

FRANCHISE DISCLOSURE DOCUMENT



WaterWalk Franchise Services LLC
A Kansas Limited Liability Company
2121 N. Webb Road
Wichita, Kansas 67206
(316) 631-1399
Franchise@WaterWalk.com
<http://www.WaterWalk.com>

WaterWalk Franchise Services LLC (“WWFS”) will grant an approved franchisee a franchise license from WWFS to operate a WaterWalk Property (“Property”), which offers customers unfurnished and furnished lodging options with hotel-like services.

The total investment necessary to begin operation of a newly constructed WaterWalk Property ranges from \$17,715,000 to \$24,415,000 and the total investment necessary to begin operation of a conversion WaterWalk Property ranges from \$2,721,000 to \$11,434,000. This includes the initial fees owed to WWFS varying between \$125,000 and \$702,500 a for newly constructed WaterWalk Property, and between \$130,000 and \$707,500 for a conversion WaterWalk Property that must be paid to WWFS or its affiliates when the Property has no more than the standard unit configuration of 126 units. If the Property will exceed the standard unit configuration the payment to WWFS and its affiliates and the total investment is increased by \$375 per each additional unit.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Team at 2121 N. Webb Road, Wichita, Kansas 67206 and 316-631-1354.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information on franchising. 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: October 4, 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
How much will I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 and Exhibits G and H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor and at the franchisor’s direction; Item 7 lists the initial investment to open, and Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to support my business?	Item 21 and Exhibit F include financial statements. Review these statements carefully.
Is the franchise system stable and growing or shrinking?	Item 20 summarizes the 3-year history of the number of company-owned and franchised outlets.
Will my business be the only WaterWalk business in my market?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings
What’s it like to be a WaterWalk franchisee?	Item 20 and Exhibits G and H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Kansas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Kansas than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Unregistered trademark.** The primary trademark that you will use in your business is not 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.

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

MICHIGAN DISCLOSURE

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 provisions 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 franchisee to meet the franchisor's then current reasonable qualifications or standards.

- (ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) a provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisor must, at the request of the franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 1ST FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.

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Exhibits

- A. List of State Administrators
- B. Agents for Service of Process
- C. Franchise Agreement, including Guaranty, and Site To Be Determined Amendment and Direct Debit Authorization Agreement
- D. Confidentiality Agreement
- E. Covenant Agreement
- F. Financial Statements and WaterWalk Support LLC Guaranty
- G. List of Franchisees
- H. Franchisees Who Have Left System or Have Not Communicated
- I. State Addenda
- J. Release
- K. Construction Services Agreement
- L. Standard WaterWalk Lender Comfort Letter
- M. Assignment
- N. Operations Manual Table of Contents
- O. Development Agreement

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

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this franchise disclosure document, “we,” “us,” and “WWFS” mean WaterWalk Franchise Services LLC, the franchisor, but does not include the company’s officers or members. “You” or “Franchisee” means the person(s) or entity that purchases the WaterWalk franchise under a contract called a Franchise Agreement. If you are a corporation, partnership, or limited liability company, the Franchise Application and certain provisions of the Franchise Agreement will include you or principals.

WWFS is a Kansas limited liability company, which was formed on April 4, 2014 under the name WaterWalk Apartments Franchise Services LLC and changed its name to WaterWalk Franchise Services LLC on January 26, 2015. WWFS does not currently do business under any other name. Our principal business address is 2121 N. Webb Road, Wichita, Kansas 67206. Our agents for service of process are listed in **Exhibit B**. We do not conduct any other business apart from licensing WaterWalk Properties.

Our Parents, Predecessors and Affiliates

We do not have any predecessors.

WWFS is a wholly owned subsidiary of WaterWalk Operating Co LLC, a Delaware limited liability company, which in turn is wholly owned by WaterWalk Holding Co LLC (“WWHC”) a Delaware limited liability company. Both companies’ principal business address is 2121 N. Webb Road, Wichita, Kansas 67206. WWHC is majority owned by WWDF Investor LLC, (“WWDF”) a Delaware limited liability company. WWDF is majority owned by DK LDOI V Aggregate Holdco LP and controlled by its manager, Madave Management LLC, both of which have their principal business address at 520 Madison Avenue, 30th Floor, New York, NY 10022.

Its affiliate, WaterWalk RE Development Services LLC (“WWREDS”) provides assistance to franchisees who choose to retain them in acquiring a location for, and in constructing, their WaterWalk Property. WWREDS further offers optional real estate entitlement services to our franchisees before and during the construction process, as well as construction management services. In addition, WWREDS may own, or have an interest in, sites at different stages of development which can be assigned to franchisees for the development of Properties. WWREDS was organized on January 14, 2015 to offer these services. WWREDS does not offer or award franchise licenses. WWREDS has never offered franchises in any other line of business. It will offer entitlement services necessary during the construction of Properties, but aside from that it will not conduct the type of business you will operate. WWREDS’ principal business is 2121 N. Webb Road, Wichita, Kansas 67206.

Prior Business Experience

WaterWalk’s founder Jack DeBoer was engaged in the apartment and extended-stay business since 1963 until his recent passing. Between 1963 and 1971, through Jack P DeBoer Associates and other companies, Mr. DeBoer developed about 16,000 apartments. In August 1975 when he founded the Residence Inn all-suite hotel chain he also created the extended-stay industry. He was Chairman and Chief Executive Officer of the Residence Inn Company until Marriott Corporation acquired Residence Inn in July 1987. In 1987 Mr. DeBoer co-founded Summerfield Hotel Corporation, and served as Co-Chairman of the Board of Directors until December 1993. From November 1995 to June 1997 Mr. DeBoer served as Chairman, CEO and President of Candlewood Hotel Company, Inc. (“CHC”). From 1997 to December 2003, Mr. DeBoer was Chairman and Chief Executive Officer of CHC. Also, from June 1995 to October

2003, he was president of JPD Corporation, one of the owners of CHC. From April 2004 to January 2016 he was the chairman of Value Place Franchise Services LLC (“Value Place”), its parent and several of its affiliates.

We started offering franchises on May 22, 2014. We do not operate businesses of the type being franchised, but our affiliates have 7 open properties, 3 of which opened earlier in 2023. The first of these properties, in Wichita, Kansas, opened in September, 2014. The only business we are involved in is offering franchises described in this FDD. Except as noted above, WWFS and its affiliates are not involved in any business activities and we have not offered franchises for any other type of business.

Our Business and the Franchises We Offer

We offer and award franchises for the establishment and operation of a lodging facility (“Properties”) under the name “WaterWalk.” We have done so since May 2014, but between May 2019 and December 31, 2020 we offered franchises under the name “Oakwood WaterWalk”. The WaterWalk Properties offer unfurnished (“Live” component) and furnished rooms with hotel-like services for short term and long term stays (“Stay” component), with the leasing of the “Live” component handled by us, out of our offices in Wichita. Our system includes distinctive design, decor, color scheme and furnishings; standards, specifications, programs and procedures for operations; procedures for quality assurance; training and assistance; and advertising and promotional programs (the “System”). We are currently in generation two of our building prototype layout. Historically, there were one- and two-building properties, but today we only offer a one-building prototype. We offer franchises both for new build and for conversion properties. Conversion properties are primarily considered in markets with a high barrier to entry, and not all extended stay properties can be converted to WaterWalk Properties. For example, there must be room and appropriate plumbing to put washers and dryers in each room.

We offer a Franchise Agreement (the “Franchise Agreement”) in the form of the attached **Exhibit C** for the establishment and operation of one Property at a specified approved location. You must submit a Site Application (the “Site Application”) for your proposed site. The Site Application will be evaluated by, and is subject to approval by, WWFS. One Franchise Agreement is executed per approved location and governs the construction and operation of the Property. The Site Application is usually not submitted until after the Franchise Agreement has been signed. If a Franchise Agreement has not yet been executed at the time of site approval, the Franchise Agreement must be executed within 30 days of site approval, or the site approval may be revoked. The Franchise Agreement is the same for new build as for conversion properties, though for conversion properties no Site Application is required.

WaterWalk Properties are designed to be an alternative to furnished and unfurnished rental apartments and other upscale extended-stay hotels. WaterWalk Properties offer a mix of studio, one and two bedroom units with flexible lodging options and a combination of all-inclusive or a la carte amenity packages. WaterWalk Properties are designed to meet the needs of the temporary housing market. A WaterWalk Property offers the size and atmosphere of an apartment with services and amenities, including simple check-in, all utilities, internet, local phone, trash service, 300+ TV channels or streaming entertainment service, gym membership and/or fitness center, customized options for breakfast and full service housekeeping. WaterWalk customers can stay a few nights, weeks, months, or years and have an all-inclusive package of services and amenities for one package price.

General Market/Competition

We compete in the markets of locally owned, furnished and unfurnished apartment communities; regional, national corporate and furnished and unfurnished apartments; residential rentals; and regional and national upscale extended-stay hotels. Historically, furnished apartments have been placed in some units of older apartment complexes to rent vacant units, rather than being a core business of the apartment community. The terms offered by apartment communities usually require leases of 6 months to 1 year, first

month rent, last month rent, and a security deposit, plus the “hook-up hassle” for utilities. While we do not target any particular group, WaterWalk was developed to take advantage of these shortcomings in the furnished apartment marketplace by constructing a purpose-built community of unfurnished and furnished rooms with hotel-like services for short and long term stays. The target WaterWalk residents include professionals relocating, corporate travelers and consultants, government travelers, military, interns, individuals dislodged as a result of insurance claims and emergency circumstances, traveling healthcare professionals, persons in training and working on temporary projects, as well as families building or renovating their home.

The combined market for apartments and temporary lodging is developed and very competitive, though there are few competitors that offer apartment buildings solely focused on corporate housing and short term housing. A WaterWalk franchisee will have to compete with numerous apartments, hotels, and other lodging facilities offering a wide range of services, formats and rate structures. Some of our national competitors include Bridgestreet Corporate Housing, Marriott Execustay, Residence Inn by Marriott, Homewood Suites, Staybridge Suites and Home2. A Franchisee’s ability to compete will depend in large part upon the Property’s operations, quality, rates, geographic area, site visibility and location, general economic conditions and the management capabilities of the Franchisee. In the majority of locations, occupancy is not seasonal.

Regulations

You must comply with a number of federal, state and local laws that apply to the construction and/or operation of a Property. These laws include those regarding zoning, construction, permitting, licensing, fair housing, accessibility by persons with disabilities, health, sanitation, employment, taxation, as well as landlord-tenant laws and regulations. The landlord-tenant laws and regulations in your state and locale could materially affect your rights against, and obligations to renters, including such matters as security deposits and remedies for late departures. You must be aware of these laws and it is your responsibility to seek counsel and comply with all applicable laws. You will also bear all expenses associated with complying with all applicable laws. Other laws may be applicable to your business and we urge you to make inquiries about these laws.

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Item 2

BUSINESS EXPERIENCE

Director, David Grissen

Mr. Grissen has been our director since September 2021. From January 2014 until April 2021 he was Group President at Marriott, based in Bethesda, Maryland. He now works out of Washington, DC.

Director, Lili Tomovich

Ms. Tomovich has been our director since September 2021. She is currently the Chief Marketing and Experience Officer at Barclays Bank in New York, New York, and has held that position since September 2021. From August 2020 until March 2021 she was Chief Marketing Officer at Grove Collaborative PBC in San Francisco, California, and before that she was the Chief Experience and Marketing Officer at MGM Resorts International in Las Vegas, Nevada between July 2014 and July 2020.

Director, James Korroch

Mr. Korroch has been our director since September 2021. He was also our President between August, 2020 and August 2023. Before that, Mr. Korroch served as our Chief Operating Officer and Executive Vice President of Brand from January, 2020 through July, 2020. He joined WaterWalk in September 2019 serving as a brand consultant until January, 2020. He currently serves as President of Landmark Hotel Advisors, a position he has held since March, 2018 and is CEO and President of AG Holdings, LLC since March, 1999. The location of each position of employment of Mr. Korroch was and is Wichita, Kansas.

Director, Interim President and Chief Development Officer, James Anhut

Mr. Anhut has been our director since January 2022. Since September 2023 he is also our Interim President and Chief Development Officer. Since August 2019 he is the Director – Real Estate Investment Management Program at Michigan State University in East Lansing, Michigan. From May 2017 until July 2019 Mr. Anhut was a partner at The Passionality Group in Atlanta, Georgia.

Chief Executive Officer, Mary Rogers Oliver

Ms. Oliver has been our CEO since August, 2020. Before that, she served as Company President from June, 2019 through July, 2020. She previously served as our Executive Vice President between August, 2018 and May, 2019. She joined WaterWalk in October, 2016 as Director of Business Development. Each position of employment of Ms. Oliver was and is in Wichita, Kansas.

Chief Operating Officer & Chief Financial Officer, Jim Mrha

Mr. Mrha has been our COO and CFO since August, 2022. From May 2021 until December 2021 he was the Chief Financial Officer of Mint House, working out of Glenelg, Maryland. He was the Chief Financial Officer and Interim CEO of Domio from March 2020 to December 2020, in Glenelg, Maryland. Before that, he was Vice President, Finance Americas of Hilton Worldwide from November 2013 through December 2019 in Mclean, Virginia. He now works out of Glenelg, Maryland.

Executive Vice President, Jim Strawn

Mr. Strawn has been the Executive Vice President of WaterWalk RE Development Services LLC since June, 2017. Before joining WWREDS, he was President of Construction and Development of Value Place/WoodSpring Hotels from October, 2010 until May, 2017. The location of each position of employment of Mr. Strawn was and is Wichita, Kansas.

Vice President Franchise Development Sales, Greg Presley

Mr. Presley has been our Vice President Sales since May, 2023. Before that, from September 2017 through May 2023 he was Vice President Business development at Hotel Equities (which was acquired by Virtua Partners in 2020) in Nashville, Tennessee. Each of the positions was located in Franklin, Tennessee, where Mr. Presley maintains his office.

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Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

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Item 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

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Item 5

INITIAL FEES

We offer a Franchise Agreement for the right to develop and operate 1 Property in an agreed upon location.

The Initial Franchise Fee for the current typical WaterWalk Property prototype, which includes 126 units, is \$75,000 and is payable in full upon execution of the Franchise Agreement. If you are approved to develop a Property with more than the conventional number of units, you will be required to pay \$375 for each additional unit at the time of approval. The Initial Franchise Fee helps to cover the many costs of maintaining and developing the WaterWalk brand, including day-to-day business operations and general brand support. Once paid, the Initial Franchise Fee is non-refundable.

If you are a Franchisee of the applicable Protected Territory, there is no fee to review and evaluate your first Site Application for a proposed Property, but if your initial site is not approved you must submit an alternate Site Application within 60 days and pay a non-refundable application fee of up to \$5,000, set by us, in our sole discretion, and due at the time of submission.

On rare occasions, and in our sole discretion, we will permit existing or prospective franchisees to submit a proposed site for our evaluation before signing a Franchise Agreement. If WWFS does agree to make this exception, you must submit a completed Site Application along with a \$5,000 non-refundable Site Application Fee. If we approve the proposed site, the Site Application Fee is applied toward the Initial Franchise Fee.

If your Property is a conversion property, you will also be required to pay WWFS the higher of \$5,000 and the cost incurred by WWFS for doing a property improvement plan (“PIP”). The PIP is intended to determine what changes and improvements you will be required to make to your property before it can operate under the WaterWalk brand.

At our discretion, we may allow you up to 4 30-day extensions of the construction commencement date. The fee is \$5,000 for each extension and is payable to WWFS when you submit your request for approval of an extension. If we do not grant you the extension, the fee will be refunded to you.

Because we require strict adherence to the building specifications and standards set forth in the WaterWalk Prototype Design Documents as amended (the “Prototype”), each first time Franchisee and/or a previous non-compliant Franchisee must use our construction advisory services, whether your Property is a new build or a conversion Property. The fee for the construction advisory services is \$45,000, which includes up to 7 site visits. This fee is payable in installments. The initial payment of \$24,000 will be due and owing when construction documents are submitted to the city or county government for approval. Seven remaining payments of \$3,000 will be due and owing at the time of each site visit. If satisfactory completion of your Property does not require 7 site visits the balance of the \$45,000 fee will be due upon the accomplishment of the final milestone listed in Exhibit B to the Construction Services Agreement (Exhibit K). The installment payments are fully earned upon receipt and the installment payments made, and the construction advisory services fee itself, are non-refundable.

At our discretion, we may allow you up to 4 30-day extensions of the construction completion date. The fee is \$5,000 for each extension and is payable to WWFS when you submit your request for approval of an extension. If we do not grant you the extension, the fee will be refunded to you.

Our affiliate WWREDS seeks out potential building sites for Properties and may offer such sites for consideration to prospective franchisees. If you are interested in a site that is under contract by WWREDS, if any, WWREDS may assign the site to you. If WWREDS chose to assign a site to you, you

and WWREDS would execute the Assignment which is Exhibit M to the FDD. The estimated finder's fees you would owe to WWREDS range from \$25,000 to \$500,000, exclusive of expenses incurred by WWREDS which you must reimburse WWREDS for under the Assignment. The amount of expenses incurred by WWREDS will depend on how far along in the entitlement process the site is and the value of the land.

WWREDS also offers construction management services for both new build Properties and conversion Properties under the Development Agreement attached to the FDD as Exhibit O. The charge for the construction management services is the greater of \$150,000 and 3% of the total construction cost.

We reserve the right to require that you use our services in connection with pre-opening sales and pre-opening marketing. The non-refundable fee for these services is \$25,000 and you must pay the fee before opening and before we render the services. This fee does not include any third party expenses such as marketing fees and expenses or our expenses for travel of our sales and marketing staff.

At least one of your owners must complete our new franchisee orientation training before you open your Property. There is no fee for the first person who attends the training, but we charge a fee of \$2,500 for the training for each additional attendee. In addition, your general manager, director of sales and all Property associates must attend and successfully complete our certification training program, applicable to the position, before you open your Property for business. We charge a training fee of \$2,500 for each general manager and director of sales. You are responsible for all associated expenses for materials, travel, lodging, and meals.

All fees listed in this Item are paid as lump sum payments, except for the construction advisory services fee which is payable in installments at the accomplishment of the milestones listed in Exhibit B to the Construction Services Agreement (Exhibit K).

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Item 6

OTHER FEES

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Royalties	5% of calendar month Gross Revenues for all remaining months of the Term.	Payable no later than the 15th day of the next calendar month.	“Gross Revenues” shall mean revenues attributable to or derived from the operation of the Property, including for the use or occupancy of units at the Property, storage unit rental, optional add-on and ancillary services and products provided to customers, including barter and credit transactions (before commissions and discounts for credit cards), whether or not collected, proceeds from any business interruption insurance or other loss of income insurance applicable to loss of revenues due to the non-availability of units, and proceeds for guaranteed no-show revenue which is collected. “Gross Revenues” excludes sales taxes or any other taxes collected by you from customers for transmittal to appropriate taxing authorities.
Brand Development Fee	Currently 3.5% of Franchisee’s Gross Revenues at the Property. Max fee is 5% of Gross Revenues	Payable no later than the 15th day of the next calendar month	The Brand Development Fund may be used to pay, among other things, the costs of developing, implementing and maintaining technology (both Property operations technology and customer-facing technology), research and development of the System, research and development and preparation of national, regional, point of sale, and local direct sales advertising and marketing strategy materials for use within the System. In addition to the Brand Development Fee, we may also charge a fee on a project basis for brand development projects prepared or undertaken for use by the System. See also Items 8 and 11
National Sales Fee	Up to 3% of Franchisee’s Gross Revenues at the Property. This fee is not currently being charged.	Payable no later than the 15th day of the next calendar month	We may choose to charge a National Sales Fee of up to 3% of your Gross Revenues to cover costs associated with promoting sales of our Stay component.

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Replacement Site Application Fee	Up to \$5,000	Payable upon request for replacement	If a previously approved location for a Property is not acquired by you, or otherwise becomes redundant, you may submit one replacement site application for the Property. We may approve or disapprove the alternative location in our discretion.
Construction Commencement Extension Fee	\$5,000	Payable upon request for extension	At our discretion, we may grant you up to 4 30-day extensions of the construction commencement date for \$5,000 each.
Construction Completion Extension Fee	\$5,000	Payable before the expiration of the deadline for completing construction of the Property	At our discretion, we may grant you up to 4 30-day extensions of the completion date for \$5,000 each.
Lease Processing Fee	A reasonable fee to off-set our expenses. Currently there is no fee for this service.	Per terms of invoice.	Leasing of your “Live” component is managed by us. We don’t currently charge a fee for this service, but may do so in the future. As of the FDD issuance date we are charging a fee of \$25/application. This fee is only charged in certain test markets in North Carolina and Texas. The fee is intended to off-set the cost for the related background checks that we run when processing the lease application.
IAWO Dues and Assessments ²	Amounts authorized by the membership of IAWO. Currently there is not fee.	As specified by IAWO	All Franchisees shall be members of the International Association of WaterWalk Owners (“IAWO”) See also Item 11. If a fee is charged, it is expected to be a reasonable amount intended to off-set the expenses of IAWO.
Training	General Manager and Director of Sales Certification Training (Replacement GM and DOS), currently \$2,500/person.	Per terms of invoice and before attendance at applicable training session or conference.	<p>You must pay us for any replacement General Manager’s and Director of Sales’ certification training.</p> <p>You must pay us for any other required or optional training we may provide for you or any of your other employees. In addition to training costs, you must pay for all related travel, lodging and food expenses. See also Item 11.</p> <p>We have the right to adjust the training fee for inflation, or otherwise to ensure</p>

Column 1 Type of Fee¹	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
			that the fee covers our expenses in connection with the training
Alternative Approved Vendor Approval	\$2,500 (or actual costs, if higher)	Per terms of invoice	You may request that we approve an alternative source for a product or service. You must make a written request for approval, submit all applicable information, specifications and samples upon request, and reimburse us for all costs of review and testing of the alternative product.
Product or Service Variance Request	\$2,500 or actual cost, if higher	\$2,500 upon variance request, any additional cost per terms of invoice	If you want to replace a product (including building materials) or service that we require you to use with a substitute product or service you must first submit a written request to us. We will then submit the product or service to the testing we deem appropriate to determine its compatibility. The fee to submit your variance request is \$500. You or the vendor will also reimburse us for any additional costs that we incur in evaluating and testing the alternative product or service. We reserve the right to approve or disapprove alternative products and services in our sole discretion.
Quality Assurance and Safety Review Upon Property Management Company (“PMC”) Change	\$2,500 or then current fee	Upon notification of PMC change	If you change your PMC, we will perform a review of your property’s cleanliness, condition, and safety and the need for any improvement. The review is performed to facilitate management company transition and to establish a Quality Assurance and Safety Review baseline for future inspections.
Quality Assurance/Safety/Non-Compliance Review Fee	\$4,000 or the then-current Quality Assurance/Safety/Non-Compliance Review Fee	Within 15 days of receipt of invoice	If your property fails any quality assurance/safety/non-compliance reviews or fails to meet brand standards, you will be charged a Quality Assurance/Safety/Non-Compliance Review Fee for each follow-up evaluation. You must also pay the expenses of the representative(s). If you fail inspections more than twice in any 12 month period, we have the right to increase the fee by \$1,000 for each additional inspection we conduct and/or terminate your Franchise Agreement.

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Property Improvement Review Fee	\$5,000, or then current fee	Payable upon request for review	A Property Improvement Review (“PIR”) may be elected by you or required by us for properties that have sustained evident and substantial wear and tear. During the PIR process, areas and items no longer meeting brand standards are identified, as well as items that need repair or cleaning to “like new condition,” or replacement.
Administrative Fees	\$25 - \$200 per hour	Per terms of invoice	Fees charged you by us for time spent by our staff on your behalf in conducting research, assisting with loan closings, negotiation of comfort letters or third party agreements, drafting documents, reproduction/copies of documents, and other project based tasks performed for your benefit.
Comfort Letter Fee	\$0-\$500, plus legal expenses	\$500 payable upon request for comfort letter. Legal expenses payable per terms of invoice	If you obtain financing for your property and your lender requires us to enter into a comfort letter with it we will charge you a fee. The fee for the first comfort letter for a site which is on our standard form of comfort letter (Exhibit L) without negotiated changes is \$0 for a standard 5 business day turnaround and \$150 for a 2 business day turnaround. For additional comfort letters for the same site without negotiated changes is \$100 for a standard 5 business day turnaround and \$250 for a 2 business day turnaround. If the lender requires us to negotiate a comfort letter we charge a \$500 fee and also have the right to charge you all legal expenses we incur.
Audit Expenses	Costs of audit, including travel, lodging, and fees or wages or personnel of WWFS or third parties required to conduct the audit, which we estimate to be between \$4,000-\$10,000.	Upon demand	Payable if audit shows an understatement of at least 2% of reported Gross Revenues for any calendar month. Also payable if you fail to file required financial reports.
Property Expansion Fee	Amount equal to the then-current Initial Franchise Fee per unit to be added to the Property	Upon submission of your request for our approval of the expansion	You may not expand the number of units/rooms in the Property without first receiving our written consent.

