engage the services of a third-party real estate or site evaluation professional or business, to assist with the analysis and evaluation of a particular site, and/or to utilize competitive sales data from a third-party. Franchisee acknowledges and agrees that any site evaluation model or service is only one tool or factor that may be used to evaluate a potential site, and it is not a predictor of future sales. Further, Franchisee acknowledges that Franchisor does not represent or guarantee that any particular site will achieve any level of sales, revenues or profits.



**4. Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, such site approval forms and data that Franchisor may specify, which may include a copy of the site plan, financial information, and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of a complete site selection package and request for approval and such information and materials as Franchisor may request to approve or disapprove the proposed site in writing as the location for the Franchised Business, at Franchisor's sole option. If Franchisor does not approve a proposed site in writing within such 30-day period, the proposed site will be deemed disapproved.

**5. Lease Responsibilities:** Within sixty (60) days after site approval by Franchisor, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the Addendum to Lease attached to the Franchise Agreement as Exhibit G. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Addendum to Lease.

**6. Approved Location:** After the location for the Franchised Business is consented to by Franchisor pursuant to Section 4 hereof and leased or acquired by Franchisee pursuant to Section 5 hereof, the location shall constitute the approved location described in Section 1.1 of the Franchise Agreement. The Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. The Service Area, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that consent by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Consent by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

**7. Entire Agreement:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

[Signature Page Follows]

Exhibit B-2

Executed as of the day and year first set forth above.

Franchisor:

Dill Dinkers Franchising, LLC

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

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

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

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

Franchisee:

\_\_\_\_\_

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

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

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

**EXHIBIT C**

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

The undersigned depositor (“Depositor”) hereby authorizes Dill Dinkers Franchising, LLC (“Franchisor”) to initiate debit entries and/or credit correction entries to the Depositor’s checking and/or savings account(s) indicated below and the depository (“Depository”) to debit such account pursuant to Franchisor’s instructions.

|                                       |                |
|---------------------------------------|----------------|
| _____                                 | _____          |
| Depository                            | Branch         |
| _____                                 | _____          |
| Street Address, City, State, Zip Code |                |
| _____                                 | _____          |
| Bank Transit/ABA Number               | Account Number |

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
Depositor

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

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

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

**EXHIBIT D**

**STATEMENT OF OWNERSHIP INTERESTS**

The following is a list of all of Franchisee’s owners, the percentage of their ownership interest and a description of the nature of their ownership interest:

Effective Date: This Exhibit D is current and complete  
as of \_\_\_\_\_, 20\_\_

Franchisee and Its Owners

1. Form of Franchisee Entity.

(a) Individual Proprietorship. Franchisee’s owner(s) (is) (are) as follows:

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

(b) Corporation, Limited Liability Company, or Partnership. The Franchisee entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee’s partners, directors, officers and/or members as of the effective date shown above:

| <u>Name of Each Director/Officer/Member/Manager</u> | <u>Position(s) Held</u> |
|---|-------------------------|
| _____   | _____                   |
| _____   | _____                   |
| _____   | _____                   |
| _____   | _____                   |
| _____   | _____                   |
| _____   | _____                   |

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

|     | <u>Owner's Name/Address/Tax Identification No.</u> | <u>Percentage/Description of Interest</u> |
|-----|--|---|
| (a) | _____  | _____                                     |
|     | _____  | _____                                     |
|     | _____  |   |
|     | _____  |   |
| (b) | _____  | _____                                     |
|     | _____  | _____                                     |
|     | _____  |   |
|     | _____  |   |
| (c) | _____  | _____                                     |
|     | _____  | _____                                     |
|     | _____  |   |
|     | _____  |   |
| (d) | _____  | _____                                     |
|     | _____  | _____                                     |
|     | _____  |   |
|     | _____  |   |

3. Operating Principal. Franchisee's Operating Principal as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). Franchisee may not change the Operating Principal without Franchisor's prior written approval.

Franchisee:

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

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

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

## EXHIBIT E

### GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Dill Dinkers Franchising, LLC (“Franchisor”) to execute the Dill Dinkers Franchise Agreement between Franchisor and \_\_\_\_\_ (“Franchisee”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”), the undersigned jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, 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 Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants and obligations contained in Sections 8, 9, 10, 12, 14, and 17 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “Dill Dinkers” Marks or System licensed to Franchisee 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 defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor 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, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 17 of the Agreement, and must be commenced in the state or federal court encompassing Columbia, Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 17 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

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

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

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

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

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

(Seal)

Signed: \_\_\_\_\_  
(In his/her individual capacity)

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

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

## EXHIBIT F

### NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT** (“Agreement”) is made this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_ (the “Franchisee”), and \_\_\_\_\_, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “Obligee”).