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Public Offering Fee	Reimbursement of our costs, but not less than \$25,000	As incurred	You must cover our costs and expenses associated with reviewing your proposed public offering, including attorneys' fees, but the minimum fee is \$25,000. We may at our discretion refund any unused portion of this fee.
Private Offering Fee	Reimbursement of our costs, but not less than \$10,000	As incurred	You must cover our costs and expenses associated with reviewing your proposed private offering, including attorneys' fees, but the minimum fee is \$10,000. We may, at our discretion, refund any unused portion of this fee.
Late Charge	The lesser of 1.5% per month or the maximum rate allowed by law	Upon demand	Payable on overdue amounts owed to us. The late charge begins from the date of the underpayment.
Insurance Procurement Fee	Will vary under the circumstances	As incurred	If you do not maintain the required insurance coverage for the Property, we may obtain the insurance at your cost and expense. You will also be required to pay us a reasonable fee for our expenses in obtaining the insurance.
Legal actions against you	Will vary under the circumstances	As incurred	You will reimburse us for costs and fees that we incur with regard to legal actions against you, your affiliates, your owners and management, and your affiliates' owners and management, if we are required to participate in that action, for example by responding to discovery request or by making an appearance as a witness or otherwise. See "Indemnification" below for a description of your obligation to reimburse us for fees and expenses incurred if any action is brought against us with regard to the Franchise Agreement, the Property and related matters.
Indemnification	Will vary under the circumstances	As incurred	You must reimburse us for claims from the construction and operation of the Property, any occurrence at your Property, any environmental matters at the Property site, your breach of any terms of the Franchise Agreement or any offering of your securities and expenses that we incur to protect ourselves from and to remedy any breach of the Franchise Agreement by you.

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Liquidated Damages	Will vary under the circumstances	Upon termination of the Franchise Agreement if we terminate your Franchise Agreement after your default	Amount due equals the greater of (i) the sum of all royalty fees, marketing and advertising fees, technology, intranet and pro-rata fees for the 36 calendar months of operation at the Property preceding your default, or if less than 36 full months of operation, for the period of time your Property has operated projected over a 36 month basis, or (ii) \$2,000 per unit.
Condemnation	At least 1 year's Royalty Fees and Marketing Fees	As incurred	If your Property is condemned, you must notify us within 10 days of receipt. We are entitled to Royalty Fees and Marketing Fees while your Property is open, or for 1 year from the date you notify us of the condemnation, whichever is longer. If your Property is closed within a year from the date you notify us of the condemnation, you must pay us royalty fees, marketing, advertising, technology, web, intranet and pro-rata fees for the balance of the 1-year period based on the average monthly fees from the trailing 12 months.
Transfer Fee (Franchise Agreement)	Full Initial Franchise Fee	Before consummation of Transfer	Payable when you transfer an interest in the Franchise Agreement or when a controlling interest in you is transferred. Some exceptions apply, for example if you are an individual and transfer the Franchise Agreement to a wholly-owned entity. All transfers are subject to the additional conditions specified in the Franchise Agreement. ³
Property Inspection Fee	\$10,000	Before consummation of Transfer or within 30 days of notice, whichever is earlier	Payable if we inspect the Property to determine the need for upgrades and modifications to the Property with regard to the transfer of a controlling interest in you. The review process is the same as for a Property Improvement Review.
Tax Gross-Up Fee	As incurred	As incurred	If we must pay any state or local sales, use, gross receipts, or similar tax on payments which you make to us under the Franchise Agreement you will have to reimburse us for that cost. It does not matter whether we have to pay the taxes directly, if you have to withhold them, or if you have to collect them from us.

Column 1	Column 2	Column 3	Column 4
Type of Fee¹	Amount	Due Date	Remarks
Proprietary Property Management System Fee	Currently none, up to your equitable pro rata share of the development and maintenance cost.	As incurred; monthly if charged in the form of a license fee.	We may make available to you a proprietary property management system that you may have to use for your WaterWalk Property. If we develop such a system you will be required to either reimburse us your equitable pro rata share of our cost of developing and maintaining such software, purchase such system, or pay such a fee as we may decide to charge for its use.

Notes:

1. We may require that any fee described in this Item or required to be paid under the Franchise Agreement be paid by wire transfer, electronic fund transfer, or by an ACH (Automated Clearing House) deduction or direct withdrawal from your bank account.

Except for payments (i) to IAWO and to the Marketing, Advertising and Direct Sales Fund, and (ii) of taxes that you may be required to pay directly to a government entity or withhold, and (iii) the Property Management Fee payable to your Property manager, all fees and charges are imposed by and are collected and payable to us. All fees are nonrefundable. The fees are uniformly imposed. If you fail multiple Quality Assurance/Safety Non-Compliance Reviews, we have the right to remove the failed property from the marketing and registration channels that are generally available to all WaterWalk Properties. This includes reservation websites, reservation telephone numbers, national accounts marketing and other similar channels. Because the fees we charge for access to these marketing and registration channels are generally set to cover our cost of the channels and we charge franchisees on a pro rata basis, you will continue to be required to pay such fees, even though you would not have access to the channels.

2. Each open property will have one vote in IAWO. If at any point there are more company owned WaterWalk Properties than franchised WaterWalk Properties, we will have controlling voting power over IAWO. There are no minimum or maximum IAWO dues and assessments.

3. No transfer fee is payable if: (1) You transfer the interest to us or to an entity formed by you for the convenience of ownership and not involving a change of beneficial ownership if the transfer satisfies the conditions specified in the Franchise Agreement; or (2) The transfer is to and from estates of a decedent if the transfer satisfies the conditions specified in the Franchise Agreement. Any other transfer may require the filing of a new application and payment of an application fee and Transfer Fee.

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Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

New Build Property

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (1)	\$75,000	(Note 1)	(Note 1)	WWFS
Real Estate (2)	(Note 2)	(Note2)	(Note2)	(Note2)
Construction Costs and Construction Consultation/ Advisory Services (3)	\$14,000,000- \$19,000,000	As Arranged	Before Opening	Contractors and WWFS
Furniture, Fixtures, and Equipment (FF&E). Includes inventory & systems required to begin operation (4)	\$1,300,000- \$1,700,000	As Arranged	Before Opening	Vendors
Design cost (5)	\$250,000- \$375,000	As per vendor terms	Before Opening	Vendor
Soft Costs and Financing Costs (6)	\$1,300,000- \$2,000,000	As per vendor terms	Before Opening	Vendor
Insurance (7)	\$20,000- \$40,000	As per vendor terms	Before Opening	Vendor
Training, Travel and Living Expenses While Training (8)	\$40,000- \$75,000	As Incurred	Before Opening	WWFS and Airlines, Hotels, and Restaurants
Signage (9)	\$75,000- \$110,000	As Incurred	Before Opening	To Vendors
Professional Fees (10)	\$5,000 - \$40,000	As Incurred	Before Opening	To Vendors
Contingency funds (11)	\$500,000 - \$800,000	As Incurred	Before Opening	To Vendors
Additional Funds – 6 month period (12)	\$150,000 - \$200,000	As Arranged	As incurred	Employees, Suppliers and Utilities
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$17,715,000 - \$24,415,000	(These totals do not include real estate costs)		

Notes for the above chart are found after the Conversion Property initial investment chart.

Conversion Property

Column 1	Column 2	Column 3	Column 4	Column 5
Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (1)	\$75,000	(Note 1)	(Note 1)	WWFS
Real Estate (2)	(Note 2)	(Note2)	(Note2)	(Note2)
Construction Costs and Construction Consultation/ Advisory Services (3)	\$380,000 - \$6,080,000	As Arranged	Before Opening	Contractors and WWFS
Furniture, Fixtures, and Equipment (FF&E). Includes inventory & systems required to begin operation (4)	\$126,000 – \$1,764,000	As Arranged	Before Opening	Vendors
Design cost (5)	\$50,000 - \$250,000	As per vendor terms	Before Opening	Vendor
Soft Costs and Financing Costs (6)	\$1,300,000-\$2,000,000	As per vendor terms	Before Opening	Vendor
Insurance (7)	\$20,000-\$40,000	As per vendor terms	Before Opening	Vendor
Training, Travel and Living Expenses While Training (8)	\$40,000-\$75,000	As Incurred	Before Opening	WWFS and Airlines, Hotels, and Restaurants
Signage (9)	\$75,000-\$110,000	As Incurred	Before Opening	To Vendors
Professional Fees (10)	\$5,000 - \$40,000	As Incurred	Before Opening	To Vendors
Contingency funds (11)	\$500,000 - \$800,000	As Incurred	Before Opening	To Vendors
Additional Funds – 6 month period (12)	\$150,000 - \$200,000	As Arranged	As incurred	Employees, Suppliers and Utilities
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$2,721,000 – 11,434,000	(These totals do not include real estate costs)		

Notes:

1. Initial Franchise Fee. Before you sign a Franchise Agreement you must submit an Agreement Application for the specific site or specific area where you want to open a WaterWalk Property and pay an Application Fee of \$5,000. If the Agreement Application is approved for at least one of the sites or specific areas you applied for and you sign a Franchise Agreement for that site or a site in the specific area within 60 days of the Agreement Application approval date the Application Fee will be applied towards the initial fee due under the agreement. The remainder of the Initial Franchise Fee will be due on signing the Franchise Agreement. If your Agreement Application is rejected, or if you and we don't sign a

Franchise Agreement within 60 days of approval, the Application Fee will be refunded in full. Your minimum initial fee will be \$75,000 and it is non-refundable. If you are approved to develop a Property with more than 126 units, your Initial Franchise Fee will be increased by \$375 for each additional unit. If the initial site is not approved or you do not acquire the site, you may submit a second Site Application for a different site. You must pay a non-refundable application fee of up to \$5,000 with the submission of the second site application to cover the costs and expenses associated with the review of a second site, including travel to the proposed site.

2. Real Estate. We do not estimate the cost of real estate because of the wide variation among geographical areas and different sites. Your land acquisition costs will vary depending upon a multitude of factors including whether the property is purchased or leased, the size and location of the property, the availability of financing on commercially reasonable terms and market conditions affecting commercial property. Our Property prototype plan generally requires a minimum of 2 acres. According to our Property prototype plan, the square footage is 78,300 sq. ft.

For conversion properties we do not expect you to incur any additional real estate cost.

3. Construction. You must use a commercially licensed general contractor to build your Property. Building construction costs vary greatly from state-to-state and region-to-region depending upon material, labor costs, and other variables. In some urban areas the cost may be even higher than estimated in this Item. Construction costs may also vary depending upon soil and environmental conditions, availability of utilities to the site, and the topography of the site. The estimate does not include optional items such as a wading pool, swimming pool, self-storage units, garages, carports, showers, upgrades to kitchen countertops and appliances, and does not take into account inflation due to natural disasters or other factors, or special local requirements such as earthquake requirements or impact fees. Each first time Franchisee and/or a previous non-compliant Franchisee must use our construction advisory services to begin construction. The fee for the construction advisory services is \$45,000, which includes up to 7 visits. This fee is payable in installments. The initial payment of \$24,000 will be due and owing when construction documents are submitted to the city or county government for approval. Seven remaining payments of \$3,000 will be due and owing at the time of each site visit. If satisfactory completion of your Property does not require 7 site visits the balance of the \$45,000 fee will be due upon the accomplishment of the final milestone listed in Exhibit B to the Construction Services Agreement (Exhibit K). The installment payments are fully earned upon receipt and the installment payments made, and the construction advisory services fee itself are non-refundable. You may also have to pay for certain expenses we incur in connection with the construction advisory services we perform for you. Whether the fees you pay for construction are non-refundable will depend on your agreement with your contractor, but the fee payable to us for the construction advisory services is not refundable.

You may take an assignment of a building site for your Property from our affiliate WWREDS, if WWREDS has one or more building sites available and you choose to accept assignment of one of those building sites. The estimated finder's fee ranges from \$25,000 to \$500,000 and the reimbursable expenses payable to WWREDS depend on how far along in the entitlement process the site is. You may also choose to retain WWREDS to manage the property acquisition and construction process for you. If you use WWREDS as your construction manager, the fee under the Development Agreement you will enter with WWREDS will be the higher of \$150,000 and 3% of the total construction cost. You may use third party contractors, vendors or others to assist and/or advise you in acquiring the building site and construction.

For conversion properties, we estimate the construction costs to be between \$5,000 and \$80,000 per room. The estimate is based on a 126 room property. The estimate includes the fee charged for the mandatory property improvement plan that all conversion properties must undergo.

4. Furniture, Fixtures and Equipment. This amount includes room furnishings, inventory and accessories, interior/directional signage, security equipment, office equipment and computers, property management system software, telephone system, network infrastructure equipment, and a video surveillance system. It includes furnishings for 76 units in your Property. The fees for furniture, fixtures and equipment may be non-refundable, depending on your agreements with the vendors.

For conversion properties, we estimate the FF&E costs to be between \$1,000 and \$14,000 per room. The estimate is based on a 76 furnished rooms at your Property.

5. Design Cost. You will need to use a certified licensed architect, civil engineer, surveyor and other professional services needed to design and build a WaterWalk Property. Whether the fees you pay to such professionals are non-refundable will depend on your agreements with them.

6. Soft Costs and Financing Costs. These costs include construction-related costs not included in the general contractor's typical scope of services, legal fees, environmental reports, ALTA survey, working capital, pre-opening management fees, pre-opening salaries, pre-opening travel, pre-opening sales and marketing, , and estimated financing fees and construction interest costs, which will vary based on loan amount and terms. Any prepaid marketing fees or pre-opening fees payable to us and your Property management firm are not refundable.

7. Insurance. This number represents 25%-50% of an estimated annual cost for property, general liability and umbrella insurance. Insurance requirements are subject to change periodically and the current requirements are available upon request. Your actual insurance cost will vary widely based on many factors, including the location of your Property (for example, depending on if it is in an area prone to national disaster) and the number of Properties operated by you. All policies of insurance (a) shall be specifically endorsed to provide that the coverages will be primary and non-contributory to insurance carried by any additional insured, and (b) shall contain a waiver of any rights of subrogation against the Indemnitees. In addition, the Commercial General Liability, Business Automobile Liability, and Excess or Umbrella Liability insurance must name as additional insured the parties described in the Franchise Agreement. Currently, we require you to carry commercial property insurance on your Property, all boilers, machinery, improvements and betterments in, on and to the Property. The coverage shall be provided on a "special cause of loss" form and must be in an amount not less than the full replacement cost of the Property. The coverage must include electronic and data processing, equipment breakdown, business income/extra expense coverage, terrorism, and, if applicable earthquake and flood coverage insurance. You must also carry commercial general liability insurance on the most recent ISO CG 00 01 occurrence form with minimum limits of \$1,000,000 per occurrence for bodily injury and property damage, \$1,000,000 per occurrence for personal and advertising injury, and \$2,000,000 for products-completed operations aggregate. Excess or umbrella liability insurance is required in amounts at least \$10,000,000 each occurrence with an aggregate of \$10,000,000. Environmental liability insurance is required with minimum limits of \$5,000,000 per occurrence and \$5,000,000 aggregate. You are also required to procure a cyber liability policy that provides the following coverages: Data & Network Liability Coverage, which covers liabilities resulting from a data breach, network security breach or violation of a privacy policy; Regulatory Defense & Penalty Coverage which covers costs and civil penalties resulting from proceedings or inquiries initiated by a governmental entity; Payment Card Liability & Costs Coverage, which covers amounts owed under a merchant service agreement to financial institutions, card brands or card processors following a data breach; Media Liability Coverage, which covers claims of libel, slander, defamation and infringement of copyright from your media content, including content on your website; Legal & Forensic Expense Coverage; and Breach Notification/Response Coverage, which covers expenses associated with notifying impacted customers following a breach and providing credit monitoring for impacted customers. Each of the six types of coverage included in your cyber liability policy must have a policy limit of at least

\$1,000,000. You (or your management company, if applicable) must also carry business auto liability for combined single limits of bodily injury and property damage of at least \$1,000,000 each occurrence, workers' compensation insurance with statutory limits and employers liability limits of \$1,000,000 each accident, \$1,000,000 disease each employee, and \$1,000,000 disease policy limit. During the construction of the Property (and other significant construction at the Property) you must maintain, Builders Risk Insurance coverage or cause the contractor to carry this coverage of the work to be constructed, installed, altered or repaired. You must also inform the contractor of the requirements under the Franchise Agreement for commercial general liability insurance, business automobile insurance, workers' compensation and employer's liability insurance, and excess or umbrella liability insurance. Whether the fees you pay for insurance are non-refundable will depend on your agreement with your insurance company, but usually fees are non-refundable. Proof of all required insurance coverages shall be provided to WWFS as reasonably requested.

8. Training, Travel and Living Expenses While Training. There are different types of training that needs to be completed before your Property opens for business: the new franchisee training, the general manager, the director of sales training, and associates training. We currently charge \$2,500 per general manager and director of sales for the training, though we have the right to adjust the fee for inflation, or otherwise to ensure that the training fee covers our expenses in connection with the training. You must pay for all travel, lodging, meals, materials and your employee salaries while attending the training, which is not included in this line item but is included in the "Additional Funds" line item below. The expenses you incur in relation to training will depend on the distance you and your employees must travel and the type of accommodations you choose. Whether the expenses you pay are refundable will depend on your agreements with the vendors and providers. The initial training fees payable to us is non-refundable.

9. Signage. The cost for actual property signage will vary depending upon building location and local codes as well as other factors, including the number of signs, their size and locations, and regional differences in installation costs. Whether fees payable for signage are non-refundable will depend on your agreement with your vendors.

10. Professional Fees. This amount represents fees for professional services, such as those provided by accountants or lawyers, for services related to setting up the franchisee entity and other legal and accounting services related to your initial investment. The fees may vary significantly, depending on your organizational structure and whether you use in-house lawyers and other in-house staff to provide these services.

11. Contingency Funds. The contingency funds are intended to cover unexpected costs that may arise in connection with construction. Whether these costs are refundable depends on your agreement with your vendors.

12. Additional Funds. This amount represents an estimate, based on our experience, of the funds needed to cover initial employee wages, fringe benefits, utility deposits, uniforms, recruitment, on-site training expense, property management fees, and other variable costs (e.g., electricity, telephone, heat, etc.), paper, cleaning, and other supplies. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on various factors, including: how carefully you follow our methods and procedures for operation of the Property; your management skill, experience, and business acumen; local economic conditions; your location; the local market for Property accommodations; competition; the prevailing wage rate; and the sales level reached during the initial period. Whether additional fees and expenses are non-refundable will depend on your agreements with your vendors and suppliers.

13. Total Estimated Initial Investment. This total estimated initial investment does not include any real estate costs. You should review these figures carefully with a business advisor before entering into

a Franchise Agreement with us. The range is neither a floor on the minimum, nor a cap on the maximum you could spend and your expenditures could vary. Construction costs and other initial investment expenses may vary significantly depending on your location and your corporate structure. For example, building in a large city will typically be more expensive than building in a smaller one. Likewise, if the franchisee is an entity with a complex ownership structure the legal expenses for setting up the ownership structure may be high. Neither we, nor our affiliates offer direct or indirect financing to franchisees for any items. The estimate does not include all finance charges, and additional interest or debt service obligations.

The information in this Item is based on our experience developing WaterWalk Properties in Wichita, Kansas, Overland Park, Kansas, Raleigh, North Carolina and Charlotte, North Carolina and our franchisees' experience in developing the franchised locations that are already opened and under development. Our team also has many years of experience in entitlement and construction of apartment and corporate housing properties.

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Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as listed below, neither we, nor any of our affiliates, currently obligate you to purchase or lease from us any goods, services, supplies, FF&E, inventory, computer hardware or software.

We may require you to purchase proprietary software for accounting and reservations systems and may designate third-party approved vendors to supply products or services as we believe appropriate to assure communications compatibility or other benefits for the System. Currently, you must purchase SkyTouch Hotel OS, Shift4, Travel Click – iHotelier and APPFolio which is the property management and reservation software system. Neither we, nor our affiliates are an approved vendor of this software. We also require that you use specific vendors for TV and wireless service, and computer support.

Each first time Franchisee and/or a previously non-compliant Franchisee must use our construction advisory services. The non-refundable fee for the construction advisory services is \$45,000, which includes up to 7 site visits. Providing construction advisory services is a source of revenue for us, but the profit derived is expected to be marginal. You must comply with our standards and requirements concerning the quality of all goods, services, fixtures, furniture, furnishings, equipment, supplies, signage, employee uniforms, computer hardware and software, sales and marketing materials, items using our logo or brand and other items (“FF&E items”). We require all FF&E items be purchased from exclusive approved vendors. Standards and requirements are published in the Manual, in policy and procedure statements, in WaterWalk Property prototype designs and specifications, or otherwise communicated to franchisees in printed, machine readable, via intranet, electronic or any form we choose. The standards and specifications, including the Manual, may be modified at our discretion. We will also distribute modifications to standards and specifications to you in any form we choose, including printed, machine-readable, via intranet, or electronic. Neither WWFS, nor our affiliates are approved suppliers or the only approved supplier for any products.

You must obtain our approval to purchase any alternative products or services, including FF&E and building materials used in the construction of your Property, by submitting a written request to us with all applicable information, specifications or samples we may require. The required fee of \$2,500 per product or service is payable to us at the time you submit the request for approval for the product or service. If the cost to review the alternative product or service exceeds \$2,500, you will have to reimburse us for the additional cost. Within a reasonable time (our goal is 30 days or less), we will notify you whether the alternative product or service is approved. For construction, signage and FF&E purposes, certification that alternative products meet our standards may be required. We do not provide our franchisees with the criteria for approving suppliers. If we revoke the approval of an alternative supplier, product, or service, you will be notified of the revocation in a manner we deem appropriate. We do not issue particular specifications and standards to Franchisees for approving alternative suppliers, products or services. Applications for approval are reviewed on a case by case basis.

We require that your Property be managed by a property management company approved by us. Upon request, we will provide a list of approved property management companies. The criteria for approving an alternative property management company are listed in Section 5.11 of the Franchise Agreement. There is no fee charged for the review of a proposed property management company and there is no special procedure involved. There is no time limit within which we have to approve or disapprove your request, but we will strive to do so in a timely fashion. Your property management company will have to comply with the terms of the Franchise Agreement and the mandatory provisions in the Manual.

No officer of WWFS owns an interest in any supplier.

Currently, we require you to carry commercial property insurance on your Property, all boilers, machinery, improvements and betterments in, on and to the Property. The coverage shall be provided on a “special cause of loss” form and must be in an amount not less than the full replacement cost of the Property. The coverage must include electronic and data processing, equipment breakdown, business income/extra expense coverage, and, if applicable earthquake and flood coverage insurance. You must also carry commercial general liability insurance on the most recent ISO CG 00 01 occurrence form or equivalent with limits of \$1,000,000 per occurrence for bodily injury and property damage and \$1,000,000 per occurrence for personal and advertising injury and \$2,000,000 for products-completed operations aggregate. Umbrella or Excess liability is required which provides excess coverage over the underlying CGL policy with minimum amounts of \$10,000,000 per occurrence and \$10,000,000 general aggregate. Environmental liability insurance is required with minimum limits of \$5,000,000 per occurrence and \$5,000,000 aggregate. You are also required to procure a cyber liability policy that provides the following coverages: Data & Network Liability Coverage, which covers liabilities resulting from a data breach, network security breach or violation of a privacy policy; Regulatory Defense & Penalty Coverage which covers costs and civil penalties resulting from proceedings or inquiries initiated by a governmental entity; Payment Card Liability & Costs Coverage, which covers amounts owed under a merchant service agreement to financial institutions, card brands or card processors following a data breach; Media Liability Coverage, which covers claims of libel, slander, defamation and infringement of copyright from your media content, including content on your website; Legal & Forensic Expense Coverage; and Breach Notification/Response Coverage, which covers expenses associated with notifying impacted customers following a breach and providing credit monitoring for impacted customers. Each of the six types of coverage included in your cyber liability policy must have a policy limit of at least \$1,000,000. You (or your management company, if applicable) must also carry business auto liability insurance with a minimum combined single limit of \$1,000,000 per accident for bodily injury and property damage; worker’s compensation insurance with statutory limits and employers’ liability limits of \$1,000,000 each accident, \$1,000,000 disease each employee, and \$1,000,000 disease policy limit. During the construction of the Property (and other significant construction at the Property) you must maintain Builders Risk Insurance coverage or cause the contractor to carry this coverage of the work to be constructed, installed, altered or repaired. You must also flow down to the contractor the requirements under the Franchise Agreement for commercial general liability insurance, business automobile insurance, workers’ compensation and employer’s liability insurance, and excess or umbrella liability insurance.

We have not and do not expect to derive any material revenue or other consideration as a result of required purchases by franchisees, although we may benefit, along with franchisees, from discounts as a result of negotiating group purchasing arrangements. We do not guarantee any material benefits to franchisees based on their use of designated or approved sources of supplies. Our policy is to pass through rebates or payments received from suppliers for the benefit of the franchisees’ Properties. If we receive rebate checks from our vendors, we will forward checks to the Franchisee whose purchases the rebate is for. We also intend to raise money from sponsors to defray the Franchisees’ participation fees for participation in our Franchisee conventions. If the sponsorship revenue exceeds the participation fee in those conventions, we will use the remainder to defray the Franchisees’ cost of participating in additional training organized by us.

In 2022 our total revenue was \$1,110,333, of which \$0 was from franchisee required purchases and leases in the 2022 calendar year. None of our affiliates derived any revenue in 2022 from from franchisee required purchases and leases.

We estimate that your required purchases and leases of goods and services from us, our designees, approved suppliers and under our specifications will account for 90% to 100% of all purchases and leases you will make in establishing and operating the Franchised Business.

Currently, we do not have any purchasing or distribution cooperatives, but we do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees, when possible. Your purchase of any particular services or products from a particular supplier will not give you material benefits from us.

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Item 9

FRANCHISEE’S OBLIGATIONS

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

Obligation¹		Section in agreement	Disclosure document item
a.	Site selection and acquisition/ Lease	Articles 2.2, 2.4, 5.1, 5.2 and 5.3 of Franchise Agreement	Items 5, 6, 7 and 11
b.	Pre-opening purchases/leases	Articles 5.2, 5.3, 5.5 and 8.1 of Franchise Agreement	Items 7 and 8
c.	Site development and other pre-opening requirements	Articles 5.1, 5.2, 5.3, 5.4, 5.5, 5.11, 7.1 and 7.2 of Franchise Agreement, Section 2 of the Development Agreement.	Items 5, 6, 7 and 11
d.	Initial and ongoing training	Articles 5.11 and 7.2, 7.3, 7.4, 7.5 of Franchise Agreement	Items 6, 7, 11 and 15
e.	Opening	Article 5.11 of Franchise Agreement	Items 7 and 11
f.	Fees	Articles 2.4, 4.1, 4.2, 5.3, 5.5, 7.3, 7.24, 7.25, 8.1, 8.3, 8.5, 10.2, 12.5, 13.8, 13.10, 15.11, 15.12 and 19.7 of Franchise Agreement, Article 2 of the Construction Services Agreement, Article 2 of the Assignment, and Sections 3, 5, and 6 of the Development Agreement..	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/ Operating manual	Articles 5.5, 5.11, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 8.1 and 8.2 of Franchise Agreement	Items 8, 11 and 16
h.	Trademarks and proprietary information ²	Articles 2.5, 11.1, 11.2, 11.3, 11.4, 11.7, 11.8, 11.9, 11.10, 15.3, 15.5, 15.6, 15.7, and 15.8 of Franchise Agreement; Articles 1 and 2 of Confidentiality Agreement and Article 2 of Covenant Agreement ³	Items 13, 14 and 15
i.	Restrictions on products/ services offered	Articles 7.6, 7.7, 8.1, and 8.2 of Franchise Agreement	Item 16
j.	Warranty and customer service requirements	None	
k.	Territorial development and sales quota	None	
l.	Ongoing product/service purchases	Articles 7.7 and 8.1 of Franchise Agreement	Item 8
m.	Maintenance, appearance, and remodeling requirements	Article 7.10 of Franchise Agreement	Items 8 and 11
n.	Insurance ⁴	Articles 12.1, 12.2, 12.3, 12.4 and 12.5 of Franchise Agreement	Items 6, 7 and 11
o.	Advertising	Articles 5.8, 8.7, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6 and 15.6 of Franchise Agreement	Items 6, 7, 8 and 11
p.	Indemnification	Article 12.6 of Franchise Agreement	Item 6
q.	Owner’s participation/ management/ staffing	Articles 7.2, and 5.10 of Franchise Agreement	Items 11 and 15

Obligation ¹		Section in agreement	Disclosure document item
r.	Records and reports	Articles 7.12, 10.1, 10.2, 10.3 10.4, 10.5, 12.3, and 15.12 of Franchise Agreement	Items 6 and 11
s.	Inspections and audits	Articles 8.3 and 10.4 of Franchise Agreement	Items 6 and 11
t.	Transfer	Articles 13.1, 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9, 13.10 and 13.11 of Franchise Agreement, and Section 18 of the Terms of Conditions to the Development Agreement.	Items 6, 15 and 17
u.	Renewal	None	
v.	Post-termination obligations ²	Articles 11.2, 11.4, 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 15.10, 15.11, 15.12, 15.13 and 15.14 of Franchise Agreement and Article 2 of Covenant Agreement ³	Items 6, 11, 14 and 17
w.	Non-competition covenants	Articles 7.8, 11.10 and 14.3 of Franchise Agreement and Section 2 of Covenant Agreement ³	Item 17
x.	Dispute resolution	Articles 12.6, 19.1, 19.2, 19.3, 19.4, 19.5, 19.6, 19.7 and 19.8 of Franchise Agreement; Section 4 of Covenant Agreement; Article 8 of the Assignment; and Section 22 of the Terms of Conditions to the Development Agreement..	Item 17

Notes:

1. Your principals must guarantee all of your obligations in the Franchise Agreement. We require that individuals guarantee your obligations, so if your principals are entities, your indirect owners who are individuals will have to guarantee your obligations. A copy of the Guaranty is attached to the Franchise Agreement, which is Exhibit C of the Franchise Disclosure Document.

2. All of your partners, principals, officers, directors, managers and members are also required to honor all of your obligations in Article 11 of the Franchise Agreement.

3. Upon our request, you must have your officers, directors, partners, members, managers, principals and general managers sign a Covenant Agreement in the form attached to this franchise disclosure document as Exhibit E and a Guaranty in the form attached as an exhibit to Franchise Agreement (Exhibit C of this franchise disclosure document).

4. The insurance requirements are listed in the Manual, and may be amended periodically.

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Item 10

FINANCING

Neither WWFS, nor its affiliates, offer direct or indirect financing. Neither WWFS, nor its affiliates, guarantee your notes, lease or obligations.

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Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Site Selection

For a new build Property, within 60 days of the date of the Franchise Agreement you must submit to us, in the form we specify, a Site Application together with market feasibility information for the site and other information and materials as we may reasonably require, together with evidence satisfactory to us which confirms your favorable prospects for obtaining the site. In order for a site to be considered it must be owned by you or under contract by you for purchase or lease. All sites must be approved by us. We will have 60 days after this required information is received from you to approve or disapprove, at our sole discretion, the site as the location for the Property. The factors we consider in approving or disapproving a proposed site include, without limitation, the general location, available parking, physical characteristics of existing buildings, competing businesses, traffic count, population growth, apartment rental prices, surrounding lodging performance, traffic visibility, lease terms, and proximity to major employers, services, and other commercial activities in the area. Our approval of the site does not in any way guarantee that the site will become a profitable Property. After a site is approved, we will enter into a Franchise Agreement with you, or enter into an addendum to your existing Franchise Agreement if it was previously entered into for a site to be determined, to memorialize the approval of the site. You must return the signed Franchise Agreement or Addendum within the time specified by WWFS.

If your initial site is not approved, you may submit another Site Application together with a non-refundable fee of up to \$5,000 to compensate for our administrative time, costs, and expenses.

If an approved site is not acquired by you, you must notify WWFS immediately. At our discretion, you may have 60 days to submit a new Site Application for a replacement site along with a site application fee of up to \$5,000.

Pre-Opening Obligations

Before you open your business, we will:

1. Grant you rights to establish one Property at a specific site. (Franchise Agreement – Article 2.)
2. Provide you access to a set of then-current prototype plans and specifications (not for construction) for a typical Property. (Franchise Agreement - Article 5) Available space varies in size and configuration, and you must have more detailed plans or blueprints prepared at your expense to take into account the location and local ordinances.
3. Upon reasonable request, we will consult with and advise you at our home office concerning the construction and operation of the Property. (Franchise Agreement – Article 5)
4. Provide evaluation of your site after receipt of your Site Application. (Franchise Agreement – Article 5.)
5. Approve or disapprove the site and site layout for the Property. (Franchise Agreement – Sections 5.1 and 5.2). A discussion of the selection of your site for the Property appears above in this Item 11 under the caption “Site Selection.”

6. Approve your plans and specifications. (Franchise Agreement - Article 5) It is up to you to make sure that the premises conform with local ordinance and building codes. We do not have the obligation to assist you to obtain any required permits and it is your responsibility to construct and decorate the Property according to the System specifications (as well as remodel). We will provide construction advisory services to each first time and/or previous non-compliant Franchisee's for a fee of \$45,000 which includes up to 7 site visits. You are responsible and liable for construction management and certification services.
7. Approve your insurance certificates with the additional insured parties named per the insurance requirements specified in the Franchise Agreement and Property Management Agreement (Franchise Agreement – Article 12).
8. Make available to you the Manual. (Franchise Agreement - Article 6.1.C).
9. Provide you with specifications and/or names of suppliers for all required equipment, inventory, and supplies. We do not deliver or install any of these items. (Franchise Agreement - Article 6)
10. Provide a pre-opening training program for your General Manager, Director of Sales, and other personnel designated in the Manual. (Franchise Agreement - Article 6) A description of our training program appears later in this Item 11 under the caption "Training Programs." Apart from the pre-opening training program, we are not required to help train your employees and we are not required to help you hire employees.
11. Perform an onsite visit during the construction process and investigate as we deem appropriate to become satisfied that you have complied with all requirements necessary for opening the Property. (Franchise Agreement - Article 5)
12. Approve or disapprove all advertising, signage, written communications, electronic or web based materials and promotional plans, and other materials displaying our Marks that we have not prepared or previously approved. (Franchise Agreement – Articles 8.7, 9.1, and 9.2). The Manual includes specifications for equipment, signs, fixtures and opening inventory and includes the names of approved suppliers. WWFS is not required to provide you with equipment, signs, fixtures and opening inventory and we do not deliver or install any of them.

Time from Signing of Agreement to Construction Completion and Opening

You must request and receive our approval of the proposed site layout and blueprints before commencing construction on the Property. The Franchise Agreement prescribes a time sequence for the construction and opening of the Property. (Franchise Agreement - Articles 5.2, 5.3, 5.4, 5.5, 5.8, 5.9, 5.10, 5.11 and 5.12) After execution of the Franchise Agreement for a new location development, you must complete construction, order and install furniture, furnishings, and interior decor, hire and train personnel, and have a General Manager and Director of Sales complete our training program. The Franchise Agreement requires you to begin construction of the Property within 240 days of signing the Franchise Agreement, or within 60 days of the time when a building permit for the Property is ready for issuance, whichever occurs earlier. A building permit is ready for issuance at the point in time when the issuing authority has taken all steps necessary for issuance, and would issue the building permit upon the payment of the fee therefor. At our discretion, the date for commencing construction may be extended for up to 4 additional periods of 30 days at your request. You must pay us a fee of \$5,000 for each extension at the time the request is made. This fee is charged to recover potential foregone revenue and brand value had the property been opened in a timely manner. If we do not grant you the extension, the fee will be refunded.

Factors that may affect the time required to begin construction and open a Property may include, but are not limited to, time required to conclude lease or land purchase contracts, to obtain financing or building permits, zoning changes, other local ordinance requirements. You must diligently pursue completion of the Property in accordance with the plans and specifications and have the Property ready to open for business within 10 months after you begin construction. We expect that construction will take approximately 10 months after the pad for the building is completed, if appropriate financing is in place and land has been entitled. The time from when our franchisees sign the Franchise Agreement to when they open their Properties varies widely, based on many factors, including whether you already have an approved site for their Property, and if not, your ability to find a site, your ability to obtain financing, how long it takes to get building permits, any changes to the zoning for the site that may be required, applicable local ordinances, weather conditions, shortages and any delays in the construction process, and in installation of equipment, fixtures and signs. The total construction time for conversion Properties may additionally depend on the extent of necessary remodeling of the existing hotel property to meet our System standards.

The date for completing construction of the Property may also be extended by up to 4 additional periods of 30 days each at your request, which must be accompanied by payment to us of a fee of \$5,000 for each extension. If we do not grant you the extension, the fee will be refunded. Other factors that may affect the time required to complete construction include local inspections, labor disputes, weather conditions, material shortages, delays in delivery or installation of equipment, fixtures, and signs.

The Property may be open for business when you satisfy our requirements. You will have to comply with the following: (i) install all fixtures, furniture and equipment and obtain a temporary certificate of occupancy or certificate of occupancy; (ii) you must have hired qualified personnel and your General Manager, Director of Sales, and associates must have satisfactorily completed our training program; (iii) you must have paid all sums due us and our affiliates; (iv) you must not be in default under the Franchise Agreement or any other agreement with us or our affiliates; (v) you must be in compliance with the Americans With Disabilities Act and the Fair Housing Act; (vi) we must have made a satisfactory on-site inspection and investigation as we deem appropriate; and (vii) you must have purchased required insurance. We may allow an opening with less than all improvements for a portion of the Property under certain circumstances. (Franchise Agreement – Article 5.12).

Obligations During Operation of Franchised Business

During the operation of the Franchised Business, we will:

1. Consult with and advise you at our offices, upon reasonable request, concerning the operation of the Property. (Franchise Agreement - Article 6.1.B)
2. Modify and add to the Manual as we deem appropriate to reflect changes in the business, authorized products or services, or specifications for authorized products and services, equipment requirements, quality standards, and operating procedures. (Franchise Agreement - Article 6.1.C)
3. Provide additional optional or required training programs or seminars as we deem appropriate in consideration of your payment of an additional training fee as described in Item 6. (Franchise Agreement - Articles 6.1.D and 7.2) A description of our additional training appears later in this Item 11 under the caption “Training Programs.” Apart from those training programs, we are not required to help train your employees and we are not required to help you hire employees, provided that you will have to enter into a property management agreement with a management company approved by WWFS. Your management company and its employees will be involved in operation of your Property. (Franchise Agreement – Article 5.10)

4. Conduct inspections of your Property and financial records, conduct evaluations of the services provided by your Property, and conduct interviews with your employees, agents and customers, all as we may deem advisable. (Franchise Agreement - Articles 6.1.E and 10.4)
5. Operate the Brand Development Fund fund to pay for developing, implementing, and maintaining technology, marketing and advertising initiatives, and other activities promoting and developing the System and the WaterWalk brand. (Franchise Agreement - Article 9.1) A discussion of the marketing, sales and advertising fund appears later in this Item 11 under the caption “Marketing, Sales, Advertising and Direct Mail Fund.”
6. Approve or disapprove all advertising, signage, written communications, and promotional plans and other materials displaying our Marks which we have not prepared or previously approved. (Franchise Agreement - Articles 8.7, 9.1 and 9.2)
7. We may, at our sole discretion, require that rental rates start at levels no higher than those set by us and designate maximum mandatory charges for goods and services offered at the Property. (Franchise Agreement - Article 8.9) (Also see Item 16)
8. Upon mutual agreement, provide you with miscellaneous administrative assistance, for a fee, with regard to negotiating financing and other agreements for your Property, assist with research projects and other project-based tasks (Franchise Agreement – Article 7.24) (Also see Item 6)
9. Provide specifications to you, if we require you to update or renovate your property. There are no contractual restrictions on our ability to require these updates or renovations over the terms of the Franchise Agreement.

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

Brand Development Fund

We have the right to establish a Brand Development Fund (the “BD Fund”) and expect to do so this year. The BD Fund will be accounted for separately from our other funds. We will not use the BD Fund to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the BD Fund. The purpose of the BD Fund is to promote projects and activities intended to develop and promote the System and the brand. For example, it may be used towards developing, implementing, maintaining, and updating technology and information systems used internally by us and you (such as software or platforms that help you manage your Property and revenue), or that are customer facing (such as mobile apps used for customer surveys and other customer interactions), research, development and preparing national, regional, point of sale and local advertising and marketing strategy materials for use within the System. The advertising and marketing materials may be disseminated via radio, television, print media, Internet (including social media), or outdoor advertising. The monthly BD Fund fee is 3.5% of your monthly Gross Revenues, but may, upon notice, be increased to 5% of your monthly Gross Revenues. All properties owned by our affiliates, as Franchisees, will contribute to the BD Fund at the same percentage of Gross Revenues required of Franchisees within the System. Since we have not started the BD Fund, we did not collect any BD Fund fees in the 2022 calendar year. The intention is to spend the entire BD Fund fee collected, provided that we have the right to carry over fees from year to year, if the entire fee from one year is not spent that year. The BD Fund will be administered by us. The board of the International Association of WaterWalk Owners (“IAWO”) will serve in an advisory capacity to the Marketing Committee, but the Marketing Committee will have sole discretion over the concepts, materials, and media

used in these programs and activities and their placement and allocation. We may spend, for the BD Fund, in any calendar year an amount greater or less than the aggregate contribution of all Properties to the BD Fund in that year, and the BD Fund may borrow from us or from others to cover deficits or invest any surplus for future use. We will use all interest earned on monies contributed to the BD Fund before we expend other assets of the BD Fund. The Marketing Committee may decide if and when to audit the BD Fund. Franchisees may, upon written request to us, receive a periodic accounting of how advertising fees are spent. BD Fund contributions will not be principally used to sell additional franchises. (Franchise Agreement - Article 9.1).

Expenditures by the BD Fund may not be proportionate or equivalent to contributions to the BD Fund by Properties operating in that geographic area. You or your Properties may not benefit directly or in proportion to your contribution to the BD Fund. Neither we, nor the BD Fund would be liable to you for the maintenance, direction or administration of the BD Fund, including for contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. The funds collected by the BD Fund and any earnings thereon, are not and shall not be an asset of ours or of any Franchisee. (Franchise Agreement - Article 9.1)

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

Each franchisee will be a member of our advertising franchisee council, referred to as the International Association of WaterWalk Owners (“IAWO”). IAWO has no operational or decision-making powers and purely serves in an advisory capacity to us. Each franchisee will have one vote per its open Properties on matters that IAWO is advising us on. We will seek advice from the IAWO board on matters regarding marketing and advertising. The IAWO has not constituted its board yet. The board of IAWO will be selected by the IAWO members. IAWO was formed on our initiative, and we may change or dissolve the organization. IAWO will have the right to charge franchisees a fee on a per Property pro rata basis to cover reasonable travel, lodging, and meal expenses for IAWO representatives when on IAWO related business. Currently there is no fee.

We do not require you to participate in local or regional advertising cooperatives, but may do so in the future.

Apart from mandatory participation in the BD Fund we do not require you to participate in any other advertising fund.

We use different types of social media and social networking to promote the WaterWalk brand and System. Because maintaining and promoting the WaterWalk brand and System in a consistent manner is extremely important, we currently do not permit you or other franchisees to maintain an online presence through your own social media or social networking accounts, profiles, pages, mobile applications, or otherwise, other than as we specifically permit. Currently, we maintain a Facebook, Twitter, Instagram and LinkedIn pages for the entire WaterWalk System. We plan to set up separate Facebook and Instagram pages for each Property. At this time, we administer those pages but allow you administrative privileges at your request. Apart from the above pages for your Property, the only other internet presence that we currently permit (and require) is the sub-page for your Property on www.WaterWalk.com or other websites that we set up. Because social media and social networking is developing rapidly the policies described in this paragraph are likely to change over the term of your Franchise Agreement.

The Franchise Agreement does not require us to conduct advertising, and it does not limit the media we may use if we choose to do so. We will start with local advertising campaigns but in the future intend to conduct national advertising campaigns both through our Website, social media and networking sites,

and through promotions at System Properties. The advertising materials will be prepared jointly by in-house staff in conjunction with graphic designers, agencies, printers, and other vendors as determined by WaterWalk. The Franchise Agreement does not require us to spend any amount on advertising in the area where you are located.

You must submit to us for approval all advertising materials, including all print, electronic, and or Internet materials that we have not prepared or approved. You must at all times comply with our instructions regarding the use of advertising materials, including modifying or ceasing to use those materials, whether or not we previously prepared or approved the materials. (Franchise Agreement - Article 11.8). We will try to let you know within 2 business days of when you submit advertising materials whether it has been approved or disapproved, but there is no time limit in the Franchise Agreement for how soon we need to let you know our decision.

Computer Systems

We may establish standards requiring you to purchase or lease computer hardware and software capable of communicating with our computers and of recording and reproducing the types of information and reports we determine are appropriate for the operation of WaterWalk Properties (Franchise Agreement Articles 8.1 and 8.2). These requirements include a computerized or automated property management system; reservations system; revenue management; customer relationship management system (CRM); the network infrastructure and related security systems necessary to communicate with WWFS corporate reporting, third-party payment processing, company and third-party Websites and next generation cloud SaaS systems, as well as permit in-room Internet hook-up; in-room wireless Internet access; and video surveillance equipment for the Property (See Item 6 and Franchise Agreement Articles 7.16 and 9.5).

Our current computer hardware requirements, which we may modify in our sole discretion, must be purchased from a supplier approved by us. You will need multiple computers. We recommend that you also purchase or lease an “All-In-One” multifunction laser printer as well as a battery backup for the computer systems. Networking hardware will need to be purchased to allow communication with cloud-hosted operating systems and staff Internet usage, local server and storage access as well as in-room guest Internet access, network access for the video surveillance system, and any other front office computer systems.

We estimate that the cost for purchasing the required staff computers and related hardware, server room equipment and connective devices is approximately \$75,000. We estimate the costs related to ethernet connectivity, system terminations and other related technology is \$27,000.

We estimate the costs for purchasing the wireless internet system from an approved supplier is approximately \$85,000.

We estimate the cost to purchase the security camera system from our approved supplier and have the supplier install it will range from \$20,000 to \$40,000 depending on the coverage requested.

We may require additional software to enhance data security and to maintain systems. This software may include anti-virus and malware and firewall definitions. These software programs may have monthly or annual charges, and pricing for these programs will vary depending on which software applications you select.

The estimated annual maintenance cost for the computer system, including firewall software is approximately \$8,200, though the cost for catastrophic events would be higher. This estimated cost includes the estimated cost for monthly service calls for IT-related support. Your annual IT expenses could be more or less depending on multiple variables. IT related services can be provided by our approved supplier.

Your computer system must meet the recommended requirements for our property management system, door key software and credit card processing system. Systems meeting these requirements are available from our approved supplier. The cost estimates provided here include the cost of purchasing additional servers which are required for integrations with our door access control provider and our credit card processor and property management system.

Currently, your property management company will be expected to maintain Microsoft Office 365 accounts, and email accounts, for your staff, and maintain the workstations for your general manager and director of sales.

It is recommended that you audit your PCI DSS compliance quarterly. You are also encouraged to conduct periodic vulnerability scans, as these can reduce the likelihood of your computer systems becoming compromised. Our approved supplier can conduct these reviews for you.

Costs for the items and systems referenced here vary by market and region. These expenses are included in the estimated initial investment disclosed in Item 7.

There are no restrictions on our right to require you to upgrade or update the computer system or video surveillance system, or on the frequency of how often we may require you to do so. The cost of an upgrade or update will depend on what parts of the system are going to be upgraded or updated. We have no obligation to assist you in obtaining the computer goods and services described in this Item and none of WWFS, our affiliates or any third party must provide ongoing maintenance, repairs, upgrades or updates to the computer system.

There are no contractual limitations on our rights to obtain independent access to your databases. The information that we may access includes information about your financial performance and about guests. We will not have independent access to the video-surveillance recordings from your Property

Network Infrastructure, Video Surveillance and TV

WWFS maintains a list of approved suppliers for the required network infrastructure equipment, the video surveillance system and TV satellite or streaming service. The list will be provided upon request. Technical support is required and available from these approved suppliers. We are not obligated to provide software support to you. The estimated cost of the technical support including remote phone support and offsite data back-up is approximately \$1,000 per month. Fiber Optic and POTS analog lines are approximately \$1,700 per month and Enseo In-Room Entertainment or Direct TV, whichever is installed, is approximately \$1,200 or \$2,300 per month, respectively. On-site technical support is generally billed on a case-by-case basis and the cost will vary depending on the market and location. WWFS does not accept any compensation or remuneration from these approved suppliers.