#### BACKGROUND:

A. Dill Dinkers Franchising, LLC (“Franchisor”), as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Dill Dinkers System” or “System”) for establishing and operating businesses that provided dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events, and which locations feature indoor pickleball facilities, a retail pro shop with a variety of pickleball-related items for sale, ready-to-eat food and beverages, and event space;

B. Franchisor and Franchisee have executed a Franchise Agreement (“Franchise Agreement”) granting Franchisee the right to operate one (1) Dill Dinkers pickleball club (the “Franchised Business”) and to produce and distribute products and services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;

C. The Obligee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Obligee shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of operation of the Franchised Business which may be communicated to Obligee or of which Obligee may be apprised by virtue of Franchisee’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Obligee specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Obligee will receive valuable specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System, and that the covenants set forth herein are made in connection with Franchisee’s purchase and sale of a business or the assets of a business.



(b) Obligees covenants and agrees that during the term of Obligees' employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by Franchisor, Obligees shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Own, maintain, operate, engage in, be employed by, or have any interest in any "Competitive Business," which means any business that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Franchised Business or the Dill Dinkers brand, including, without limitation, any business that primarily related to pickleball or that provides facilities for paddle ball games played on a court, within twenty-five (25) miles of any other "Dill Dinkers" branded business owned and/or operated or then under construction by Franchisor or any franchisee or licensee of Franchisor.

(c) Obligees covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Obligees shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any Competitive Business which is, or is intended to be, located: (a) within the Service Area of the Franchised Business or (b) within ten (10) miles of any other "Dill Dinkers" branded business owned and/or operated or then under construction by Franchisor or any franchisee or licensee of Franchisor as of the time that the obligations under this Section commence.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 of the Franchise Agreement with respect to Obligees; and/or (b) termination of Obligees' employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Obligees acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Obligees agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Obligees agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Obligees agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by Franchisor or the Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue, and Choice of Law. This agreement shall be interpreted and construed in accordance with Section 17 of the Agreement. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

7. Third-Party Beneficiary. Obligee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, the Franchisee and the Obligee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ .

FRANCHISEE

OBLIGEE

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

## EXHIBIT G

### ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE is made and entered into as of \_\_\_\_\_, 20\_\_ by and among \_\_\_\_\_ (the “Landlord”), \_\_\_\_\_ (the “Tenant”), and Dill Dinkers Franchising, LLC, a Delaware limited liability company (“Franchisor,” “we,” “us” or our).

#### RECITALS:

A. This Addendum to Lease supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated \_\_\_\_\_ (the “Lease”) for the premises situated at the premises known by street address as \_\_\_\_\_ (the “Premises”) to be used by the Tenant as part of a Dill Dinkers pickleball club (“Dill Dinkers Club”).

B. This Addendum to Lease is entered into in connection with Franchisor’s approval of the location of the Premises as a Dill Dinkers Club and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”).

C. This Addendum to Lease is intended to make Franchisor, or any party it designates, a third-party beneficiary to the Lease and to provide Franchisor the opportunity to reserve the Premises as a Dill Dinkers Club under the circumstances set out below.

D. The Landlord agrees that Franchisor shall have the right but not the obligation to 1) cure defaults of Tenant and 2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Addendum to Lease.

#### THE PARTIES HEREBY AGREE:

##### 1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to us copies of any notices of default that are given to the Tenant concurrently with the giving of such notices to the Tenant. Our current notice address is Dill Dinkers Franchising, LLC, 9179 Red Branch Road, Columbia, Maryland 21045, Attn: Dr. Ben Litalien. If the Tenant fails to cure any defaults within the period specified within the notices, the Landlord shall promptly give to us further written notice (“second notice”) specifying the defaults that the Tenant has failed to cure. We shall have forty-five (45) days following receipt of the second written notice to a) cure the default or b) to exercise our right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that we do exercise the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 We shall begin paying rent upon the Landlord delivering possession of the Premises to us pursuant to Section 1.1 above.

##### 2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason or expires during the term of the Lease or any extension or renewal of the Lease, and if we shall desire to assume the Lease, we shall promptly give the Landlord written notice to this effect.