Property Management and Reservation System

You must purchase SkyTouch Hotel OS, Shift4, Travel Click / iHotelier and APPFolio, a property management and reservation software system that will enable the operator to use the computer system to take reservations, assign rooms at check-in, track room charges and activity, record accounts receivable, print management, marketing, housekeeping, and financial reports, scan drivers' licenses and perform various other functions. We are not entitled to use this system or tools to exert control over your employees' working conditions, except to the extent of controlling the quality of the WaterWalk System/brand and the quality of the products and services that you offer. We are not obligated to provide software support to you. The initial set-up fees are approximately \$8,500 with monthly support fees of approximately \$1,450 per month, which are mandatory support fees. WWFS does not plan to accept any compensation or remuneration from any approved provider of the property management system software.

We may adopt upgraded and updated computer software and hardware system standards (including for the video surveillance system and the network infrastructure) and you will be obligated to comply with our then current standards (Articles 7.6 and 7.16 of the Franchise Agreement). There is no contractual limitation on the frequency and cost of computer system upgrades and updates. You will be given 30 days to purchase and/or install the upgrades and updates. See Item 7 for information concerning the estimated cost of computer systems. We are not obligated to maintain, repair or upgrade your computer system components for you. We require you to keep in effect one or more maintenance agreements with third parties providing for prompt repair of the computer system.

Exterior Signage

You must purchase approved exterior signage for your Property as required in the Operations Manual.

Operations Manual

The table of contents of our Brand Standards and Resource Guide (the “Manual”) is enclosed as Exhibit N. It is 302 pages.

Training Solutions Programs

The following table outlines the initial training program.

TRAINING PROGRAM

Column 1	Column 2	Column 3	Column 4
Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
New Franchisee Training (operations and sales)	12-16 hours		Our headquarters in Wichita, Kansas
General Manager Certification Training		160 hours	In part at our headquarters in Wichita, Kansas and in part at the GM’s Property
Director of Sales Training		160 hours	In part at our headquarters in Wichita, Kansas and in part at the DOS’s Property

We will offer the training program as often as required during the year.

You or one of your owners (if you are an entity) must complete the New Franchisee Training before you open your Property. There is no fee for one of your owners to attend, but we charge \$2,500 (currently) for any additional owner attendees to this training. The purpose of the New Franchisee Training is both to teach you about our System and to provide you with training and information that will help you conduct training with your own staff.

Your initial general manager must complete training before you open your Property. We charge \$2,500 for this training, but may increase the fee to adjust for inflation or to otherwise make sure that it covers the expenses we incur in connection with the training. Any replacement general manager must sign up for training within 14 days of the date of employment and must attend the training course in Wichita to become certified within 120 days of the date of employment. You, or your owners (if you are an entity), may attend the training, subject to available space. The charge for a replacement manager and anybody else attending the training is the same as for your initial general manager. You must also pay for the travel and living expenses of all training program enrollees.

Your initial director of sales must complete training before you open your Property. We charge \$2,500 for this training, but may increase the fee to adjust for inflation or to otherwise make sure that it covers the expenses we incur in connection with the training. Any replacement director of sales must sign up for training within 14 days of the date of employment and must attend the training course in Wichita to become certified within 120 days of the date of employment. The charge for a replacement director of sales and anybody else attending the training is the same as for your initial director of sales. You, or your owners (if you are an entity), may attend the training, subject to available space. You must pay for the travel and living expenses of all training program enrollees.

We plan to use several different types of instructional materials as part of our training program. We will use our Training Manuals, our intranet site, as well as several specially developed training tools. These manuals cover topics including an overview of the WaterWalk System, computer systems, brand programs, life safety and emergency, Fair Housing, ADA, payment card industry, and sales and marketing strategies for the Live and Stay components of the Property.

Our instructors are subject matter experts in the detailed brand standards and specific WaterWalk operating systems. Mr. Jim Korroch, our President, is in charge of our training programs. He has over 25 years of experience in the hospitality industry with expertise in ownership, management, and operational excellence.

We also may make available other required or optional training courses, programs, conferences, seminars, and materials as we deem necessary. If we require additional training, you must require your employees to successfully complete the training. Additional courses, programs, conferences and seminars may be conducted in Wichita, Kansas or other locations we designate. We may contract with other persons or firms to provide your training. We may charge reasonable fees for instruction and course materials for training programs. Those fees, if any, are intended to cover our expenses of organizing the training. We may require confidentiality agreements from your employees as a condition of attending our training.

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Item 12

TERRITORY

The Franchise Agreement grants the right to establish and operate a Property at a specific location approved by us, which cannot be relocated without our consent, which we can grant or withhold in our sole discretion. The initial Franchise Agreement for a Property also grants a Protected Territory around your Property (“Protected Territory”). A Protected Territory is a geographic area that we think is sufficient to support at least one new Property at the time of licensing and its size will depend on population densities, demographic trends and other factors affecting the specific franchised area.

The Protected Territory is mapped on Exhibit C of the Franchise Agreement. The Protected Territory will be determined using our analytical tools and can be a specific radius around the Property, or can be delineated using geographic boundaries, such as a river or the coast-line.

The Franchise Agreement protects your Protected Territory for 5 years from the date the initial Franchise Agreement is signed, if you are not in default under the Franchise Agreement, but is not contingent on meeting any sales quota. If a property is transferred and a new Franchise Agreement is entered into, no additional 5-year protective term for the Protected Territory will be granted. If the transfer occurs less than 5 years from the date of the initial Franchise Agreement, the Protected Territory protection will continue under the new Franchise Agreement for the remainder of the initial 5-year term. We may, in our sole discretion, extend the 5-year period for one or more years. Any extension must be in writing as an amendment to the Franchise Agreement and it would be conditional. If during the extension period we wish to grant a licensee or franchise or authorize somebody to establish a Property within the Protected Territory we may do so if an impact study is performed and shows that the impact of the new Property would be acceptable under our then current impact policy.

We are not entitled to modify your Protected Territory other than due to your default. We do not allow our Franchisees to open additional locations in their Protected Territory during the time the area is protected. If you wish to open an additional location in your Protected Territory or elsewhere, you will have to sign a new Franchise Agreement for the location and the Protected Territory or location will have to be approved by us. You do not acquire any options, right of first refusal or similar rights to acquire additional licenses when you sign a Franchise Agreement. You are not restricted from soliciting or accepting guests or reservations from outside your Protected Territory, and likewise we and other franchisees are not restricted from soliciting or accepting guests or reservations from inside your Protected Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We do not compete with you in your Protected Territory through alternative channels of distribution of products and services, but we have the right to open competing chains and other businesses within and outside your Protected Territory. If we solicit orders for competing chains or businesses from within your Protected Territory, you will not receive any compensation from us. We do not restrict your right to solicit orders from outside your Protected Territory or to use alternative channels of distribution, but because of the nature of the business, we do not expect that you will use alternative distribution channels. Neither we, nor our affiliates, operate, franchise or have plans to operate or franchise a business under a different trademark which would sell products or services similar to those you will offer.

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Item 13

TRADEMARKS

WWFS grants you the right to operate a Property under the name “WaterWalk” using this logo:



In the future WWFS may also use other trademarks to identify your Property and the services and products related to the System (collectively, the “Marks”). Our principal Marks are “WaterWalk™” and this logo. We have not applied for registration for our principal Marks.

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

International has registered the following trademark on the Principal Register of the United States Patent and Trademark Office, and all required affidavits have been filed for this trademark:

Mark	Registration Number	Registration Date	Principal or Supplemental Register of USPTO
WATERWALK LIVE STAY	6456260	August 17, 2021	Principal

We entered into a trademark license with International on March 23, 2015 that gives us the right to use the trademarks in our business and to license them to our franchisees for use in the operation of Properties. The agreement is for a 50-year term. The agreement can be terminated upon our material breach after 30 days’ notice with an opportunity to cure. If the agreement is terminated you would have the right to continue using the trademarks until the expiration or termination of any Franchise Agreement you have entered into with us before the termination of the trademark license agreement.

WaterWalk International LLC has a Kansas state trademark registration of the trademark “Waterwalk.” We have entered into a trademark license with WaterWalk International LLC on May 21, 2014 that gives us the right to use the trademark in our business and to license it to our franchisees for use in in the operation of Properties. The agreement is for a 50-year term. The agreement can be terminated upon our material breach after 30 days’ notice with an opportunity to cure. If the agreement is terminated you would have the right to continue using the trademark until the expiration or termination of any Franchise Agreement you had entered into with us before the termination of the trademark license agreement.

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

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

involving our principal Mark. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the principal mark in any manner material to the franchisees.

You must follow our rules when you use our trademarks. You cannot use our name or trademarks as part of a corporate name or with modifying words, designs, or symbols. You may not use our trademarks for the sale of an unauthorized product or service or in a manner not authorized in writing by us.

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

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

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

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Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no patents or pending patent applications that are material to the franchise.

We claim copyright protection of our Manual, and advertisement and promotional materials although these materials have not been registered with the United States Registrar of Copyrights. These materials contain information relevant to establishing and operating a WaterWalk Property. We consider this information proprietary and confidential and consider it our property, and you may use it only as provided in the Franchise Agreement. You must implement our procedures to prevent the unauthorized use and disclosure of our proprietary information and to notify us immediately if there is any unauthorized use or disclosure of our proprietary information.

There currently are no effective determinations of the United States Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect, which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of the copyrighted materials. If there would be any copyright litigation regarding our copyrighted materials, we will control the litigation. This is independent of whether you modify or discontinue using the subject matter of the copyright. We may at any time require you to stop using any copyrighted materials and you will be required to do so.

We will disclose to you confidential or proprietary information and trade secrets. You and your principals will be required to sign a Confidentiality Agreement attached to this franchise disclosure document as **Exhibit D** (the "Confidentiality Agreement") before you review our confidential and proprietary information to evaluate whether to purchase a franchise. Except as necessary for operation of the Property and as we approve, neither you nor your officers, directors, partners, members, managers, or principals may, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the advertising, marketing, designs, plans, or methods of operation of the Property or the System. You must have your officers, directors, partners, members, managers or principals sign a Covenant Agreement substantially in the form attached to this franchise disclosure document as **Exhibit E**. You may disclose to your employees only the confidential, proprietary or trade secret information necessary to operate the business and then only while the Franchise Agreement is in effect. All information and knowledge, including the Manual, drawings, materials, equipment, marketing and other data, which we designate as secret or confidential, will be deemed secret and confidential under the Franchise Agreement, the Confidentiality Agreement, and the Covenant Agreement.

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Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We will grant the franchise license to you in reliance on you and your principals' personal and collective business skills and financial capacity, and your rights and obligations may not be transferred without our written consent. You must remain ultimately responsible for the operation of the Property in compliance with the Franchise Agreement and must exercise oversight and be informed about the operations of the franchise, but you (or your chief operating officer, managing partner, or member or principal manager) are not required to take any specific role in day-to-day operations or to participate personally in direct operations on the premises, if you designate a General Manager, who may be your employee, who must devote full time and attention to the management and operation of the Property. The General Manager must be a qualified individual who attends and successfully completes our certification training program. The individual need not be one of your principals if you are a corporation, partnership, or limited liability company. If, at any time for any reason, the General Manager or managing principal no longer qualifies, you must promptly designate another General Manager or managing principal subject to the same qualifications listed above and notify us. We require you to use a management company from our approved list to manage your property. You are not allowed to self-manage your Property until after it has been in operation for 5 years without our approval. We have the right to conduct any evaluation we deem appropriate to determine whether you, or your property management team, is capable of operating the Property to our standards. The General Manager is not required to have any amount of equity interest in your Property or Property's owning entity. If the Franchisee is an individual, we neither recommend, nor recommend against, that Franchisee personally supervising the operation of the Property.

Management responsibilities include maintaining the presence of a General Manager during most business hours; maintaining the highest standards of product quality and consistency; maintaining the Property in the highest condition of sanitation, cleanliness, safety, appearance, and legal compliance; and supervising employees to ensure that the highest standard of service is provided and to ensure that your employees deal with customers, suppliers, us, and all other persons in a courteous and polite manner.

If you are a corporation, partnership or limited liability company, your principals must personally guarantee your obligations under the Franchise Agreement. In addition, your partners, principals, officers, directors, managers and members must also agree to be personally bound by, and personally liable for the confidentiality provisions of the Franchise Agreement and sign the Covenant Agreement, all as described in Item 14 and Item 17. Your principals must also agree to certain restrictions on the transfer of their ownership interests. Your General Manager and Director of Sales will be required to sign a confidentiality agreement before attending the mandatory certification training.

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Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Property in strict conformance with our standard specifications and techniques as contained in the Manual or as posted on the Intranet, as periodically amended by us in our sole discretion. As described in Items 8, 9 and 12, in order to promote substantial uniformity of quality and shared identity at all Properties, you must not offer or sell any product or service or purchase, lease, install, or use any FF&E, concept, supply, building design or layout, color schemes or other item or service unless approved in writing by us as being in compliance with our standards and specifications and the System. We require that you purchase particular FF&E items from an approved source. We do not expect to derive any revenue from those purchases.

You must offer all of the services that we designate as required for all franchisees. We can change the types of services that you must offer for sale. There are no limits on our right to do so. In this context, services include not only offering unfurnished and furnished rooms for residents and guests, but also complying with other aspects of operating and managing a WaterWalk Property, for example: participating in different promotional programs, national account programs, direct billing programs, and using such managing and operating techniques and processes that we may put into place. You must use the premises of the Property solely for the purpose of operating a WaterWalk Property and refrain from using the premises for any other purpose or activity (including promotion of a competing business) without our prior written permission.

Restrictions on goods and services offered may also arise from Franchise Agreement requirements that you comply with our high standards of quality and service, to refrain from deviating from our standards, or to otherwise operate in any manner adversely affecting the System, the Marks, and the goodwill associated with the System and the Marks, and to comply with the highest health standards and ratings applicable to the franchised Property.

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Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this franchise disclosure document.

	Provision¹	Article in Franchise Agreement	Summary
a.	Length of the franchise term	Article 3.1	Term is 20 years from date Property opens.
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	The Franchise Agreement does not give you the right to renew. If you want to continue to operate your WaterWalk property after the expiration of the term of the Franchise Agreement you will need to apply for a new Franchise Agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d.	Termination by franchisee	Not Applicable	Franchisee may terminate the Franchise Agreement under any grounds permitted by law.
e.	Termination by franchisor without cause	Not Applicable	
f.	Termination by franchisor with cause	Articles 14.1.A, 14.1.C, 14.1.D and 14.1.E	We can terminate only if you default.
g.	“Cause” defined – curable defaults	Articles 8.4 and 14.1.E	<p>You generally have 10 days to cure nonpayment of fees and 30 days to cure failure to submit reports, provide information, maintain our standards or any other default not specified in Article 14.</p> <p>If you fail an inspection for any health or safety reason, we have the right to require that you temporarily close all or part of your Property to all, or only to new guests until the dangers to health and safety have been remedied.</p>
h.	“Cause” defined – non-curable defaults	Articles 14.1.A and 14.1.C	<p>Non-curable defaults: failure to timely begin construction of the Property, timely submit a site application, timely complete construction of the Property, timely open the Property, cease operating or abandon the Property, forfeit the right to do business where the Property is located, conviction of felony, unapproved transfers, improper use or disclosure of confidential information, false reporting or submissions to us, under-reporting Gross Revenues, repeated defaults even if cured, entry of judgment against you which remains unsatisfied for 30 days, levy against your business or property, action brought to foreclose lien or mortgage against the Property premises or equipment which is not dismissed in 30 days, or you become</p>

Provision ¹		Article in Franchise Agreement	Summary
			insolvent, a receiver is appointed to take possession of your business or property, you make a general assignment for the benefit of your creditors, you engage in public conduct that reflects materially and unfavorably upon the System, or the goodwill associated with the Marks, or you are in default under any other Franchise Agreement or other agreement with us or our affiliates which is not curable, or, if the default is curable, you have not cured the default within the cure period. Also, condemnation of your Property or bankruptcy.
i.	Franchisee's obligations on termination/non-renewal	Articles 15.1, 15.2, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 15.10, 15.11, 15.12, 15.13 and 15.14	Cease operating the Property; discontinue use of the Marks and advertising; complete deidentification as our Franchisee; transfer telephone numbers and listing to us; deliver all materials and documents for the Property to us; modification and alteration of Property; cease using the System and Manual; remove any sign that has WWFS' distinctive shape, color and/or design; allow us, at our option, to purge at your cost all your usable materials bearing the marks, and/or your office equipment, furniture, fixtures; sell movable signs to us at their fair market value, promptly pay all amounts due us including the liquidated damages set forth in Article 15; and maintain and preserve your financial and other records and make them available for our inspection. If we give you notice, sell the assets of the Property to us or our assignee. See State Addenda.
j.	Assignment of contract by franchisor	Article 13.1	No restriction on our right to assign.
k.	"Transfer" by franchisee – defined	Articles 1.2.MM and 13	Transfer means voluntary or involuntary assignment, sale, gift or other transfer of your Franchise Agreement or any of your rights or obligations as a Franchisee (your "Franchised Interest"), including (i) the transfer of ownership of your stock, partnership or limited liability company ownership interest; (ii) merger, reorganization, consolidation or issuances of additional securities representing an interest in your Franchised Interest of Property; (iii) sale of more than a 50% interest in your Franchised Interest; (iv) transfer of a Franchised Interest in a divorce, insolvency, corporate partnership dissolution or otherwise; (v) transfer of a Franchised Interest by will, trust or intestate succession; (vi) change in ownership or otherwise; (vii) any change in trustee or beneficial owner of a trust (if the trust is a Franchisee or has more than a 50% interest in the Franchised Interest); or (viii) any pledge, hypothecation or encumbrance of any Franchised Interest as security for an obligation.
l.	Franchisor's approval of transfer by franchisee	Article 13	You may not transfer your Agreement, your franchise, or any ownership interest in the franchise, the Property or a substantial portion of the Property's assets, without our

Provision ¹		Article in Franchise Agreement	Summary
			<p>consent, except under 4 circumstances. (1) If you sign as an individual, you can transfer your Agreement to a corporation, partnership or limited liability company if you maintain your same ownership interest in the new entity. (2) If you are a corporation, partnership or limited liability company, you may transfer an aggregate of up to 25% of your outstanding voting ownership interests to your employees who are actively engaged in the operations of the Property without our approval if the proposed transfer alone or together with other transfers will not have the effect of transferring a controlling ownership interest in you. (3) If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other personal representatives must transfer all your interests to a third party. With our consent, your personal representative may transfer all your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant. (4) If you wish to transfer ownership by public or private offering, you must first obtain our written consent. We may withhold the consent in our sole discretion in the case of a public offering, and for a private offering will not unreasonably withhold it. Any other transfer is a change of ownership requiring a new application and payment of an application fee, and, if approved, an Initial Franchise Fee. If the transfer is of less than 50% of your ownership and does not transfer a controlling interest, no application fee or Initial Franchise Fee will be required.</p>
m.	Conditions for franchisor's approval of transfer	Articles 13.6, 13.7, 13.8 and 13.10	<p>For sales of securities or other interests by public or private offering, we may grant or deny approval based on whatever we deem to be in our best interests. For public offerings, you must pay us a \$25,000 fee or such higher amount that covers our costs. For private offerings, you must pay us a \$10,000 fee or such higher amount that covers our costs. If you seek a change of ownership, your proposed transferee has to apply for a new franchise. If approved, the transferee has to sign a new Franchise Agreement for a full 20-year term and pay a transfer fee equal to the then current Initial Franchise Fee. We may also require that the new franchisee's owner sign a guarantee, that you sign a general release, that the Property is updated to then-current standards for new WWFS properties and that you pay a \$5,000 property improvement review fee. With our consent, your personal representative may transfer all your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant.</p>

Provision ¹		Article in Franchise Agreement	Summary
n.	Franchisor's right of first refusal to acquire franchisee's business	Article 13.5, 14.3 and 14.4	<p>Any transfer of ownership, other than from you (if you are an individual) to a corporation, partnership or limited liability company owned by you, is subject to our right of first refusal if: (a) the transfer price is below fair market value; or (b) the transfer relates to a Property that has failed inspections in the 12 months before the transfer offer is made and is not managed by us or our affiliate. We have the option for 30 days following our receipt of notice of transfer to exercise our right. We can purchase the ownership interest in Franchisee on the same terms as those offered by you to the third party.</p> <p>Our right of first refusal upon termination differs depending on whether termination occurred before or after opening of the Property. If we don't exercise our right to acquire the property upon termination due to failure to timely commence construction or open the Property, or if we approve a site replacement (and then only for the replaced site), we will have a right of first refusal for 2 years following the time when you defaulted or the replacement site for your Property was approved.</p> <p>Upon termination for any reason of the Franchise Agreement after opening of the Property, we have the option for 30 days following the termination or expiration to purchase your assets at a price determined by up to 3 appraisers (1 selected by you, 1 by us, and the third, if needed, selected by the appraisers selected by you and us).</p>
o.	Franchisor's option to purchase franchisee's business	Article 14.3, 14.4 and 15.9,	<p>If the Franchise Agreement is terminated for your failure to timely commence construction or to timely open the Property, or if you request a replacement site (then with respect to the site not to be developed) and if you have not acquired ownership or leasehold rights in the site, we have the option to take assignment of your land contract or other rights. We will reimburse you for your actual costs for reports or entitlement services and any amount you have escrowed if the escrow is fully assignable to us. In the same situations, if you have acquired ownership or leasehold rights, we have the right to purchase the Property from you. The purchase price will be determined by appraisers.</p> <p>Upon termination of the Franchise Agreement for any reason after opening of the Property, we have the option for 30 days following the termination to purchase at a price determined by up to 3 appraisers (one selected by you, one by us, and the third, if needed, selected by the appraisers selected by you and us) all your usable materials bearing the Mark and/or to purchase your office</p>

Provision ¹		Article in Franchise Agreement	Summary
			equipment, furniture, fixtures, and moveable signs at their fair market value.
p.	Death or disability of franchisee	Article 13.6, 13.7	If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other legally appointed personal representative must appoint, within 30 days, an approved management company to operate the Property. Pending the appointment and subject to legal formalities, we can appoint a General Manager or management company to operate the Property. Your executor or other legally appointed personal representative must also transfer all your interests to a third party within 1 year. With our consent, your estate or legally appointed personal representative may transfer all your interest to your spouse, parent, sibling, direct descendant or spouse's direct descendant.
q.	Non-competition covenants during the term of the franchise ²	Article 7.8 and 11.10	You cannot use the Property premises for any purpose or activity except to operate the Franchised Business and you cannot use it to promote any competing business. During the term of the Franchise Agreement you may not compete with us by being associated with any property that offers a mix of unfurnished furnished rooms within a building or complex anywhere in your MSA or the MSA of any other System Property, except if we have pre-approved such other business.
r.	Non-competition covenants after the franchise is terminated or expires ²	Article 11.10 and Article 14.3 (A)(7)	For 2 years after any transfer or termination of the Franchise Agreement anywhere in your MSA or the MSA of any other System Property you may not compete with WWFS by being associated with any property that offers a mix of unfurnished and furnished rooms within a building or complex, except if we have pre-approved such other business. For 2 years after the agreement is terminated for your failure to timely commence or complete the construction, or if you otherwise abandon the development of the Property, as well as if you submit a replacement location, neither you, nor your affiliates, may purchase or lease or enter into a purchase agreement for all or party of the Approved Location without first entering into an agreement with us or our affiliates for acquisition of the Approved Location and without you and us first entering into a new franchise agreement for constructing a System Property on the Approved Location.
s.	Modification of the agreement	Article 20	No modifications generally unless in writing signed by you and one of our officers. However, our Manual is subject to change at our discretion.

Provision ¹		Article Franchise Agreement	in	Summary
t.	Integration/ merger Clause	Article 20 and Article 22.2		Only the terms of the Franchise Agreement and other related agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or any other related agreement is intended to disclaim representations made in this franchise disclosure document.
u.	Dispute resolution by arbitration or mediation ³	Article 19.1		All disputes must be mediated. Mediation occurs in Wichita, Kansas. The mediation proceedings are governed by rules of the American Arbitration Association. This provision may subject to applicable state law.
v.	Choice of forum	Article 19.4		Litigation must be in Sedgwick County, Kansas (subject to applicable state law). See State Addenda.
w.	Choice of law	Article 21.1		Kansas law applies (subject to applicable state law). See State Addenda

Notes:

1. Your principals must guarantee all of your obligations in the Franchise Agreement.
2. All of your partners, principals, officers, directors, managers, and members also must honor all of your obligations in Article 11 of the Franchise Agreement.
3. We also impose the obligations to engage in mediation on your officers, directors, partners, members, managers, and principals.

This table lists certain important provisions of the Covenant Agreement. You should read these provisions in the agreement attached to this franchise disclosure document.

Provision		Section Covenant Agreement	in	Summary
a.	Length of the franchise term	Not Applicable		
b.	Renewal or extension of the term	Not Applicable		
c.	Requirements for you to renew or extend	Not Applicable		
d.	Termination by franchisee	Not Applicable		
e.	Termination by franchisor without cause	Not Applicable		
f.	Termination by franchisor with cause	Not Applicable		

Provision		Section Covenant Agreement	in	Summary
g.	“Cause” defined – curable defaults	Not Applicable		
h.	“Cause” defined – non-curable defaults	Not Applicable		
i.	Franchisee’s obligations on termination/non-renewal	Not Applicable		
j.	Assignment of contract by franchisor	Not Applicable		
k.	“Transfer” by franchisee defined	Not Applicable		
l.	Franchisor’s approval of transfer by franchisee	Not Applicable		
m.	Conditions for franchisor’s approval of transfer	Not Applicable		
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Not Applicable		
o.	Franchisor’s option to purchase franchisor’s business	Not Applicable		
p.	Death or disability of franchisee	Not Applicable		
q.	Non-competition covenants during the term of the franchise	Section 2		No competition with us for the term of the Franchise Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Section 2		For 2 years after any transfer or termination of the Franchise Agreement and/or Covenant Agreement anywhere within the continental United States, competing with WWFS by being associated with any property that offers economy lodging on a weekly stay basis with kitchen facilities and limited (not on a daily basis) maid service is prohibited.

Provision		Section Covenant Agreement	in	Summary
s.	Modification of the agreement	Not Applicable		
t.	Integration/merger Clause	Section 5		Only the terms of the Covenant Agreement are binding (subject to state law). However, nothing in the Covenant Agreement is intended to disclaim representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Not Applicable		Subject to state law.
v.	Choice of forum	Section 4		Litigation in Sedgwick County, Kansas. See State Addenda.
w.	Choice of law	Section 5		Kansas law applies. See State Addenda.

There are state specific addenda attached as **Exhibit I** for the states of California, Illinois, Maryland, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington. The Michigan Addendum is attached following the state cover page.

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Item 18

PUBLIC FIGURES

WWFS does not use any public figure to promote its franchise.

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Item 19

FINANCIAL PERFORMANCE REPRESENTATION

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mary Oliver, 2121 N. Webb Road, Wichita, Kansas 67206, phone: 970-319-1184, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE 1

System-wide Outlet Summary for Years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	4	5	+1
	2021	5	5	+/-0
	2022	5	4	-1
Company- Owned ⁽¹⁾	2020	2	4	+2
	2021	4	4	+/-0
	2022	4	4	+/-0
Total Outlets	2020	6	9	+3
	2021	9	9	+/-0
	2022	9	8	-1

Notes:

1. WWFS does not own or operate any Properties. The Properties listed are owned by our affiliates or related parties.

TABLE 2

**Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor) For Years 2020 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Total	2020	0
	2021	0
	2022	0

TABLE 3

Status of Franchised Outlets for Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Colorado	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
Minnesota	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	1	4

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TABLE 4

Status of Company-Owned Outlets for Years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Kansas	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
North Carolina	2020	0	2	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Totals	2020	2	2	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4

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TABLE 5

Projected New Franchised Outlets as of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year
Alabama	0	0	1
Arizona	0	0	2
Florida	0	0	1
Georgia	0	0	1
Idaho	0	0	1
Total	0	0	6

Attached as **Exhibit G** is a list of the names of all franchisees, and the addresses and telephone numbers of all their units, as of December 31, 2022.

Attached as **Exhibit H** is a list of the name, city and state and current business telephone number or last known home telephone number of every Franchisee who, in WWFS' most recent full fiscal year end, either (1) had a unit terminated by the Company, (2) had a unit not renewed by the Company, or (3) otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement. Exhibit H also lists every Franchisee that has not communicated with WWFS within 10 weeks of the date that WWFS prepared and filed this franchise disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

Our franchisees have not signed any confidentiality clauses during the last three fiscal years that must be disclosed in this Franchise Disclosure Document.

There is no active trademark specific franchisee association associated with our franchise system.

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Item 21

FINANCIAL STATEMENTS

Attached to this franchise disclosure document as **Exhibit F** are the balance sheets of WaterWalk Support LLC (“WWAS”), f/k/a WaterWalk Apartments Support LLC, as of December 31, 2022 and December 31, 2021, and the related statements of income and member’s capital, and cash flows for each of the three years in the three-year period ended December 31, 2022.

You have not been provided with financial statements of the franchisor. Therefore, you do not have knowledge of how WWFS has performed. Performance under the terms of the Franchise Agreement by WWFS is unconditionally guaranteed by our affiliate, WWAS. WWAS has no fixed assets. A copy of the guarantee is included in **Exhibit F**.

If required by state law, unaudited financial statements of a more recent date are also included in **Exhibit F**.

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Item 22

CONTRACTS

The following agreements are attached to this franchise disclosure document:

- Exhibit C** – Franchise Agreement, including Guaranty and Direct Debit Authorization Agreement.
- Exhibit D** – Confidentiality Agreement
- Exhibit E** – Covenant Agreement
- Exhibit I** – State Addenda
- Exhibit J** – Release
- Exhibit K** – Construction Services Agreement
- Exhibit L** – Standard WaterWalk Lender Comfort Letter
- Exhibit M** – Assignment
- Exhibit O** – Development Agreement

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Item 23

RECEIPTS

The last 4 pages of this franchise disclosure document are receipt pages. Please insert the name, address and telephone number of the franchise seller, and date and sign both copies. Detach the last 2 pages and return to us promptly on execution. Retain the other copy of the receipt pages for your records.

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EXHIBIT A

List of State Administrators

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

California

Department of Financial Protection & Innovation
State of California
Suite 750
320 W. 4th Street
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677

Hawaii

(FDD not registered)

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
State of Hawaii
335 Merchant Street, Room 204
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

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

Indiana

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

Maryland

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

Michigan

Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Commissioner of Commerce
85 E 7th Place, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

New York

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

North Dakota

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

Oregon

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

Rhode Island

Department of Business Regulation
Rhode Island Securities Division
1511 Pontiac Ave.
John O. Pastore Complex - Building 69-1
Cranston, RI 02920
(401) 462-9582

South Dakota

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

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th floor
Richmond, Virginia 23219
(804) 371-9051

Washington

Department of Financial Institutions
Securities Division
State of Washington
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

Wisconsin

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

EXHIBIT B

**WaterWalk Franchise Services LLC
Agents for Service of Process**

California

Commissioner of Financial Protection &
Innovation
State of California
Department of Financial Protection & Innovation
320 W. 4th Street, Suite 750
Los Angeles, California 90013-2344

Hawaii (FDD not registered)

Hawaii Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
State of Hawaii
335 Merchant Street, Room 204
Honolulu, Hawaii 96813

Illinois

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

Indiana

Secretary of State
State of Indiana
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

Kansas

Harvey R. Sorensen, Esq.
1551 N. Waterfront Parkway
Suite 100
Wichita, Kansas 67206-4466
(316)-267-6371

Maryland

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

Michigan

Michigan Department of Commerce
Corporation & Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48933

Minnesota

Minnesota Department of Commerce
Commissioner of Commerce
85 E 7th Place, Suite 280
St. Paul, Minnesota 55101-2198

New York

Secretary of State
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231-0001

North Dakota

North Dakota Securities Department
State of North Dakota
Fifth Floor
600 East Boulevard Avenue
Bismarck, North Dakota 58505-0510

Oregon

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

Rhode Island

Department of Business Regulation
Rhode Island Securities Division
1511 Pontiac Ave.
John O. Pastore Complex - Building 69-1
Cranston, RI 02920

South Dakota

Department of Labor and Regulation
Division of Securities
124 South Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington

Director of Financial Institutions
Securities Division
State of Washington
150 Israel Rd. SW
Tumwater, Washington 98501

Wisconsin

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

EXHIBIT C

WATERWALK FRANCHISE SERVICES LLC

**WATERWALK
FRANCHISE AGREEMENT**

EXHIBIT C

WATERWALK FRANCHISE SERVICES LLC

**WATERWALK
FRANCHISE AGREEMENT**

WATERWALK FRANCHISE SERVICES LLC

FRANCHISE AGREEMENT

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Exhibits

- A Property Type and Approved Location
- B Owners of Franchisee
- C Protected Territory Map
- D Site To Be Determined Addendum
- E Authorization Agreement for Prearranged Payments (Direct Debits)

**WATERWALK FRANCHISE SERVICES LLC
WATERWALK
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into at Wichita, Kansas this ____ day of _____, _____, by and between WaterWalk Franchise Services LLC, a Kansas limited liability company (hereinafter referred to as “WWFS”), and _____ (hereinafter referred to as “Franchisee”), whose principal business address is _____.

Recitals

A. WWFS has developed and owns a concept and distinctive system for the design, decor, establishment, operation, and image of properties with unfurnished and furnished rooms with hotel-like services for short term and long term stays under the Proprietary Marks utilizing certain Trade Secrets.

B. Franchisee desires to establish and operate a WaterWalk Property (“Property”) under the System and wishes to obtain a franchise license from WWFS for that purpose.

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

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

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

Article 1. Acknowledgments and Representations.

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

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

B. Franchisee has conducted an independent investigation of the business contemplated by this Agreement. Franchisee recognizes that the nature of the business conducted by WWFS may evolve and change over time; that an investment in a WaterWalk Property involves business risks which have been considered by Franchisee; and that the success of the venture depends primarily upon Franchisee’s business ability and efforts.

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

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

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

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

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

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

B. “Agreement” shall have the meaning set forth in the introductory paragraph hereof.

C. “Approved Location” shall mean the street address set forth on **Exhibit A** hereto.

D. “BD Fund Fee” shall mean the fee set forth in Article 4.1.C.

E. “Change in Control” shall mean (i) the acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or affiliated group of the beneficial ownership of an ownership interest in Franchisee representing 50% or more of the equity interest in the Franchisee, (ii) any merger or consolidation of Franchisee other than a merger or consolidation where fifty one percent (51%) or more of the total combined voting power of all outstanding ownership interest of the surviving entity or the acquiring entity, as the case may be, shall be received by and/or held immediately after the consummation of such transaction by one or more holders of the outstanding ownership interest of Franchisee, immediately prior to such transaction, or (iii) the sale, transfer, license or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of Franchisee to which this Agreement relates.

F. “Commencement of Construction,” “Commence Construction,” or “Construction Commencement” shall mean the date that the construction of the Property begins at the Approved Location.

G. “Competing Business” shall mean any property or other business that provides unfurnished apartments and furnished hotel suites for short-term or long-term stays within a building or complex.

H. “Construction Completion” shall have the meaning set forth in Article 5.5.

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

- J. “Dispute” or “Disputes” shall have the meaning set forth in Article 19.1.
- K. “FF&E” shall mean fixtures, equipment, furnishings, furniture, telephone system, facsimile machine, computer systems, reservation system, signs, supplies and other items used in the operation of the Property.
- L. “Franchised Business” shall mean the WaterWalk Property franchised to, developed and operated by Franchisee under this Agreement.
- M. “Franchisee” shall have the meaning set forth in the introductory paragraph of this Agreement.
- N. “Franchised Interests” shall have the meaning set forth in Article 13.2.
- O. “Gross Revenues” shall mean revenues attributable to or derived from the operation of the Property, including, but not limited to, for the use or occupancy of units at the Property, storage unit rental, optional add-on and ancillary services and products provided to customers in relation to the Property, including barter and credit transactions (before commissions and discounts for credit cards), whether or not collected, proceeds from any business interruption insurance or other loss of income insurance applicable to loss of revenues due to the non-availability of units, and proceeds for guaranteed no-show revenue which is collected, but excluding sales taxes, or any other taxes collected by you from customers for transmittal to appropriate taxing authorities. Gross Revenues shall be accounted for in accordance with the accounting procedures set forth in the Manual from time to time.
- P. “IAWO” shall mean the International Association of WaterWalk Owners.
- Q. “Incapacitated” or “Incapacity” means, in the reasonable opinion of WWFS, the inability of Franchisee, or its majority owner if an entity, to operate the Franchised Business in the ordinary course of business for 30 days or more in any consecutive 90-day period.
- R. “Indemnitees” shall mean collectively WWFS and its members, its affiliated companies, and each of their respective owners, shareholders, managers, agents, representatives, officers, directors, employees, partners, and other Affiliates.
- S. “Initial Franchise Fee” shall mean the fee due upon execution and delivery of this Agreement as provided in Article 4.
- T. “International” shall mean WaterWalk International LLC.
- U. “Liquidated Damages” shall mean the damages to be paid by Franchisee pursuant to Article 15.12 for premature termination of this Agreement.
- V. “Manual” shall mean, collectively, the Operations Manual, the Development Manual, and other System standards, manuals, and directions (whether in written, machine readable, electronic, or any other form), as they may be modified, amended or supplemented by WWFS in its sole discretion, setting out the standards, methods, procedures, techniques and specifications of the System.
- W. “National Sales Fee” shall mean the fee set forth in Article 4.1.E.
- X. “Online Presence” means the Website, social media accounts, mobile applications, or other media or online presence (in any form and in any medium now existing or later developed) including any individual franchisee online presence as permitted or required by WWFS. WWFS will

determine the content and use of its Online Presence including establishing any rules and guidelines under which the Franchisee will participate in such Online Presence, which may be modified by WWFS from time to time.

Y. “Opening” shall mean the date on which the Property first opens for business.

Z. “Operations Data” shall have the meaning set forth in Article 10.6.

AA. “Payment” or “Payments” shall have the meaning set forth in Article 4.2.

BB. “Property” shall mean the WaterWalk Property operated by Franchisee under this Agreement. The Property comprises all structures, facilities, appurtenances, FF&E, and entry, exit, parking and other areas located on, or that are part of, the site of the Approved Location, as well as all real property rights thereto.

CC. “Property Expansion Fee” shall mean the fee payable for the expansion of a Property to more than 126 units.

DD. “Proprietary Marks” shall mean the name “WaterWalk” and such names and any other trade names, service marks, trademarks, logos, emblems, or other indication of origin as are now or hereafter designated by WWFS as part of the System.

EE. “Protected Territory(s)” shall mean the specific territory or territories franchised to the Franchisee.

FF. “Quality Assurance/Safety/Non-Compliance Review Fee” shall have the meaning set forth in Article 8.3.

GG. “Reservation Fee” shall mean the fee set forth in Article 4.1.D.

HH. “Royalty Fee” shall mean the continuing royalty fee set forth in Article 4.1.B.

II. “System” shall mean the distinctive design, décor, color scheme, and furnishings; the Proprietary Marks designated to be part of the System; standards, specifications, programs and procedures for operations; programs and procedures for quality control; training and assistance; and advertising, direct sales, and promotional programs developed by WWFS for the operation of a WaterWalk Property under the Proprietary Marks utilizing the Trade Secrets with unfurnished apartments and furnished hotel suites intended for short- and long-term stays. WWFS may add, change, modify, withdraw, or otherwise revise any element of the System in its sole discretion.

JJ. “Systems Operations Data” shall have the meaning set forth in Article 10.6.

KK. “System Properties” shall mean all WaterWalk Properties.

LL. “Trade Secrets” shall mean confidential information, including, without limitation, (i) the design for System Properties, (ii) methods of service and operations at System Properties, (iii) knowledge of sales and profit performance at any one or more System Properties, (iv) knowledge of test programs, concepts, or results relating to operating, new advertising and promotional programs, (v) sources of suppliers of equipment, (vi) advertising, promotion, and marketing techniques, (vii) methods and information regarding the selection and training of managers and other employees for System Properties; and (viii) the Manual.

MM. “Transfer by Franchisee” shall mean the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee or the Property; (iii) any sale of a Controlling Interest in Franchisee in a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee’s death or the death of one of its owners with a Controlling Interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a Controlling Interest is a trust, any change in the trustees or the beneficial owners of the trust; or (viii) a pledge, hypothecation, or encumbrance of any Franchised Interest intended as security for an obligation.

NN. “WWFS” shall mean WaterWalk Franchise Services LLC, a Kansas limited liability company.

OO. “Website” means the WWFS home pages and any other internet and web pages or sites established by WWFS, including any individual franchisee webpages on such Website permitted or required by WWFS.

Article 2. Grant of Franchise License.

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

2.2 Franchisee shall operate the Property at, and only at, the Approved Location, and the Property shall have the number of buildings and units specified on **Exhibit A**. If Franchisee’s site application has not been approved at the time of this Agreement, **Exhibit A** shall be automatically amended to list the Approved Location upon the unconditional approval of the site application by WWFS. Franchisee agrees that WWFS and WWFS’ members and the subsidiaries and Affiliates, shareholders, and owners of WWFS and its members are not restricted from using the System or engaging in or licensing any business activity including System Properties or other lodging accommodations at any other location, except as otherwise set forth in Article 2.

2.3 Franchisee agrees that (a) this franchise license relates solely to the Approved Location, and (b) this Agreement does not entitle Franchisee to any protected territory, territorial rights, or exclusivity except as otherwise set forth in Article 2. Franchisee shall not expand or change the number of units in the Property without the prior written consent of WWFS and payment of the Property Expansion Fee.

2.4 Should the approved location not be acquired by Franchisee or become redundant for any reason, Franchisee may submit a replacement site application and pay a non-refundable fee of up to \$5,000 to WWFS to cover the costs and expenses associated with the review of the alternative proposed site, including, but not limited to travel expenses to and from such site. Franchisee will have no more than 60 days from the date that Franchisee first communicated to WWFS its intention to abandon development of the previously approved site to submit a replacement site application. Failure to do so may result in a

termination of this Agreement and/or loss of Franchisee's right to develop a Property in the Protected Territory identified in **Exhibit C** hereto. WWFS shall have 60 days after receipt of the replacement site application and all other such information and materials required by WWFS to approve or disapprove the replacement site application for any reason. If a replacement site application is submitted, it will be subject to the same terms and conditions stated above and will be approved or disapproved under the same terms and conditions described above. WWFS shall have no obligation to consider more than two site applications under this Agreement.

2.5 The license granted hereby to use the Proprietary Marks is nonexclusive, and Franchisee agrees that such Proprietary Marks are and shall remain the property of International and shall not be contested as to ownership or validity by Franchisee. Franchisee understands and agrees that the grant of the license to use the Proprietary Marks is conditioned upon Franchisee's agreement that: (a) the Proprietary Marks shall be used only in connection with the Franchised Business and only in the manner authorized by WWFS; (b) Franchisee will not use the Proprietary Marks or parts thereof as part of its corporate or other legal name, will identify itself as a Franchisee, and will comply with all fictitious name and other statutes in connection with its use of the Proprietary Marks; (c) Franchisee will cooperate with WWFS in protecting and defending the Proprietary Marks; and (d) Franchisee will comply with WWFS' designations of additions, deletions, and changes in the Proprietary Marks.

2.6 During the five-year period from the date of this Agreement, WWFS will not, without Franchisee's consent, and provided Franchisee is in full compliance with the terms and conditions of this Agreement, operate itself or through an Affiliate or grant a license or franchise to, or otherwise authorize, any other person or entity to establish a Property using the System within Franchisee's Protected Territory as set forth in Exhibit C, attached hereto. If Franchisee is not in compliance with the terms and conditions of this Agreement, WWFS shall be free to operate, directly or indirectly, or to authorize or license another person or entity to operate additional Properties within the Protected Territory. WWFS may, in its sole discretion, extend the above mentioned five year period for one or more years on the following conditions: (i) the extension is documented in writing as an amendment to this Agreement; and (ii) that if during the extension period WWFS wishes to grant a licensee or franchise to or otherwise authorize any other person or entity to establish a Property using the System within the Protected Territory WWFS may do so if an impact study is performed pursuant to WWFS' then current impact policy and the study shows that the effect of the new Property are within a permissible range pursuant to the impact policy.

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

- A. operate, and grant to others the right to operate Properties businesses outside your Protected Territory at such locations and on such terms and conditions as we deem appropriate, and after the expiration of the five year period set forth in Section 2.6, inside of the Protected Territory;
- B. offer to sell, or sell and distribute, any products or services under any trade names, trademarks, service marks or trade dress, including the Proprietary Marks, through any distribution channels or methods, which may include, without limitation, retail stores, wholesale, and the Internet (or any other existing or future form of electronic commerce); and
- C. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or

business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions.

Article 3. Term

3.1 Unless sooner terminated or modified as hereinafter provided, the term of this Agreement shall be 20 years from the date of Opening of the Property and this Agreement will expire without notice on such date.

Article 4. Fees And Royalties.

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

A. Upon the execution and delivery of this Agreement by Franchisee, Franchisee shall pay an Initial Franchise Fee in an amount equal to: (i) \$75,000, if the Property is approved to have no more than 126 units, or (ii) \$75,000 plus \$375 per unit in excess of 126, if the Property is approved to have more than 126 units. If subsequent to the execution of this Agreement WWFS approves Franchisee to develop a Property at the Approved Location with more units than initially approved, and the total number of approved units will be in excess of 126, Franchisee shall pay to WWFS as an additional Initial Franchise Fee of \$375 for each additional unit that has been approved. The additional Initial Franchise Fee shall be payable at the time of approval of the increased number of units. Franchisee acknowledges and agrees that such Initial Franchise Fee has been fully earned and is nonrefundable in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Franchisee. If the Property is a conversion Property, in addition, Franchisee shall pay WWFS the higher of \$5,000 and the cost incurred by WWFS for preparing a Property Improvement Plan to determine the required amount of remodeling and improvement required for the Property to operate under the Proprietary Marks.

B. A continuing Royalty Fee of 5% of Franchisee's Gross Revenues during each month of the Term.

C. A BD Fund Fee in an amount of 3.5% of Franchisee's Gross Revenues at the Property ("BD Fund Fee"). The BD Fund Fee may be increased to up to an amount of 5.0% of Franchisee's Gross Revenues at the Property upon prior written notice to Franchisee WWFS may, at its option, and in addition to the BD Fund Fee, charge Franchisee a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System.

D. If required by WWFS, a Reservation Fee of up to 2%, plus an amount set by us to off-set the cost of the reservation, on each reservation made for a stay at your Property through the Website, or any other reservation system established or used by WWFS.

E. If required by WWFS, a National Sales Fee of up to 3% of Franchisee's Gross Revenues at the Property (the "National Sales Fee") to cover the costs associated with promoting sales of extended-stay lodging facilities at System Properties.

F. Such other fees that are set forth in other sections of this Agreement or otherwise imposed, including a lease management fee, payable for support provided by WWFS to Franchisee for the management of lease agreements for units leased at the Property. Such fees shall be due as set forth in Section 4.2 of this Agreement, unless different payment terms are expressly stated for such fees at the time they are imposed or thereafter.

4.2 Unless payments terms to the contrary are expressly stated in this Agreement or otherwise, all payments required by Article 4, and all other payments due to WWFS on a continuing basis (“Payments”), shall be due to WWFS by the fifteenth (15th) day after the end of the calendar month in which such Gross Revenues were received by Franchisee, provided that, WWFS may, upon notice to Franchisee, collect such payments more frequently than monthly. If any payment due WWFS under this Agreement is overdue, Franchisee shall pay to WWFS immediately upon demand the overdue amount together with a late charge on such amount from the date it was due until paid, at the rate of 1.5% per month, or the maximum rate permitted by law, whichever is less. All Payments shall be made by wire transfer, electronic funds transfer or such other payment method as WWFS may indicate from time to time. Franchisee will be responsible for all costs associated with the payment method designated by WWFS. In its sole discretion, WWFS may collect Payments required by Article 4 by direct debit withdrawal by WWFS from a designated bank account of Franchisee or by using such other payment technology as is or may become available during the Term. Franchisee will cooperate with WWFS to set up payment through such methods and channels as may be determined by WWFS from time to time. Franchisee acknowledges that nothing contained in this Article 4 shall constitute an agreement by WWFS to accept such payments after the same are due or a commitment by WWFS to extend credit to, or otherwise finance Franchisee’s operation of, the Property. Franchisee acknowledges that Franchisee’s failure to pay all such amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 14 of this Agreement, notwithstanding the provisions of this Article. The entitlement to such late charge shall be in addition to any other remedies WWFS may have.