Exhibit G-1

### 3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give us written notice to this effect and we shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If we elect to exercise such right(s) we shall notify the Landlord in writing whereupon we and the Landlord shall promptly execute and exchange an agreement whereby we assume the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

### 4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by us, assign all of its right, title and interest in and to the Lease to us. If the Tenant fails to do so within ten (10) days, the Tenant hereby designates us as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to us executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at our written request. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to us. We acknowledge that where we enter into an assignment or sub-letting as referred to in clause 4.4 below we will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guaranty, Indemnification, and Acknowledgement in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to us. We shall have no obligation, as a condition to assume the Lease, to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment. We shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and our reasonable collection costs.

4.3 After we assume the Tenant's interest under the Lease, we may, at any time, sublet the Premises without having to obtain the prior written consent of the Landlord.

4.4 After we assume the Tenant's interest under the Lease, we may, at any time, assign or sublet our interest under the Lease to a third party, which may or may not be an operator of a Dill Dinkers Club, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, we shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and we elect not to exercise our option as described above, the Tenant agrees, upon written demand by us, to de-identify the Premises as a Dill Dinkers Club and to promptly remove signs, decor and other items which we reasonably request be removed

Exhibit G-2

as being distinctive and indicative of a Dill Dinkers Club. We may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from us, following termination of the Franchise Agreement or Lease. The Tenant shall pay us for our reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to us for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to us pursuant to this clause.

4.6 BY EXECUTING THIS ADDENDUM TO THE LEASE, WE DO NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL WE EXPRESSLY ASSUME SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.7 All notices pursuant to this Addendum to Lease shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Addendum to Lease may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by \_\_\_\_\_  
as Landlord by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by \_\_\_\_\_  
as Tenant by its \_\_\_\_\_  
in the presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

SIGNED by Dill Dinkers Franchising, LLC  
by its duly authorized officer in the  
presence of: \_\_\_\_\_  
(Name of Signatory)  
Title: \_\_\_\_\_

\_\_\_\_\_

Addresses for Notices:

Landlord:

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

Tenant:

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

Exhibit G-3

**EXHIBIT D**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

## CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this 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 the person from membership in the association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
4. 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.)
5. 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.
6. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The Franchise Agreement requires binding arbitration. The arbitration will occur the Columbia, Maryland metropolitan area, with each party paying their own costs, plus one-half the arbitrator's fees.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional 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.
9. The Franchise Agreement requires application of the laws of Maryland. This provision may not be enforceable under California Law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release of claims if you renew or transfer your franchise. California corporations 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).
12. Item 19 of the Disclosure Document is supplemented by the following language:

The earnings claims figure does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you

will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

13. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
14. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
15. 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.
16. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

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

{See the last page of this Exhibit D for your Signature.}



## HAWAII

1. Release. The language contained in Section 2.2.7 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates (except as to amounts then due to Franchisor for royalties, advertising contributions, materials, and the like), and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

2. Conditions for Approval of Transfer. The language contained in Section 12.4 of the Franchise Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisor and the transferor shall have executed a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

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

{See the last page of this Exhibit D for your Signature.}

## ILLINOIS

In recognition of the Illinois Franchise Disclosure Act and the Rules and Regulations promulgated thereunder, the Disclosure Document and Franchise Agreement shall be modified as follows:

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

{See the last page of this Exhibit D for your Signature.}

## INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the franchise agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Franchise Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 2-mile radius of the Dill Dinkers Club.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement.

The Franchise Agreement requires application of the laws of another state. This provision is deleted from the Indiana Franchise Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The Franchise Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

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

## MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document shall be modified as follows:

Item 17 of the Disclosure Document provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

Item 17 of the Disclosure Document is amended to state “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.”

Item 17 of the Disclosure Document is amended to state “Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 17(v) of the Disclosure Document is amended to state “A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement shall be modified as follows:

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

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

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.

Any provision contained in the Franchise Agreement that requires the Franchisee to assent to a release, estoppel, or waiver of liability is not intended to nor shall it act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

{See the last page of this Exhibit D for your Signature.}

## MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require (except in certain specific cases) that you 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 transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400(J) may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Notwithstanding the foregoing, this shall not bar enforcement of an arbitration clause.