Article 5. Site Selection, Property Construction and Opening.

5.1 If Franchisee has not yet submitted a site application for an Approved Location at the time this Agreement is executed, Franchisee must submit such application and such information as WWFS may require within 60 days of the date of this Agreement for review by WWFS. Franchisee may not commence construction or remodeling of the Property until WWFS has unconditionally approved the proposed site in writing. WWFS has 60 days after all required information is received from Franchisee to approve or disapprove any proposed site. WWFS may approve or disapprove any site in its sole discretion.

5.2 Franchisee acknowledges that neither WWFS’s review of the proposed site for the Property nor any assistance that may be provided by WWFS in the selection or development of the site constitutes a representation, warranty or guaranty by WWFS regarding the potential financial success of the Property operated at that site, and Franchisee assumes all business and economic risks associated with the site.

5.3 Prior to commencing construction of the Property under this Agreement, Franchisee shall have completed or satisfied all of the following:

A. If Franchisee is obtaining the site for the Property by lease or installment land contract, Franchisee shall submit to WWFS with a request for approval, prior to execution by Franchisee, a copy of the lease or installment land contract for the proposed site, which must not contain any provision that is inconsistent with or interferes with the performance of any provision of this Agreement (which lease or installment land contract must include provisions (i) authorizing WWFS to enter the premises and make any modifications necessary to protect the Proprietary Marks, (ii) granting to WWFS the right (but not the duty) to assume the lease or installment land contract if Franchisee is in default under its terms and provisions and/or if this Agreement expires or is terminated, (iii) requiring concurrent notice from lessor or vendor to WWFS of any default or termination, and (iv) in the case of a lease, providing for a term of at least 20 years, which lease or installment land contract, when approved by WWFS, shall not thereafter be materially modified without the prior written consent of WWFS). Under no circumstances shall WWFS have any obligation or liability under such lease or installment land contract. If during the construction or

after opening of the Property Franchisee wishes to transfer the site for the Property or the Property to a third party (including to an Affiliate) and lease it from such third party, such transfer is subject to the requirements set forth in this Section 5.3 A, as well as in Article 13, including Section 13.10.

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

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

D. Within thirty (30) days of approval of an Approved Location, submit a request for approval of the zoning or proposed zoning to allow WWFS to make a determination whether the zoning or proposed zoning designation is consistent with the System and WWFS standards. If the Approved Location is properly zoned to allow the use and operation of the Property, Franchisee shall submit to WWFS, with the request for approval of zoning, an opinion letter or other documentation acceptable to WWFS, from an attorney authorized to practice law in the jurisdiction where the Approved Location is located, stating that the Approved Location is properly zoned to allow the use and operation of the Property, and listing any applicable zoning requirements and restrictions. If a change in the Approved Location's zoning is required to allow the use or operation of the Property, Franchisee shall submit to WWFS, with the request for approval, and prior to filing any application or request to change the zoning, the proposed change in zoning application and such information and documentation (including, but not limited to an opinion letter stating that the proposed zoning designation will allow the use and operation of the Property at the Approved Location), from an attorney authorized to practice law in the jurisdiction where the Approved Location is located. The zoning, or proposed zoning, when approved by WWFS, shall not thereafter be materially modified without the prior written consent of WWFS.

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

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

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

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

I. Provide to WWFS evidence that Franchisee possesses or has obtained adequate financing for constructing, furnishing, and operating the Property.

J. Such other information as WWFS may reasonably request.

5.4 Franchisee shall commence construction of the Property (i) within 240 days after the date of this Agreement, or (ii) within sixty (60) days of the point in time when a building permit for the Property is ready for issuance, whichever occurs earlier. A building permit shall be deemed ready for issuance at the point in time when the issuing authority has taken all steps necessary for issuance and would issue the building permit upon the payment of the fee therefor. In WWFS' discretion, WWFS may grant Franchisee up to four 30-day extensions for a fee of \$5,000 for each extension. Any such extensions shall be granted only in WWFS' sole discretion and upon payment of such additional extension fees as WWFS deems appropriate in its sole discretion. Franchisee shall pay WWFS a fee of up to \$5,000 at the time the extension is requested. If the extension is not granted, the fee will be refunded. Franchisee shall provide written notice to WWFS of the date of Commencement of Construction within ten (10) days after it occurs. Once commenced, construction work shall continue uninterrupted (except for interruption by reason of events constituting force majeure) until it is completed. Except for the occurrence of any events constituting force majeure, construction work shall be completed and the Property shall be furnished, equipped, and otherwise be made ready to open in accordance with this Agreement not later than the date specified in Article 5.5. WWFS shall have the sole right to determine whether the construction work has been completed in accordance with this Agreement, the approved plans, and the Manual.

5.5 Franchisee shall within two months after the Commencement of Construction:

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

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

5.6 Franchisee shall diligently and continuously prosecute the construction, furnishing, and equipping of the Property (including its acquisition and installation of all FF&E, signs, supplies, and other items necessary for completion and opening of the Property) in accordance with the plans previously approved by WWFS and in accordance with the Manual, but in any event the construction, furnishing, and equipping of the Property shall be completed within __ months after the date of Commencement of Construction of the Property. Franchisee acknowledges and understands that time is of the essence in the construction and opening of the Property, and except for the occurrence of any events constituting force majeure, the construction shall be completed and the Property shall be furnished, equipped, and otherwise be made ready to open for business, and all governmental licenses and permits (including a certificate of occupancy) necessary to operate the Property under the System shall have been obtained by Franchisee, at the end of such __-month period ("Construction Completion"). If Franchisee has met the opening requirements set forth in this Article 5 and has received a certificate of occupancy for

a portion of the Property, Franchisee may open the Property for business as long as Franchisee completes the construction, furnishing, and equipping of the balance of the Property within the time period set forth herein or any extension granted hereunder. In WWFS' discretion, WWFS may allow Franchisee up to four additional 30-day extensions of the construction completion date for a fee of \$5,000 per extension. The fee for each extension shall be payable at the time Franchisee applies for the extension. If the extension is not granted, the fee will be refunded. Any further extensions shall be granted only in WWFS' sole discretion and upon payment of such additional extension fees as WWFS deems appropriate in its sole discretion.

5.7 Franchisee agrees that WWFS and its agents shall have the right (without, however, any duty or obligation to do so) to visit and inspect the construction of the Property at all reasonable times.

5.8 WWFS' exercise of its rights to approve the plans and specifications and to inspect construction of the Property shall be solely for the purpose of assuring compliance with System standards and with the terms and conditions of this Agreement, and WWFS shall have no liability or obligation to Franchisee or any other person with respect to construction of the Property.

5.9 No later than thirty (30) days prior to the expected opening of the Property, Franchisee shall submit to WWFS, for its prior approval, Franchisee's direct sales and marketing plan if requested to do so by WWFS.

5.10 No later than one hundred and twenty (120) days prior to the expected opening of the Property, Franchisee shall enter into a Property Management Agreement with a management company approved by WWFS. Franchisee may not self-manage the Property for the first five (5) years of operation, without the approval of WWFS, who reserves the right to evaluate, review, inspect or conduct any due diligence it determines is necessary to evaluate whether Franchisee, or its property management company, is capable of managing the Property consistent with WWFS' standards. References in this Agreement to Franchisee's general manager shall include any general manager employed by such property management company. Such agreement will be under the standard terms and conditions of all System franchisees and shall be for a term of not less than five (5) years.

5.11 Upon request, WWFS will provide Franchisee with a list of pre-approved property management companies. If Franchisee wishes to engage a property management company not currently approved by WWFS, Franchisee must submit a request in writing to WWFS together with all reasonably requested information regarding the property management company. In order to be approved by WWFS, a proposed management company must, in WWFS' reasonable judgment, be qualified to manage the Property. WWFS may refuse to approve any proposed management company which, in WWFS' reasonable judgment, is not financially capable or responsible, is inexperienced or unqualified in managerial skills or operational capacity or capability, or is otherwise unable to adhere fully to the obligations and requirements of this Agreement. WWFS may also withhold its approval if the proposed management company does not provide WWFS with all information that WWFS may reasonably request in order to reach such decision. It is understood that confidential information and materials are, in the normal course of business, imparted to System franchisees and managers, and WWFS will be under no obligation to approve a proposed management company or replacement management company that is a franchisor or owner, or is affiliated or associated with the franchisor or owner, of an apartment or other lodging industry trade name that is competitive with WWFS, irrespective of the number of apartment complexes or hotels operating under such trade name, or, if the property management company or its owners refuse to execute such confidentiality or covenant agreements as WWFS, in its business judgment may require. When WWFS has approved in principle the management company nominated by Franchisee, Franchisee shall have the right to negotiate and execute a management agreement with such management company for the management and operation of the Property, subject to the terms, conditions, and obligations of this Agreement. Prior to such manager

assuming rights thereunder, the management agreement shall be submitted to WWFS for WWFS' written approval, which shall not to be unreasonably withheld. Such management agreement shall include provisions providing that (a) the manager shall have the authority and responsibility for the day-to-day management of the Property, (b) the Property will be operated during the term of the management agreement in such a manner as shall not detract from or modify the requirements of this Agreement or otherwise adversely affect the operation and management of the Property, (c) that the manager shall accept, abide by, and be subject to all rules, regulations, inspections, and requirements of WWFS set forth in this Agreement, and (d) that if there is a conflict between the management agreement and the terms of this Agreement, then this Agreement shall govern and control.

5.12 The Property shall be opened for business immediately upon satisfaction of all of the following requirements:

A. All FF&E required for the opening of the Property in accordance with this Agreement and the standards of WWFS shall have been installed or completed, and Franchisee shall have submitted to WWFS a certificate of occupancy from appropriate regulatory authorities. Franchisee may open on a floor by floor basis provided that all of the following requirements are satisfied as to all portions of the Property premises to which guests will have access: (i) all life and safety code requirements have been met; (ii) Franchisee has a certificate of occupancy or temporary certificate of occupancy for each floor opened, (iii) Franchisee has provided written documentation to WWFS of such temporary certificate of occupancy, and (iv) Franchisee is proceeding diligently toward completion of the full Property facility in accordance with the terms of this Agreement.

B. Franchisee's general manager and director of sales for the Property shall each have completed to WWFS' satisfaction a training program approved or conducted by WWFS, and Franchisee shall have employed qualified personnel sufficient to operate the Property.

C. Franchisee shall have paid all sums due WWFS and its affiliated companies.

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

E. Franchisee is in compliance with all applicable requirements of the Americans with Disabilities Act and the Fair Housing Act and has provided proper evidence thereof to WWFS.

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

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

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

Article 6. Duties of WWFS.

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

A. WWFS shall provide to Franchisee a set of then-current prototype plans and specifications (not for construction) as determined by WWFS for a typical System Property. These plans must be adapted to Franchisee's site by the appropriate licensed architects.

B. Upon reasonable request, WWFS shall consult with and advise Franchisee at WWFS' home office concerning the construction and operation of the Property.

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

D. WWFS shall make available to Franchisee, Franchisee's employees and Franchisee's property management company's employees such required and optional training courses, programs, conferences, seminars, and materials, as WWFS deems appropriate. All training shall be conducted at such locations and at such times as WWFS may designate and shall be subject to the terms and conditions set forth in this Agreement.

E. WWFS shall endeavor to maintain high standards of quality, cleanliness, appearance, and service for the System, and to that end shall conduct inspections of the System Properties, evaluations of the services rendered therein, and interviews of employees, agents, and customers of System Properties, all as WWFS deems advisable and appropriate.

F. WWFS has the right to have "secret shoppers" inspect the Property from time to time in order to help determine compliance with the terms of this Agreement.

G. WWFS will make available in electronic and/or printed format to all System Properties a WaterWalk Property Directory subject to the terms and conditions of Article 8 of this Agreement.

6.2 Franchisee acknowledges and agrees that any duty or obligation imposed on WWFS by this Agreement may be performed by a designee, employee, or agent of WWFS, as WWFS may direct.

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

6.4 WWFS has the right to delegate the performance of any portion or all of its obligations under this Agreement to third parties, and exercise any of its rights under this Agreement through third parties, whether those third-parties are our agents or independent contractors with whom we have contracted to perform these obligations. If WWFS does so, such third parties will be obligated to perform all functions for Franchisee in compliance with this Agreement and/or a separate signed agreement between Franchisee and such third-party as approved by WWFS.

Article 7. General Duties of Franchisee.

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

7.1 Franchisee covenants and agrees to commence, diligently pursue, and complete construction of the Property and open for business in accordance with Article 5 of this Agreement.

7.2 Franchisee, or if Franchisee is an entity, at least one of its principal owners, shall complete the new franchisee training prior to Opening. There is no fee for Franchisee, or if Franchisee is an entity, one of its principal owners, to attend new franchisee training. Franchisee shall employ or retain qualified management personnel as prescribed in the Manual. All personnel employed or retained by Franchisee in the positions of general manager and director of sales shall attend and successfully complete, to WWFS' satisfaction, WWFS' training program. The training fee for personnel is \$2,500 per person, provided that, upon notice WWFS has the right to increase the training fee to adjust for inflation, or otherwise to ensure that the training fee covers WWFS' expenses in connection with the training. The initial general manager shall complete their general manager certification training prior to Opening. The initial director of sales shall complete their director of sales training prior to Opening. All other personnel, including any subsequent general manager and director of sales, shall sign up for training within fourteen (14) days of employment and complete their general manager certification training within one hundred and twenty (120) days of employment. The 120 -day period may be extended if space in the training program is not available to Franchisee's or Franchisee's general management company's personnel during the specified periods. Notwithstanding WWFS' assistance in training Franchisee's employees, Franchisee (and to the extent applicable its property management company) is exclusively responsible for the terms of employment, compensation, scheduling, benefits, disciplining and all other personnel decisions respecting Property employees without any influence or advice from Franchisor.

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

7.4 WWFS may periodically make available other required or optional training courses to Franchisee's personnel and Franchisee's property management company's personnel, other than those mentioned, as well as other programs, conferences, seminars and materials, and Franchisee shall ensure that such personnel, as WWFS may direct, satisfactorily complete any required training within the time specified.

7.5 All training shall be provided at such locations as WWFS may designate and Franchisee shall be responsible for Franchisee's and Franchisee's property management company's employees' travel expenses and room, board and wages during the training. Franchisee will be charged reasonable tuition for training of Franchisee's and Franchisee's property management company's personnel

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and such tuition shall be payable per the terms of the invoice therefor. WWFS reserves the right to require, as a condition of providing training, that personnel employed or retained by Franchisee or Franchisee's property management company execute confidentiality agreements prepared by WWFS. WWFS reserves the right to limit the availability of any optional training programs.

7.6 Franchisee expressly acknowledges that adherence to each and every provision of the System is reasonable, necessary, and essential to maintain the uniform image and favorable reputation of each Property and the System and the success of WWFS' franchise program. Accordingly, Franchisee expressly agrees to comply with each and every requirement of the System during the term hereof, as the same may be modified or supplemented by WWFS in its sole discretion. Such modifications and supplementations may relate to, without limitation, changes in the business, authorized products and services, FF&E requirements, quality standards, operating procedures, compliance with any requirements for installing frame relay, customer information systems, reservations systems and other systems or technology programs, and to pay any fees or charges associated with any such System modifications or supplementations and any other changes reflected in the Manual.

7.7 Franchisee shall provide efficient, courteous, and high-quality service to the public and shall operate the Property pursuant to the mandatory terms and provisions outlined in the Manual except as otherwise permitted by WWFS in writing. Franchisee shall cause the Property to honor all credit cards specified by WWFS and enter into such credit card arrangements with the issuers of such cards as may be necessary to do so.

7.8 Franchisee shall use the Property premises solely for the operation of the Franchised Business and shall not use or allow the use of the premises for any other purpose or activity (including, without limitation, the promotion of any competing business) at any time without the prior written consent of WWFS, which may be granted or withheld in WWFS' sole discretion. Franchisee shall not sacrifice room revenue to further any other business activity.

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

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

7.11 Franchisee acknowledges and agrees (a) that this franchise license and Franchisee's right under this Agreement are granted for the number of units specified herein on **Exhibit A**, and (b) that Franchisee shall not expand the number of units in the Property without the prior written consent of WWFS. Should Franchisee propose to increase the number of such units, a fee equal to the then-current Initial Franchise Fee per unit for each additional unit shall be paid to WWFS simultaneously with Franchisee's request for approval of such expansion. Such fee for the expansion shall become non-refundable upon WWFS' approval of the proposed expansion.

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

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

7.14 Franchisee shall pay when due all taxes levied or assessed in connection with the possession, ownership, or operation of the Property and all taxes payable on royalties and other payments made to WWFS or to any of the affiliated companies (excluding income taxes payable by WWFS or any of its affiliated companies). In the event of any bona fide dispute respecting any tax assessed against Franchisee, the Property, any personal property located therein, or any payments due to WWFS or any of its Affiliates, Franchisee may contest the validity or amount of the tax in accordance with procedures of the taxing authority; provided, however, that Franchisee shall act with all due diligence and shall in no event permit a tax sale or seizure against the Property or any equipment, goods, or property located therein, or any impoundment of payments due to WWFS.

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

7.16 WWFS may make available to System Properties a property management system. If required by WWFS, Franchisee shall install, maintain, and use the automated property management system as developed and promulgated (in the Manual or otherwise in writing) by WWFS. Franchisee shall either reimburse WWFS for Franchisee's equitable pro rata share of WWFS' cost of developing and maintaining such software, including, without limitation, enhancements, additions, substitutions, or other modifications provided to the System by WWFS, purchase such system, or pay such fee as WWFS may decide to charge for use of such property management or related system. Without regard to the actual capabilities of any property management system or other computer hardware or software that Franchisee installs and that WWFS has access to directly or indirectly, WWFS does not have the right to use such technology or tools to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to WWFS' legitimate interest in protecting the quality of the WaterWalk System (brand) or the products or services offered at the Property.

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

7.18 If Franchisee is at any time a corporation, limited liability company, partnership or other business entity, Franchisee agrees and represents that:

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

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

C. **Exhibit B** to this Agreement will at all times completely and accurately describe all of the owners of Franchisee and their beneficial ownership interests in Franchisee.

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

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

7.19 If the Property (or any of the premises on which the Property is located) is condemned or damaged by casualty, Franchisee agrees as follows:

A. Franchisee shall, within ten (10) days of receipt, provide WWFS with a copy of any notice of any proposed taking of the Property or surrounding premises by eminent domain or condemnation. Such notice shall be sent by Franchisee to WWFS by overnight courier service. If the Property is condemned or so taken or such a substantial portion of the Property is condemned or so taken as to render impractical the continued operation of the Property in accordance with System standards, then in such event, (i) this Agreement shall terminate upon notice by WWFS to Franchisee, and (ii) notwithstanding subsection (i), WWFS shall be entitled to receive the payments due under Article 4 for as long as the Property remains open for business or for a period of one year from the date Franchisee notifies WWFS of the condemnation, whichever is longer. If the Property ceases business operations prior to one year from the date WWFS receives notice of the condemnation, WWFS will be entitled to receive a payment from Franchisee for the balance of the one-year period based on the average monthly fees from the trailing twelve (12) months. If a non-substantial condemnation shall occur, then in such event, Franchisee shall promptly make whatever repairs and restoration may be necessary to make the Property conform substantially to its former character and appearance according to plans and specifications approved by WWFS, and the resumption of normal operation of the Property shall not be unreasonably delayed by Franchisee.

B. If the Property is damaged or destroyed by fire or other casualty, Franchisee shall repair the damage without delay. If the casualty requires closing the Property, Franchisee shall (i)

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immediately notify WWFS, (ii) commence reconstruction and repair as soon as practicable, but in any event within one hundred and eighty (180) days after the closing of the Property, (iii) repair or rebuild the Property in accordance with the then-current System standards and specifications, and (iv) reopen the Property for continuous operations under the System as soon as practicable, but in any event within eighteen (18) months after closing the Property, provided that the Property may reopen only after WWFS' express written approval of the same for opening. Franchisee shall give WWFS at least ninety (90) days advance written notice of the date of such reopening.

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

7.20 Franchisee acknowledges and agrees that, in addition to the rights granted WWFS under Article 10.6 hereof, WWFS may use the names of customers or guests of the Property for any purpose, and agrees that WWFS may have access to Franchisee's sales and customer data base for that purpose.

7.21 WWFS has established internet Websites that provide information about the System and that facilitates reservations for all System Properties. WWFS will have sole discretion and control over the Website and any other Online Presence (including timing, design, contents and continuation). WWFS may use part of the BD Fund Fees collected under Article 4.1.C to pay or reimburse the costs associated with the development, maintenance and update of their Online Presence and Websites. At Franchisee's expense, WWFS will include a link to the Property specific pages from its Websites. WWFS shall have the only WaterWalk Website. Franchisee may not have any individual website other than those accessed and linked through WWFS' primary Website. WWFS may require Franchisee to prepare all or a portion of such individual pages, at Franchisee's expense, using a template that WWFS provides. All such information will be subject to WWFS' prior written approval prior to posting. Except for this interior page, Franchisee may not maintain any Online Presence or other website in connection with Franchisee's ownership or operation of the Property. If the Franchisee is permitted or required to have an individual Online Presence, Franchisee must provide WWFS with administrator-level access credentials, usernames, passwords, tokens and all other information and items required for complete access to, and control over, any online presence or social networking activities.

7.22 WWFS reserves the right to require Franchisee to remove any content in its individual Online Presence, including videos, advertising or other material or content posted that WWFS, in its sole discretion, deems inappropriate. WWFS reserves the right to develop additional profiles or accounts in its Online Presence on websites designated for social networking, social media sites, or on websites otherwise commonly used by furnished, unfurnished, and or extended-stay lodging facilities, or by the franchise industry in general. WWFS may, in its sole discretion, require Franchisee to participate in its Online Presence in Franchisee's individual capacity by preparing and maintaining all or a portion of a profile or account for the Franchisee, at Franchisee's expense.

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

7.24 Franchisee shall pay IAWO's then-current dues, assessments, and conference fees to attend IAWO meetings, regardless of whether Franchisee attends such meetings.

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

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

Article 8. Quality Control and Supervision.

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

A. The Property shall be operated in strict conformity with such mandatory standards, specifications, methods and techniques as WWFS may prescribe in the Manual (as opposed to best practices and suggestions), and Franchisee shall refrain from deviating therefrom and from otherwise operating in any manner which adversely reflects on the System, the Proprietary Marks, the goodwill associated therewith or WWFS' rights therein. Franchisee is responsible for the day-to-day operation of the Property.

B. Franchisee shall, at Franchisee's expense, purchase or lease and install at the Property all FF&E, property management or related systems, frame relay, customer information system, reservation system, and other systems and technology programs specified by WWFS. Franchisee shall refrain from installing in, on or about the Property, or permitting to be installed, without WWFS' prior written consent, any FF&E, electronic or video games or any other items or services not previously approved by WWFS. The size, form, color scheme, content (except for prices, charges or other rate information which are subject to Article 8.9 below), and location of all signs, advertisements and graphic materials displayed in any public area or units at the Property shall be as prescribed in the Manual or otherwise approved in writing by WWFS. Notwithstanding the foregoing, WWFS does not have the right to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to WWFS' legitimate interest in protecting the quality of the WaterWalk System (brand) or the products or services offered at the Property.

C. WWFS may require that particular FF&E items be purchased from vendors approved by WWFS. Otherwise, Franchisee may purchase all FF&E used from any source as long as the standards and specifications in the Manual are met. If Franchisee would like to purchase certain FF&E items from a vendor other than an approved vendor, Franchisee must request in writing that WWFS approve an alternative vendor for a product or service. Franchisee must submit whatever information, specifications, or samples WWFS requires and reimburse WWFS for its costs of review and testing the alternate vendor. WWFS reserves the right to approve or disapprove proposed alternative vendors in its sole discretion.

Franchisee must reimburse WWFS costs per the terms of invoice therefor. WWFS may revoke an approval previously given at any time in its discretion, upon notice to the Franchisee. Notice will be given in a manner that WWFS deems appropriate.

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

E. If Franchisee would like to use alternate products or services to FF&E items required by WWFS, Franchisee must first request in writing that WWFS approve the alternate product or service. Franchisee must submit whatever information, specifications, or samples WWFS requires and must pay to WWFS a fee of \$2,500 per product or service when the request is submitted. If the costs of WWFS for the review and testing of the product or service exceed \$2,500, the Franchisee must reimburse WWFS for such additional cost per the terms of invoice therefor. WWFS reserves the right to approve or disapprove proposed alternative products or services in its sole discretion. WWFS will notify Franchisee within a reasonable time of its approval or rejection of the alternate product or service. WWFS may revoke an approval previously given at any time in its discretion, upon notice to the Franchisee. Notice will be given in a manner that WWFS deems appropriate.

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

8.3 Franchisee hereby grants to WWFS and its agents the right to enter upon the premises of the Property at any reasonable time for the purpose of conducting inspections. Franchisee shall (a) provide lodging without charge to WWFS' agent during such time as may reasonably be necessary to complete such inspections; (b) cooperate fully with WWFS' agents during the inspections; and (c) take such steps as may be reasonably necessary to correct any deficiencies detected during such an inspection, upon the written request of WWFS or its agents, within such reasonable time as may be specified therein. Franchisee shall provide all information requested by WWFS for the purpose of WWFS' conducting guest satisfaction audits and surveys. If Franchisee fails an inspection or fails to meet brand standards, WWFS will charge Franchisee a quality assurance/safety/non-compliance inspection fee of \$4,000 for each follow-up evaluation that occurs as a result of Franchisee's Property failing to meet any quality or service requirements or brand standards ("Quality Assurance/Safety/Non-Compliance Review Fee"). If the Property does not pass inspection more than twice during any 12-month period, WWFS may, in its sole discretion, increase the Quality Assurance/Safety Non-Compliance Review Fee by \$1,000 per each additional inspection conducted as a result of the failed inspections. Franchisee must also pay the expenses of WWFS' representative(s) conducting such inspection. Franchisee shall pay such Quality Assurance/Safety/Non-Compliance Inspection Fee and expenses within fifteen (15) days of receipt of an invoice therefor. WWFS may, in its sole discretion, collect any payments or amounts due or payable under this Article by direct debit withdrawal from a bank account designated by Franchisee.

8.4 If Franchisee fails an inspection for any health or safety reason that WWFS, in its discretion, deems to constitute a danger to the health or safety of the public, employees at the Property, or guests or visitors to the Property, Franchisee shall, immediately upon WWFS' request, take such action as required by WWFS, including closing all or part of the Property, or not allowing any new guests, until the dangerous conditions have been remedied to WWFS' satisfaction. Nothing in this Section 8.4 shall limit or restrict WWFS' rights under Article 14, or any other Article of this Agreement.

8.5 If Franchisee changes its property management company, WWFS will conduct a quality assurance and safety review of the Property to facilitate the transition of property management companies and to establish a quality and safety baseline for future inspections. You shall pay WWFS' then current fee for such inspections, plus the travel costs of the representative conducting the inspection. The current fee for such inspections is \$2,500.

8.6 If the Property has sustained substantial wear and tear, Franchisee may request, or WWFS may require, that a property improvement review ("PIR") be performed. The PIR will identify areas of the Property or items that do not satisfy then current System standards as set forth in the Manual, and identify steps required to be taken to remedy identified deficiencies. Franchisee will pay WWFS the then current fee for performing the PIR. The fee will be payable upon request for the PIR to be performed.

8.7 If Franchisee develops any products, services, procedures or inventions deemed by WWFS to be appropriate for use in the Property and other System Properties, it is understood and agreed that WWFS shall be the owner of such products, services, procedures or inventions without obligation to compensate Franchisee, it being understood and agreed that the benefit to the Franchisee from the overall enhancement of the System is sufficient consideration for granting this right to WWFS.

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

8.9 Immediately upon receipt by Franchisee of any report from any health department or other comparable agency, Franchisee shall send a complete copy of such report to WWFS by overnight courier service. Franchisee shall notify WWFS in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Franchisee or the Property or of any notice of violation of any law, ordinance or regulation relating to health or sanitation.

8.10 WWFS and Franchisee recognize the value of pricing and marketing programs that facilitate the marketing of the System, the good will, reputation and uniformity of the System and consumer acceptance and recognition of System Properties. Franchisee and WWFS agree that, in order to better accomplish these objectives, WWFS may from time to time in its sole judgment (a) require that rates for lodging accommodations shall start at levels no higher than those determined by WWFS and (b) otherwise establish rates and prices to the extent permitted by applicable law.

Article 9. Brand Development & Advertising.

Franchisee and WWFS recognize the value of continued brand development through technology, advertising, and other sources and the importance of the standardization of technology and advertising

programs to the furtherance of the goodwill and public image of the System. In order to better accomplish these objectives, the parties agree as follows:

9.1 WWFS has established a Brand Development Fund (“BD Fund”). The BD Fund will be administered by WWFS. The BD Fund may be used to meet any and all costs of researching, developing and preparing national, regional, point of sale, and local direct sales advertising and marketing strategy materials for use within the System, including, without limitation, costs associated with developing, preparing, directing, administering, maintaining, and disseminating advertising, marketing, promotional, and public relations materials; conducting marketing research; maintaining a national sales and marketing staff and related expenses; development, maintenance and updates to the Online Presence; joint promotional programs for all WWFS brands; and preparing, producing, broadcasting, and disseminating advertising and promotions, including, without limitation, radio, television, newspaper, magazine and Internet advertising, market surveys, public relations activities; developing technology and/or information systems for use in or by the System, or maintaining or updating technology, information systems, property management and reservation systems, software, hardware and other equipment for use in the System, and other activities intended to develop or improve the System; employment of advertising agencies and other consulting companies and advisors retained to assist in any of the aforementioned; and reasonable salaries, administrative costs (including collections costs), travel expenses, overhead, and similar expenses WWFS may incur in connection therewith. WWFS will choose and determine the nature, theme, and timing of advertising and the kind and quality of advertising materials to be provided to franchisees through the BD Fund, as well as the kind and quality of any technology, information systems, or other System improvements to be provided through the BD Fund. The technology and other System improvement activities undertaken out of the BD Fund may not represent all such activities, efforts, measures undertaken by WWFS, and the BD Fund Fee will likely not cover all expenses Franchisee may incur in connection with the adoption of such activities, efforts, and measures. All payments, plus income earned therefrom, shall be used exclusively for the above-stated purposes, shall be maintained in an account separate from WWFS funds, and shall not be used to defray any of WWFS’ general operating expenses, except for reasonable salaries, administrative costs, travel expenses, overhead, and similar expenses WWFS may incur in activities related to the administration of the BD Fund and all costs of development and preparing national, regional, point of sale, and local advertising materials for use within the System. WWFS shall, for each of its company-owned System Properties, make contributions to the BD Fund at the same percentage of Gross Revenues required of Franchisees within the System. WWFS shall direct the BD Fund and all of its activities, including, all advertising, marketing, and direct sales promotional programs and activities, with sole discretion over the concepts, materials, and media used in such programs and activities and the placement and allocation thereof. WWFS shall consult with the IAWO on the use of the BD Fund Fee, if and when it sees fit, in its sole discretion. Franchisee acknowledges that the intent of the BD Fund shall be to improve and develop the System and to maximize general public recognition, direct sales programs, and acceptance of the Proprietary Marks for the benefit of the System, and WWFS or its designee shall have no obligation in administering the BD Fund, to make expenditures for Franchisee which are equivalent or proportionate to any payments by Franchisee, or to ensure that any particular Franchisee or any particular franchised location benefits directly or pro rata from advertising or promotion conducted under the BD Fund, or from any other System change or improvement resulting from the use of the BD Fund Fees.

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

9.3 As long as this Agreement remains effective, Franchisee and all Franchisees of the System shall be members of IAWO, or such alternative or successor association or franchise advisory council as may be sanctioned by WWFS to serve as an advisory council to WWFS with respect to advertising, marketing, reservations, and other matters relating to System Properties, unless, and until, WWFS, in its sole discretion, chooses to discontinue the IAWO, or such alternative or successor association or advisory council. Franchisee shall be a member of IAWO. As a member of IAWO, Franchisee shall have the following rights and obligations:

A. Franchisee shall pay to IAWO all dues, assessments, and conference fees authorized by IAWO and shall otherwise maintain its membership in IAWO in good standing (“good standing” means IAWO dues and assessments are current and Franchisee has not been given a notice of its default under this Agreement). Such fees shall be consistently applied to all franchisees in the System and Properties owned by WWFS or its Affiliates. As of the date of this Agreement, no dues have been authorized by IAWO.

B. On all matters on which members of IAWO in good standing are authorized to vote under the Bylaws of IAWO, each Franchisee member shall be entitled to one vote for each System Property it has in operation and WWFS shall be entitled to one vote for each System Property operated by WWFS for itself or for parties who are not franchisees.

C. WWFS will, as it deems appropriate, seek the advice and counsel of IAWO, its board of directors and committees. IAWO’s committees and their functions and membership will be subject to approval in writing by WWFS, which approval will not be unreasonably withheld. Recognizing that IAWO must function in a manner consistent with all franchisees of the System, the parties will cause the governing rules of IAWO to be consistent with this Agreement.

9.4 Franchisee agrees to list the Property in the WaterWalk Property Directory and to furnish to WWFS such information as WWFS or its designee may request for that purpose. Franchisee understands and acknowledges that the success and utility of the WaterWalk Property Directory may require that it contain information concerning rates for lodging accommodations; that Franchisee shall have sole discretion in determining any rates for the Property which appears in each WaterWalk Property Directory; and that WWFS assumes no liability for, nor shall WWFS be deemed liable by reason of, any failure by Franchisee or WWFS’ other franchisees to honor any WaterWalk Property Directory rates for the period during which each WaterWalk Property Directory is in effect. If rates are required to be included in the WaterWalk Property Directory listing for the Property, seasonal and other rate changes or differentials shall be specified, upon Franchisee’s request. Franchisee agrees not to charge higher rates than those that Franchisee causes to be published in the WaterWalk Properties Directory and to comply with such other requirements with respect to the WaterWalk Property Directory as may be specified in the Manual.

9.5 Franchisee shall participate in the WaterWalk Property reservation system, and shall observe all terms and conditions of participation specified by WWFS. Franchisee shall purchase, install and maintain at the Property all equipment necessary for participation in the reservation system required by WWFS, including a reservation terminal and related equipment and software and any future enhancements, additions, substitutions or other modifications specified by WWFS in the Manual or otherwise in writing. Franchisee shall also be responsible for telephone line or other communication infrastructure charges for connecting Franchisee’s reservation equipment to the reservation system and for the cost of supplies used in the operation of the equipment and for all other related expenses.

9.6 WWFS will have the right, but not the obligation, to control and provide the messaging on any exterior signage for the Property. WWFS may control and provide any or all of such

messaging. All hardware and software used to control and provide the sign messaging for the Property's exterior signage must enable WWFS direct access and control by remote means to the sign messaging so that WWFS has the ability to change the messaging at any time.

Article 10. Financial Reporting.

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

10.2 On or before the 15th day of each calendar month, Franchisee shall submit to WWFS an income statement prepared in accordance with generally accepted accounting principles (in such form and detail as WWFS may require) that will support the computation of all amounts then due under Article 4.1 of this Agreement, provided that, if fees will become due under this Agreement more frequently than monthly, upon notice to Franchisee, WWFS may require reports to be submitted more frequently. The statement shall include information for the preceding month as to Gross Revenues, other revenues, expenses, occupancy and room rates data, reservation data, and such other information as WWFS may require. Any report required to be submitted hereunder not actually received by WWFS on or before the date the related payment was due shall be deemed overdue unless postmarked at least five days prior to the date it was due.

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

10.4 WWFS or its representatives, at WWFS' expense, shall at all reasonable times have the right to inspect or audit the books, accounts, records, returns, and statements of Franchisee on the premises of Franchisee, such other location where they are kept, or to have such records sent to a separate location designated by WWFS. The foregoing records may include, but are not limited to, state and federal income tax returns, credit card or any other third-party charge account statements and any bank, savings and loan, brokerage or other financial checking, money market or savings account used for the Franchised Business. Franchisee shall fully cooperate with WWFS and its representatives or agents conducting such inspections or audits and, upon request, Franchisee shall submit a written response to any issues raised in connection with said audits. In the event a discrepancy between reported Gross Revenues and actual Gross Revenues is uncovered in any audit conducted pursuant to this Article for any reporting period (monthly, quarterly, or annually), Franchisee shall promptly pay the amount determined to be owing and, if the

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

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

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

Article 11. Proprietary Marks and Trade Secrets; Competition.

11.1 WWFS is either the owner or the licensee of all Proprietary Marks. Franchisee acknowledges that ownership of all right, title and interest in the System and all parts thereof, including, without limitation, the Proprietary Marks and the design, decor and image of all System Properties, is and shall remain vested solely in WWFS and International. Franchisee expressly disclaims any right, title or interest therein or in any goodwill derived therefrom. Franchisee's license to use the System, and any part thereof, is personal to Franchisee, and Franchisee shall not license, sublicense or allow the System, or any part thereof, to be used by any other person, firm or business association without WWFS' prior written approval. All uses of the System by Franchisee inure to the benefit of WWFS, and with respect to the Proprietary Marks, to the benefit of International. Franchisee acknowledges and agrees that for purposes

of protecting International's interest in the Proprietary Marks, International is a third-party beneficiary to this Agreement.

11.2 Franchisee shall not, directly or indirectly, at any time during the term of this Agreement or thereafter, do, cause or suffer to be done any act or thing disputing, attacking or in any way impairing or tending to impair the right, title or interest of WWFS or International (to the extent applicable) in the Proprietary Marks or the System. Franchisee shall immediately notify WWFS in writing of all infringements or imitations of the Proprietary Marks of which Franchisee becomes aware, and WWFS or International (to the extent applicable) shall exercise absolute discretion in deciding what action, if any, should be taken. Franchisee shall fully cooperate with WWFS or International (to the extent applicable) in the prosecution of any action to prevent the infringement, imitation or illegal use of the Proprietary Marks and agrees to be named as a party in any such action at WWFS' request. WWFS or International, as the case may be, shall bear any and all legal expenses incident to Franchisee's participation, at WWFS' request, in any action to prevent the infringement or illegal use of the Proprietary Marks, except for the cost of any legal counsel separately retained by Franchisee. Except as expressly provided in this Article, WWFS shall not be liable to Franchisee for any damages, costs, expenses, loss of profits or business opportunities or incidental or consequential damages of any kind or nature whatsoever relating to any action involving the Proprietary Marks.

11.3 Franchisee shall use the Proprietary Marks as the sole identification of the Property; provided, however, that in all public records and in its relationship with other persons, on stationery, business forms, checks or as otherwise required by WWFS, Franchisee shall indicate Franchisee's independent ownership of the Property. Franchisee shall identify the Property as being independently operated, such as "Independently owned and operated by [Franchisee] through a Franchise Agreement with WaterWalk Franchise Services LLC." or "This WaterWalk Property is independently owned and operated by [Franchisee] through a Franchise Agreement with WaterWalk Franchise Services LLC." Franchisee shall file so-called assumed name or doing business certificates with local or state authorities, as required by applicable law, showing its independent ownership of the Property. In no event shall Franchisee use the Proprietary Marks in connection with the sale of any product or service not authorized for sale at the Property. Franchisee shall not license, sublicense or allow the Proprietary Marks to be used by any other person or business entity without WWFS' prior written approval. In adopting any corporate, proprietorship or partnership name, Franchisee shall not use the Proprietary Marks or any variation or abbreviation thereof, or any words confusingly similar thereto. Franchisee has no right to register any of the Proprietary Marks and shall not register any Proprietary Mark with the U.S. Patent and Trademark Office, the Canadian Intellectual Property Office or with state, provincial or other authorities. If it becomes advisable at any time in WWFS' sole discretion for WWFS and/or Franchisee to modify or discontinue use of the Proprietary Marks, and/or use one or more additional or substitute trade or service Proprietary Marks, Franchisee agrees to comply therewith within a reasonable time after written notice thereof by WWFS.

11.4 Franchisee further acknowledges and agrees as follows:

A. WWFS possesses certain Trade Secrets, and in general, methods, techniques, formats, specifications, programs, procedures, information systems and knowledge, in the operation and franchising of Properties and other lodging concepts.

B. WWFS will disclose the Trade Secrets to Franchisee in furnishing Franchisee with standard plans for the Property, in the Manual and any other materials, by providing training to Franchisee hereunder, and in the performance of WWFS' other obligations and the exercise of its other rights under this Agreement. Franchisee hereby agrees that all materials lent or otherwise made available to Franchisee by WWFS and all disclosures made to Franchisee hereunder including, without limitation, the Manual and

other confidential commercial information identified as such by WWFS are Trade Secrets of WWFS and shall be kept confidential and used by Franchisee only in the operation of the Property. Franchisee will not, nor permit anyone else to, reproduce, copy, access or exhibit any portion of the Manual or any other confidential or proprietary information received from WWFS. Franchisee shall not divulge any such Trade Secrets to any person other than Franchisee's employees and then only to the extent necessary for the operation of the Property.

C. Franchisee shall acquire no interest in the Trade Secrets, other than the right to utilize them in the development and operation of the Property during the term of this Agreement. The use or duplication of the Trade Secrets in any other business will constitute an unfair method of competition. The Trade Secrets are proprietary and are disclosed to Franchisee in confidence and solely on the condition that Franchisee agrees, and Franchisee hereby agrees that Franchisee (i) will not use the Trade Secrets in any other business or capacity; (ii) will maintain the absolute confidentiality of the Trade Secrets during and after the term of this Agreement; (iii) will not make unauthorized copies of any portions of the Trade Secrets disclosed in written form, including, without limitation, any plans, the Manual, bulletins or supplements and additions thereto; and (iv) will operate and implement all reasonable procedures prescribed by WWFS to prevent the unauthorized use and disclosure of the Trade Secrets. Franchisee shall immediately notify WWFS of any unauthorized use or disclosure of the Manual or any of the Trade Secrets or if the Manual or any other materials containing any Trade Secrets are lost or stolen.

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

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

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

11.7 Franchisee shall require every person employed as general manager of the Property to devote full time to such employment and to agree in writing to be bound by the restrictions set forth in

this Article. Franchisee shall also take all reasonable steps to require other employees to be bound by the confidentiality provisions of this Article. Upon WWFS' request, Franchisee shall promptly provide copies of all such agreements to WWFS.

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

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

11.10 During the term of this Agreement and for a period of two (2) years following the transfer (by Franchisee or by an owner signing an Owner's Acknowledgement to this Agreement), expiration, or termination of this Agreement for any reason, Franchisee shall not compete with WWFS and/or the System by being associated directly or indirectly as an owner, shareholder, officer, director, employee, consultant, manager or otherwise, in any Competing Business (except a System Property) anywhere in the MSA in which the Property is located as well as any MSA in which any other System Property is located; provided, passive ownership of less than 2% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Article. If Franchisee is in breach of this Section following the transfer, expiration or termination of this Agreement (including by continuing to operate the Property as a System Property after the Agreement has expired or terminated), the period of duration for the obligation set forth herein will be tolled until the resolution of any enforcement action taken by Franchisor against Franchisee to enforce this Section. The Franchisee covenants that it will not, for a period of two (2) years after the expiration, non-renewal or termination of this agreement, regardless of the cause of termination, or within two (2) years of the sale of the Property or any interest in the Franchisee, solicit business from customers of the Franchisee's former Franchised Business or from any national accounts, or contact any of WWFS suppliers or vendors for any competitive business purpose, or solicit any of its former Franchised Business' key or executive level employees or the key or executive-level employees of any franchised business operated by another franchisee, WWFS or its affiliates to discontinue employment.

Article 12. Insurance and Indemnity.

12.1 During the term of this Agreement, Franchisee shall comply with all insurance requirements of any lease, mortgage, or deed of trust covering the Property as well as all insurance requirements of WWFS as set forth in the Manual or as otherwise communicated by WWFS. All insurance shall be procured at the earliest possible time that Franchisee has an insurable interest with respect thereto,

but in no event later than the Opening, and shall be written by insurance companies with an A.M. Best rating of A-VI or greater. At a minimum, Franchisee shall maintain the following:

- (a) Commercial Property insurance on the Property and all boilers, machinery, improvements and/or betterments in, on or to the Property. Coverage shall be provided on a “Special Cause of Loss” form, not be subject to any coinsurance provisions, and be in an amount not less the full replacement cost of the Property. Such coverage shall also include the following:
 - i. Electronic and data processing with a sublimit no less than \$25,000 each occurrence;
 - ii. Equipment Breakdown, including spoilage damage coverage;
 - iii. Business Income/Extra Expense coverage for loss of profits and necessary continuing expenses, including coverage for payments of royalty fees, BD Fund Fees, Reservation Fees or National Sales Fees, for any interruption in Franchisee’s business operations, as well as the cost of conducting a pre-opening review before reopening of the business in the event of closure for repairs or rebuild;
 - iv. If the Property is located in an “earthquake prone zone” as determined by the U.S. Geological Survey, earthquake coverage with a limit equal to the full replacement cost of the Property or with a sublimit no less than *\$/such amount as agreed upon between WWFS and Franchisee, or if not specified by the parties, as may be required by the Manual*]; and
 - v. If the Property is located in whole or in part within an area identified by the Federal Government as having a special flood hazard, flood coverage with a limit equal to the full replacement cost of the Property or with a sublimit no less than *\$/such amount as agreed upon between WWFS and Franchisee, or if not specified by the parties, as may be required by the Manual*].
- (b) Commercial General Liability (CGL) insurance with coverage for bodily injury, personal injury, property damage, contractual liability, products liability, completed operations and independent contractors, written on the latest ISO CG 00 01 occurrence form or equivalent. The policy shall have minimum limits of (i) \$1,000,000 each occurrence for bodily injury and property damage, (ii) \$1,000,000 each occurrence for personal and advertising injury, (iii) \$2,000,000 general aggregate, and (iv) \$2,000,000 products-completed operations aggregate. The general aggregate limit shall apply separately to the Property.
- (c) Business Automobile Liability insurance covering all of Franchisee’s owned, non-owned and hired automobiles with a minimum combined single limit of \$1,000,000 per accident for bodily injury and property damage.
- (d) Workers’ Compensation and Employer’s Liability insurance for all employees that work at the Property, regardless of whether Franchisee is able to exempt itself under applicable state law from the Workers’ Compensation requirement, or whether the employees are full-time, part-time, temporary, seasonal, leased, or borrowed. The Workers’ Compensation coverage provided shall be in accordance with the laws of the state where the Property is located, and the Employer’s Liability coverage shall have limits of \$1,000,000 each accident for bodily injury by disease; \$1,000,000 each employee for bodily injury by disease; and \$1,000,000 policy limit for bodily injury by disease.
- (e) Excess or Umbrella Liability insurance which provides excess coverage over the underlying CGL policy with minimum limits of \$10,000,000 each occurrence and

\$10,000,000 general aggregate, and includes Franchisee's property management company as an Additional Insured on a primary and non-contributory basis.

- (f) Environmental Liability insurance with minimum limits of \$5,000,000 per occurrence and \$5,000,000 aggregate.
- (g) Commercial Crime insurance for losses arising out of or in connection with any fraudulent or dishonest act committed by employees of Franchisee.
- (h) Cyber liability insurance that includes, at least, the following types of coverage with minimum policy limits of at least \$1,000,000 per type of coverage:
 - i. Data & Network Liability Coverage, which covers liabilities resulting from a data breach, network security breach or violation of a privacy policy;
 - ii. Regulatory Defense & Penalty Coverage which covers costs and civil penalties resulting from proceedings or inquiries initiated by a governmental entity;
 - iii. Payment Card Liability & Costs Coverage, which covers amounts owed under a merchant service agreement to financial institutions, card brands or card processors following a data breach;
 - iv. Media Liability Coverage, which covers claims of libel, slander, defamation and infringement of copyright from your media content, including content on your website;
 - v. Legal & Forensic Expense Coverage; and
 - vi. Breach Notification/Response Coverage, which covers expenses associated with notifying impacted customers following a breach and providing credit monitoring for impacted customers.
- (i) During any construction work at the Property, Franchisee shall maintain or cause its general contractor or design-builder to maintain Builder's Risk insurance or equivalent property insurance to cover that portion of the work to be constructed, installed, altered, or repaired. Such coverage shall include the interests of WWFS, Franchisee, any mortgagee, the general contractor or design-builder, any subcontractors, and any other party having an interest in the work. Franchisee shall also flow down the requirements of subparts (b) – (e) of this Section 12.1 to all contractors or design-builders performing such work.

12.2 The insurance coverages specified in subparts (c), (d) and (g) of Section 12.1 may be obtained and maintained by the property management company hired by Franchisee, in which case Franchisee shall be excused from obtaining and maintaining such coverages itself, provided the insurance maintained by the property management company complies in all respects with the insurance requirements set forth herein and in the Manual.