In accordance with Minnesota Rule 2860.4400(J), to the extent required by law, the Disclosure Document and Franchise Agreement are modified so that we cannot require you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release of liability imposed by Minn. Stat. Chapter 80C; provided, this shall not bar the voluntary settlement of disputes. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. To the extent required by Minnesota law, we will protect your right to use the primary trademark, service mark, trade name, logotype, or other commercial symbol from third parties or will indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of our primary trade name in accordance with the requirements of the Franchise Agreement and our standards.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Franchise Agreement and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

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

{See the last page of this Exhibit D for your Signature.}

## NEW YORK

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

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

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

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

Item 17(c) Disclosure Document and Section 2.2.7 of the Franchise Agreement, which require you to sign a general release upon renewal of the franchise, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(i) of the Disclosure Document and Section 14 of the Franchise Agreement, which require you to consent to termination or liquidated damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(r) of the Disclosure Document and Section 10.6 of the Franchise Agreement restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(u) of the Disclosure Document and Section 17 of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(v) of the Disclosure Document and Section 17.2 of the Franchise Agreement requiring franchisee to consent to resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and such requirement is hereby deleted to the extent required by law. Any litigation under the agreement shall be conducted in North Dakota or a mutually agreed upon location. The provisions of this paragraph are subject to the United States Arbitration Act (9 U.S.C. § 1 et seq.).

Item 17(w) of the Disclosure Document and Section 17.1 of the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which require the franchisee to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.5 of the Franchise Agreement requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.7 of the Franchise Agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Franchise Agreement which stipulate that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, are hereby amended to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any



statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

{See the last page of this Exhibit D for your Signature.}

## **RHODE ISLAND**

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

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

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

## **SOUTH DAKOTA**

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

## VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document for Dill Dinkers Franchising, LLC for use in the Commonwealth of Virginia is amended as follows:

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 grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT, FRANCHISEE DISCLOSURE QUESTIONNAIRE, AND  
RELATED AGREEMENTS**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

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

{See the last page of this Exhibit D for your Signature.}

## **WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Disclosure Document and Franchise Agreement are amended accordingly.

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

**ACKNOWLEDGMENT:**

If any one of the preceding State Specific Addenda (“Addenda”) is checked as an “Applicable Addenda” below or if the jurisdictional requirements for application of one of the following State’s franchise sales law is independently satisfied, then that Addenda will be incorporated into the Disclosure Document and/or, if applicable as indicated in such Addenda, the Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s), the terms of the Applicable Addenda will supersede the terms of the Disclosure Document or, as applicable, Franchise Agreement or other specified agreement(s).

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> New York     |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> North Dakota |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> Rhode Island |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Maryland   | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Minnesota  | <input type="checkbox"/> Wisconsin    |

**FRANCHISOR:**

**DILL DINKERS FRANCHISING, LLC**

By: \_\_\_\_\_  
Title: Authorized Signatory

**FRANCHISEE**

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

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

**EXHIBIT E**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**LISTS OF CURRENT AND FORMER FRANCHISEES**



**LIST OF CURRENT FRANCHISEES  
AS OF DECEMBER 31, 2022**

*None.*

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED  
AS OF DECEMBER 31, 2022**

*None.*

**LIST OF FORMER FRANCHISEES  
AS OF DECEMBER 31, 2022**

*None.*

**TRANSFERS  
AS OF DECEMBER 31, 2022**

*None.*

**EXHIBIT F**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

## FORM OF GENERAL RELEASE

The Franchisee, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Franchise Agreement or federal or state laws, including franchise investment laws, against Dill Dinkers Franchising, LLC (“Franchisor”), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Franchisee realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Franchisor may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Franchisee freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Franchisee is in any way incorrect. The Franchisee expressly waives any and all rights and benefits against Franchisor conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

**EXHIBIT G**  
**TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**MANUAL TABLE OF CONTENTS**

# Table of Contents

|  |    |
|--|----|
| Brand Standards Manual .....                     | 1  |
| Preface.....                                     | 6  |
| Introduction .....                               | 6  |
| Confidentiality .....                            | 6  |
| Keeping the Brand Standards Manual Current ..... | 7  |
| Nondisclosure Agreement.....                     | 8  |
| Welcome .....                                    | 10 |
| Introduction .....                               | 11 |
| The Dill Dinkers Pickleball® Story .....         | 11 |
| Leadership Team .....                            | 12 |
| Mission, Vision, and Values.....                 | 17 |
| Mission.....                                     | 17 |
| Vision.....                                      | 17 |
| Core Values .....                                | 18 |
| The Dill Dinkers .....                           | 19 |
| Pickleball® Franchise Brand .....                | 19 |
| Franchise Strategy .....                         | 19 |
| Franchise Relationship .....                     | 20 |
| Overview .....                                   | 20 |
| Franchisor/Franchisee Relationship .....         | 20 |
| Franchise Compliance .....                       | 21 |
| Protecting the Network .....                     | 21 |
| Dealing with Issues .....                        | 22 |

|                                       |    |
|---------------------------------------|----|
| Marketing.....                        | 22 |
| Insurance Requirements .....          | 23 |
| Taxes.....                            | 24 |
| Reporting and Data Management.....    | 25 |
| Monthly Royalty Reports .....         | 25 |
| Monthly Brand Fund Reports .....      | 25 |
| Monthly Profit and Loss Reports.....  | 25 |
| Quarterly Compliance Reports.....     | 26 |
| The Dill Dinkers .....                | 27 |
| Pickleball® .....                     | 27 |
| Franchise Value Proposition .....     | 27 |
| Marketing.....                        | 28 |
| Public Relations Support.....         | 28 |
| National Brand Fund .....             | 29 |
| Technology.....                       | 30 |
| Operating Systems.....                | 30 |
| Training .....                        | 33 |
| Franchise Training .....              | 33 |
| Initial Training.....                 | 34 |
| Learning Management System .....      | 34 |
| Operations.....                       | 36 |
| Court Information and Resources ..... | 36 |
| Pre-Opening.....                      | 37 |
| Franchise Opening Support .....       | 38 |
| Ongoing Services and Support.....     | 38 |
| Facility Procedures.....              | 40 |

|                                   |    |
|-----------------------------------|----|
| Staffing .....                    | 47 |
| Legal / Insurance .....           | 65 |
| Finance / Accounting .....        | 65 |
| Membership Services.....          | 65 |
| Technology .....                  | 65 |
| Marketing .....                   | 66 |
| Sales.....                        | 66 |
| Addendums.....                    | 69 |
| Addendum 0 .....                  | 69 |
| Nondisclosure Agreement.....      | 69 |
| Addendum 1 .....                  | 72 |
| Addendum 2 .....                  | 75 |
| Franchise Value Proposition ..... | 75 |
| Addendum 3 .....                  | 76 |
| Design Development .....          | 76 |
| Addendum 4 .....                  | 79 |
| Project Management.....           | 79 |
| Addendum 5 .....                  | 82 |
| Code of Conduct .....             | 82 |
| Addendum 6 .....                  | 83 |
| Vendor List .....                 | 83 |
| Addendum 8 .....                  | 85 |
| Franchise Support .....           | 85 |

### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| State        | Effective Date |
|--------------|----------------|
| California   | Not Registered |
| Hawaii       | Not Registered |
| Illinois     | Pending        |
| Indiana      | Pending        |
| Maryland     | Pending        |
| Michigan     | Pending        |
| Minnesota    | Not Registered |
| New York     | Not Registered |
| North Dakota | Not Registered |
| Rhode Island | Not Registered |
| South Dakota | Not Registered |
| Virginia     | Pending        |
| Washington   | Not Registered |
| 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.



## RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Dill Dinkers Franchising, LLC (“Franchisor”) offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

| Name             | Principal Business Address                     | Telephone Number |
|------------------|--|------------------|
| Dr. Ben Litalien | 9179 Red Branch Road, Columbia, Maryland 21045 | 866-592-3465     |
|                  |  |                  |

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: September 1, 2023

I have received this Disclosure Document dated September 1, 2023. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

|           |  |           |   |
|-----------|--|-----------|---|
| Exhibit A | State Administrators and Agents for Service of Process | Exhibit E | Lists of Current and Former Franchisees |
| Exhibit B | Financial Statements                                   | Exhibit F | Form of General Release                 |
| Exhibit C | Franchise Agreement                                    | Exhibit G | Manual Table of Contents                |
| Exhibit D | State Specific Addenda                                 |           |   |

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

By \_\_\_\_\_

Print Name

**[Retain this copy for your records.]**

## RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Dill Dinkers Franchising, LLC (“Franchisor”) offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

| Name             | Principal Business Address                     | Telephone Number |
|------------------|--|------------------|
| Dr. Ben Litalien | 9179 Red Branch Road, Columbia, Maryland 21045 | 866-592-3465     |
|                  |  |                  |

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: September 1, 2023

I have received this Disclosure Document dated September 1, 2023. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

|           |  |           |   |
|-----------|--|-----------|---|
| Exhibit A | State Administrators and Agents for Service of Process | Exhibit E | Lists of Current and Former Franchisees |
| Exhibit B | Financial Statements                                   | Exhibit F | Form of General Release                 |
| Exhibit C | Franchise Agreement                                    | Exhibit G | Manual Table of Contents                |
| Exhibit D | State Specific Addenda                                 |           |   |

\_\_\_\_\_  
Date of Receipt

\_\_\_\_\_  
Signature of Prospective Franchisee (on behalf of the prospective franchisee and any corporation, limited liability company, or other business entity having or proposed to have an interest in the franchise or any proposed franchised location)

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

**[Return this copy to us.]**