12.3 All policies of insurance specified herein, whether maintained by Franchisee or Franchisee's property management company, shall contain a provision or endorsement whereby the insurers waive any rights of subrogation against the Indemnitees. The insurance policies required by subparts (b), (c) and (e) of Section 12.1, whether maintained by Franchisee or Franchisee's property management company (to the extent permitted according to Section 12.2), shall name the Indemnitees as additional insureds and such policies shall apply on a primary and non-contributory basis to any insurance maintained by the Indemnitees. Upon execution of this Agreement, Franchisee shall deliver Certificates of Insurance to WWFS evidencing Franchisee's and/or its property management company's compliance with the insurance requirements herein. An updated Certificate of Insurance shall be provided any time a policy required herein is renewed or a carrier is changed. Franchisee shall provide WWFS with notice of cancellation of any insurance policy required herein promptly after receiving such notice from its respective

insurance carrier(s). WWFS shall have the option, at any time during the term of this Agreement, to request and examine complete policies of insurance from Franchisee and/or its property management company.

12.4 Franchisee acknowledges and understands that WWFS makes no representation or warranty with respect to the adequacy or sufficiency of the insurance required under this Article and that Franchisee shall have the sole responsibility to determine whether additional insurance or higher limits are appropriate. Franchisee should consult with its own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required herein. WWFS' review and verification of certain elements of the franchisee's insurance does not in any way reduce or eliminate Franchisee's obligations to fully comply with all insurance requirements. It is Franchisee's sole obligation to fully comply with these insurance requirements and it is Franchisee's sole obligation to confirm with its insurance providers that its policies are in compliance.

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

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

Article 13. Transfer of Interest or Management.

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

13.2 This Agreement is not transferable by Franchisee except as permitted herein. The rights and duties set forth in this Agreement are personal to Franchisee and are granted in reliance on the individual and collective business skill, financial capacity and personal character of Franchisee and its

owners. Accordingly, neither this Agreement or the license granted hereunder, any part or all of any owner's direct or indirect ownership interest in Franchisee, the Property nor a substantial portion of the Property's assets (collectively, the "Franchised Interests") may be transferred by Franchisee without WWFS' prior written approval, and then only in accordance with the provisions of this Agreement. Any purported Transfer by Franchisee, by operation of law or otherwise, which is not permitted hereunder, shall be null and void and shall constitute a material breach of this Agreement, for which WWFS may then terminate in accordance with Article 14.1.C. without opportunity to cure.

13.3 Franchisee shall grant no security interest, lien, mortgage or deed of trust on any or all of the real estate or fixtures of the Property without the prior written consent of WWFS and then only if the secured party, lien holder, mortgagee or beneficiary of the deed of trust provides WWFS with a non-disturbance agreement or comfort letter as to such real estate and/or fixtures of the Property in form and substance reasonably acceptable to WWFS.

13.4 In the event that Franchisee is an individual and proposes, subsequent to the execution of this Agreement, to transfer this Agreement to a corporation, partnership or limited liability company formed by Franchisee, WWFS' consent to such transfer shall be conditioned upon satisfaction of and compliance with Article 7.17 of this Agreement and to the following additional requirements:

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

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

13.5 Any transfer of any or all ownership interest, control, or voting rights in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, except for a transfer made under Article 13.4, shall be subject to WWFS' right of first refusal to such interest or assets if: (a) the offered purchase price for the transferred interest or assets is below fair market value; or (b) in the 12-month period before Franchisee or its owners receive or make a bona fide offer for such transfer the Property has failed one or more inspections and is not managed by WWFS or its affiliates (each a "Right of First Refusal Transfer"). Except in the event of a transfer pursuant to Article 13.4, if Franchisee or any of its owners receive a bona fide offer for the sale of any or all ownership interest in Franchisee or of any or all of the assets of Franchisee, which assets include this Agreement, they shall notify WWFS of the offer. If the transfer is a Right of First Refusal Transfer, WWFS shall have the right for a period of thirty (30) days after the notice is submitted together with all other information requested by WWFS to exercise a right of first refusal and substitute itself for the proposed transferee in the transaction. If WWFS declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify WWFS, and WWFS shall have the further right to exercise its right of first refusal over the revised transaction for a period of thirty (30) days. Should WWFS exercise its right of first refusal, WWFS shall have not less than an additional sixty (60) days to close the transaction and WWFS shall have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction, if such substitution does not materially and adversely affect the tax impact of such proposed transaction on the owners of the Franchisee. If WWFS does not exercise its right of first refusal, Franchisee or the transferring owners may make a transfer on the terms and conditions of the offer considered by WWFS, if Franchisee and its owners have complied with all of the provisions of this Article. If the parties disagree on whether the offered purchase price for the transferred interest or assets is below fair market value, the parties shall choose an appraiser to determine the fair market value. If the parties cannot agree

on one appraiser each party shall choose one appraiser and the two appraisers so chosen shall choose a third appraiser whose appraisal of the fair market value shall be determinative.

13.6 Upon Franchisee's death or Incapacity, or, if Franchisee is a corporation, partnership or limited liability company, upon the death of an owner of a Controlling Interest or upon the determination by WWFS that the owner of a Controlling Interest is Incapacitated, Franchisee's or such owner's executor, administrator, conservator, guardian or other legally appointed personal representative must transfer Franchisee's interest in this Agreement or the owner's interest in Franchisee to a third party. Such disposition of this Agreement or the interest in Franchisee of an owner of a Controlling Interest (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed one year from the date of death or Incapacity, and will be subject to all of the terms and conditions applicable to transfers contained in this Article 13. A failure to transfer Franchisee's interest in this Agreement or the interest of an owner of a Controlling Interest in Franchisee within this period of time constitutes a breach of this Agreement. Adequate provision must be made, in the sole discretion of WWFS, for management of the Property during such period. Franchisee's interest in this Agreement or any owner's interest in Franchisee which is an entity may, with WWFS' consent, which will not be unreasonably withheld, be transferred to the decedent's spouse, parent, sibling, or direct descendant or to spouse's direct descendant.

13.7 If, upon Franchisee's death or Incapacity, or upon the death or Incapacity of an owner of a Controlling Interest in Franchisee, the Property is not being managed by an approved management company, Franchisee's or the owner's executor, administrator, conservator, guardian or other legally appointed personal representative must within a reasonable time, not to exceed 30 days from the date of death or declaration of Incapacity, appoint an approved management company to operate the Property. Such an approved management company may be appointed only with WWFS' prior written approval and will be required to complete training at Franchisee's expense. Pending the appointment of an approved management company as provided above or if, in WWFS' judgment, the Property is not being managed properly at any time after Franchisee's death or declaration of Incapacity or after the death or declaration of Incapacity of an owner of a Controlling Interest in Franchisee, WWFS has the right, but not the obligation, to appoint a general manager or management company for the Property. All funds from the operation of the Property during the management by WWFS' appointed general manager or management company will be kept in a separate account, and all expenses of the Property, including compensation, other costs, and travel and living expenses incurred by the management company, will be charged to this account. WWFS also has the right to charge a reasonable management fee (in addition to the Royalty Fee, BD Fund Fee, Reservation Fee and National Sales Fee payable under this Agreement) during the period that WWFS' appointed general manager or management company manages the Property. Operation of the Property during any such period will be on the transferee's behalf, provided that WWFS only has a duty to utilize commercially reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses or expenses or obligations incurred by the Property or to any creditors for any products, materials, supplies or services the Property purchases during any period it is managed by WWFS' appointed general manager or management company. The transferee will remain solely responsible for maintaining the Property during any period in which WWFS' appointed general manager or management company is managing the Property on the transferee's behalf.

13.8 Securities, units or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of WWFS (whether or not WWFS' consent is required under Article 13.2 of this Agreement). If Franchisee requests consent for a public offering WWFS may grant or withhold its consent in its sole discretion based solely upon what WWFS deems to be in its best interests. If Franchisee requests consent for a private offering, WWFS will not unreasonably withhold its consent. All materials required for such offerings by federal or state law shall be submitted to WWFS for review prior to their being filed with any governmental agency; and any

materials to be used in any exempt offering shall be submitted to WWFS for review prior to their use. No Franchisee offering shall imply (by use of the Proprietary Marks or otherwise) that WWFS is participating in an underwriting, issuance or offering of Franchisee or WWFS securities, and WWFS' review of any offering shall be limited solely to the subject of the relationship between Franchisee and WWFS. Franchisee and the other participants in the offering must fully indemnify WWFS in connection with the offering. For each proposed public offering, Franchisee shall pay to WWFS a fee of \$25,000, or such higher amount that covers WWFS' reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. WWFS at its discretion may refund any unused portion of such fee. For each private offering of securities, Franchisee shall pay to WWFS a fee of \$10,000 or such higher amount that covers WWFS' reasonable costs and expenses associated with reviewing the proposed private offering, including, without limitation, legal and accounting fees. Franchisee shall give WWFS written notice at least ninety (90) days prior to the date of commencement of any public offering and at least thirty (30) business days prior to the date of commencement of any private offering or other transaction covered by this Article.

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

13.10 WWFS shall not unreasonably withhold any consent required under this Article 13; provided, that WWFS shall have the right to require any or all of the following as conditions of its approval of a Transfer:

A. except for a Transfer pursuant to Articles 13.3, 13.4, 13.7, 13.8 and 13.9, that each proposed transferee shall be required to submit an application for a new license. WWFS will process such application in accordance with WWFS' then-current procedures, criteria and requirements regarding fees, upgrading of the Property, credit, operational abilities and capabilities, prior business dealings and other factors WWFS deems reasonable.

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

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

D. if the proposed Transfer would result in a Change in Control of Franchisee, that the transferee shall execute the then-current form of Franchise Agreement being offered to new Franchisees for the full term, except that if the then current form of franchise agreement contains any territorial protection commensurate to Section 2.6, such right will not apply, provided that if the transfer occurs before the expiration of the Franchisee's rights under Section 2.6 hereof, the remainder of such rights will be transferred. The transferee shall execute such other ancillary agreements required by WWFS for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary

documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and/or services fee and/or reservation fee.

E. if the proposed Transfer does not result in a change of control of Franchisee and does not have the effect of transferring a Controlling Interest in Franchisee, no application fee or Initial Franchise Fee shall be required under a new Franchise Agreement, but that Franchisee shall reimburse WWFS for reasonable fees and expenses incurred by WWFS in facilitating the proposed Transfer.

F. if a proposed Transfer would result in a Change in Control of Franchisee, that Franchisee or transferee at its expense upgrades the Property to conform to the then current System standards and specifications, and completes the upgrading and other requirements within the time specified by WWFS;

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

H. if a proposed Transfer would result in a Change in Control of Franchisee, and if so requested by WWFS after WWFS has conducted a property inspection, transferor, at its expense, shall upgrade the Property to conform to the then current standards and specifications of new Properties then-being established in the System, and shall complete the upgrading and other requirements set forth in this section within the time specified by WWFS

I. if a property inspection is conducted pursuant to Section 13.10 H., the transferor pays to WWFS a property inspection fee of \$10,000;

J. that the transferor shall continue to be bound by, and remain liable for all of the obligations to WWFS in connection with the Property 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 WWFS to evidence such liability;

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

If the proposed Transfer is not approved by WWFS and Franchisee proceeds to transfer the Property or securities, units or other ownership interests in Franchisee to any proposed new owner, then this Agreement shall terminate pursuant to Article 13 hereof and WWFS will be entitled to all of its remedies. Neither the Agreement, nor any rights hereunder shall be transferable in the event that the Franchisee is in default under the Agreement.

13.11 WWFS' consent to a Transfer by Franchisee of any interest in the license granted herein shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of WWFS' right to demand exact compliance with any of the terms of this Agreement by the transferee.

Article 14. Default and Termination.

14.1 This Agreement may not be terminated prior to the expiration of its term except as provided in this Article. Termination of this Agreement shall not relieve Franchisee of any unfulfilled

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obligations to WWFS created hereunder unless it is so agreed by WWFS in writing. This Agreement may be terminated as follows:

A. By WWFS in the case of a condemnation of a substantial portion of the Property in accordance with Section 7.18 of this Agreement.

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

C. At WWFS' option, effective immediately upon the giving of written notice to Franchisee, if Franchisee (i) fails to submit a site application, commence construction of the Property, complete construction of the Property or open the franchised Property and commence operations within the time schedule established under Article 5 of this Agreement; (ii) ceases to operate the Property or otherwise abandons the business, or forfeits the legal right to do business in the jurisdiction where the Property is located; (iii) is convicted of a felony or other crime involving moral turpitude, consumer fraud or crime or offense WWFS believes is likely to have an adverse effect on Franchisee's ability to carry out the duties imposed by this Agreement or to have an adverse effect on the System and the goodwill associated therewith; (iv) transfers (including transfers following death or Incapacity) of any rights or obligations in violation of the terms of Article 13 of this Agreement; (v) misuses or discloses confidential information in violation of Article 11 of this Agreement; (vi) knowingly makes any false statements in any report or document submitted to WWFS; (vii) submits more than two written statements of Gross Revenues which under-report Gross Revenues for any reporting period by 2% or more; (viii) suffers a final judgment to remain unsatisfied or of record for thirty (30) days or longer (unless superseded as bond is filed), or has execution levied against Franchisee's business or property, or any suit is filed to foreclose any lien or mortgage against the premises or equipment and not dismissed within thirty (30) days; (ix) becomes insolvent or has a receiver appointed to take possession of Franchisee's business or property or any part thereof or makes a general assignment for benefit of creditors; (x) engages in public conduct that reflects materially and unfavorably upon the operation of the System, the reputation of the System, or the goodwill associated with the Proprietary Marks; provided that engaging in legitimate political activity (including testifying, lobbying, or otherwise attempting to influence legislation) shall not be grounds for termination; (xi) is in default under any other franchise agreement or other agreement with WWFS or any of its Affiliates which is not curable or, if such default is curable, has not cured such default within the applicable cure period; or (xii) or any Affiliate defaults under any franchise agreement or other agreement with WWFS or any of its Affiliates which is not curable, or if such default is curable, has not cured such default within the applicable cure period.

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

E. At the election of WWFS, effective upon the expiration of thirty (30) days after giving of written notice (ten (10) days in the case of non-payment of any Payment or other financial obligation), in the event Franchisee defaults, and does not cure to WWFS' reasonable satisfaction within the thirty (30) day (or ten (10) day) notice period, in the performance of any other covenant or provision of this Agreement, including without limitation, the obligation to pay when due any financial obligation to WWFS, the obligation to make reports and provide information when due hereunder, or failure to maintain any of the standards or procedures prescribed for the Franchised Business in this Agreement, the Manual, or otherwise; provided, however, that Franchisee shall be entitled to notice and opportunity to cure any such default only once in any 6-month period, and any subsequent occurrence of the same or substantially similar default within such 6-month period shall entitle WWFS, at its option, to terminate this Agreement effective immediately upon the giving of notice and without opportunity to cure.

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

14.3 If this Agreement is terminated by WWFS due to Franchisee's failure to timely commence construction (Section 5.3) or complete construction (Section 5.5) of the Property or Franchisee otherwise abandons the development of the Property in breach of this Agreement, or if Franchisee submits a replacement location pursuant to Section 2.4 (each, a "Trigger Event"), WWFS shall have the following rights and the Franchisee and its Affiliates the following obligations, depending on the development stage of the Approved Location and the Property:

A. If Franchisee has not already acquired ownership or leasehold of the Approved Location:

- (1) If Franchisee has not already acquired ownership or leasehold of the Approved Location, WWFS will have the option, exercisable by giving written notice to Franchisee within thirty (30) days after a Trigger Event, to take an assignment of Franchisee's land contract or other rights to acquire the Approved Location (collectively, "Acquisition Rights").
- (2) Additionally, Franchisee covenants to not terminate or default, breach or otherwise fail on any of the Acquisition Rights without WWFS's prior written consent, which WWFS may withhold in its sole discretion. Franchisee will provide WWFS immediately with a copy of any notice received by Franchisee of any claimed default, breach or failure by Franchisee of any Acquisition Rights.
- (3) If Franchisee is in default, breach or failure of the Acquisition Rights other than solely due to any act or omission by WWFS, WWFS may elect to cure any Franchisee default, breach or failure; recover full reimbursement plus interest at 10% per annum from Franchisee for WWFS's cure costs incurred; and WWFS may also elect to take an assignment of the Acquisition Rights from Franchisee. WWFS may make such election by doing so expressly in writing within sixty (60) days after receipt by WWFS of written notice from Franchisee containing an itemized list of the Reimbursement Costs (defined below).

- (4) If Franchisee wants to terminate the Acquisition Rights, WWFS will be deemed to have consented to Franchisee's termination of the Acquisition Rights if WWFS does not expressly elect in writing to take an assignment from Franchisee of the Acquisition Rights within sixty (60) days after receipt by WWFS of written notice from Franchisee containing a detailed explanation of the reason Franchisee desires to terminate the Acquisition Rights and also containing an itemized list of the Reimbursement Costs (defined below). Notwithstanding the foregoing, if Franchisee desires to terminate the Acquisition Rights, and such termination right must be exercised prior to a deadline set forth in the Acquisition Rights documentation that is less than sixty (60) days from the date written notice is provided to WWFS, WWFS will use commercially reasonable efforts to make its election in such shorter time period, provided however, Franchisee must, under all circumstances, give the required written notice (including Reimbursement Costs itemization) to WWFS at least ten (10) days in advance of such deadline.
- (5) If WWFS elects to take an assignment of the Acquisition Rights, then within thirty (30) days of such election: (a) all of Franchisee's rights and interests to the Acquisition Rights and the Approved Location, and all information and reports owned or obtained by Franchisee related to the Acquisition Rights and the Approved Location, will be transferred from Franchisee to WWFS, and (b) WWFS will reimburse Franchisee for the Reimbursement Costs. Notwithstanding the foregoing, if Franchisee desires to terminate the Acquisition Rights, and such termination right must be exercised prior to a deadline set forth in the Acquisition Rights that is less than sixty (60) days from the date written notice is provided to WWFS, WWFS will use commercially reasonable efforts to make its election in such short time period, provided however, Franchisee must give the required written notice to WWFS within five (5) days of Franchisee making the determination to terminate the site AND at least ten (10) days in advance of such deadline.
- (6) "Reimbursement Costs" as defined in Section 14.3 A(2) means the total of the following costs (to the extent that each cost was both (i) already paid by Franchisee, and (ii) already incurred as of the date Franchisee first provides WWFS with notice of either the Acquisition Rights assignment option or of the default, as applicable): (a) costs incurred for any report or entitlement that Franchisee obtained and that WWFS is able to legally rely upon without update or modification, plus (b) any amount that Franchisee escrowed pursuant to the Acquisition Rights if the escrow is fully assigned to WWFS (subject to the terms of the Acquisition Rights); minus any costs incurred by WWFS to cure an Acquisition Rights default or breach (if any).
- (7) Franchisee agrees that, for a period of two (2) years following the termination date of this Agreement, neither Franchisee nor any of its Affiliates may purchase or lease, or enter into a purchase agreement with respect to, all or any portion of the Approved Location without first having: (a) entered into an Agreement with WWFS or its affiliates for site selection and land acquisition relating to the Approved Location; and (b) entered into, or been assigned and assumed franchisee rights and obligations under, a new WaterWalk franchise agreement with WWFS in the form of the then current form of WWFS' franchise agreement.
- B. If Franchisee has acquired ownership or leasehold of the Approved Location:

- (1) WWFS will have the option, exercisable by giving written notice to Franchisee within thirty (30) days after a Trigger Event, to purchase the Property and assume any or all of Franchisee's agreements relating to the Property. Assets of the Property will include without limitation, construction and design agreements, permits and entitlements, site agreements, fee title or other real property rights, Acquisition Rights, leasehold improvements, equipment, fixtures, furniture, furnishings, signs, inventory and assignable licenses. WWFS will be entitled to all customary warranties, representations and prorations in connection with its asset purchase. Franchisee shall cooperate with WWFS in obtaining any necessary lessor or other consents.
- (2) Once WWFS gives notice that it will purchase the assets of the Property, it shall have the right immediately to take over the construction of the Property.
- (3) The purchase price for the assets of the Property shall be determined as follows: each party shall appoint one appraiser within fifteen (15) days of WWFS' notice, and each of the two appraisers shall independently of the other determine the purchase price. If the higher of the two prices does not exceed the lower by more than 10% of the lower price, the purchase price shall be 105% of the lower purchase price. If the higher of the two prices exceeds the lower by more than 10% of the lower price, the two appraisers shall select a third appraiser, who shall determine the purchase price. Each appraiser shall determine the purchase price within thirty (30) days of his or her appointment. All the appraisers must be members of the Appraisal Institute. If the purchase price is not acceptable to WWFS, it may withdraw its offer to purchase by written notice to the Franchisee. WWFS shall have ten (10) days from the determination of the final purchase price, to determine whether to purchase the Property assets.
- (4) The purchase price shall be paid in cash at the closing of the purchase, by means of check, wire transfer or electronic funds transfer, which shall take place no later than ninety (90) days after Franchisee's receipt of notice of WWFS' exercise of the option to purchase, at which time Franchisee must deliver instruments transferring to WWFS or its assignee: (1) good and marketable title to the assets purchased, without any additional restrictions or limitations on the Property other than those that either existed when Franchisee first acquired the Property or were imposed or created by, or agreed to in writing by WWFS; free and clear of all liens and encumbrances (other than liens and security interests acceptable to WWFS or its assignee); with all sales and other transfer taxes paid by Franchisee; and (2) all licenses to the Property and/or permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. WWFS will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to WWFS, the amount of any encumbrances or liens against the assets, and any liability of Franchisee assumed or paid for by WWFS.

C. Unless WWFS or an assignee of WWFS's rights under this Article 14 acquires the Property, for a period of two (2) years following the Trigger Event, WWFS has a right of first refusal to acquire the Property. If Franchisee receives a bona fide offer for the sale of any or all ownership interest in the Property, it shall notify WWFS of the offer, and WWFS shall have the right for a period of thirty (30) days after the notice is submitted together with all other information requested by WWFS to exercise a right

of first refusal and substitute itself for the proposed transferee in the transaction. If WWFS declines to do so and there is any change in the terms and conditions of the proposed transaction or the proposed transferee, Franchisee shall promptly notify WWFS, and WWFS shall have the further right to exercise its right of first refusal over the revised transaction for a period of thirty (30) days. Should WWFS exercise its right of first refusal, WWFS shall have not less than an additional sixty (60) days to close the transaction, and WWFS shall have the right to substitute cash for any alternative form of consideration contemplated by the proposed transaction, if such substitution does not materially and adversely affect the tax impact of such proposed transaction on the owners of the Franchisee. If WWFS does not exercise its right of first refusal, Franchisee or the transferring owners may make a transfer on the terms and conditions of the offer considered by WWFS, if Franchisee and its owners have complied with all of the provisions of this Article and if the transfer closes within 180 days of WWFS's receipt of notice of the offer.

D. Unless WWFS or an assignee of WWFS's rights under this Article 14 acquires the Property, for a period of two (2) years following the Trigger Event, the Property will not be used for a Competing Business (except a System Property). If Franchisee is in breach of this Section following the Trigger Event, the period of duration for the obligation set forth herein will be tolled until the resolution of any enforcement action taken by Franchisor against Franchisee to enforce this Section.

E. WWFS may assign any of its rights (and related obligations) hereunder to any WWFS affiliate, WWFS related entity, or WWFS franchisee; and upon written notice of such assignment provided to Franchisee, Franchisee will accept and recognize such assignee as having the assigned WWFS rights (and related obligations) hereunder.

F. WWFS has reasonable access to the Property to assess compliance with this Section. WWFS may record in the public real property records indexed against Franchisee and the Property a memorandum or notice of WWFS's rights pursuant to this Section.

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

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

(ii) The purchase price for the assets of the Property shall be determined as follows: each party shall appoint one appraiser within fifteen (15) days of WWFS' notice, and each of the two appraisers shall independently of the other determine the purchase price. If the higher of the two prices does not exceed the lower by more than 10% of the lower price, the purchase price shall be 105% of the lower purchase price. If the higher of the two prices exceeds the lower by more than 10% of the lower price, the two appraisers shall select a third appraiser, who shall determine the purchase price. Each appraiser shall determine the purchase price within thirty (30) days of his or her appointment. All the appraisers must be members of the Appraisal Institute. If the purchase price is not acceptable to WWFS, it may withdraw its offer to purchase by written notice to the

Franchisee. WWFS shall have ten (10) days from the determination of the final purchase price, to determine whether to purchase the Property assets.

(iii) The purchase price shall be paid in cash at the closing of the purchase, by means of check, wire transfer or electronic funds transfer, which shall take place no later than ninety (90) days after Franchisee's receipt of notice of WWFS' exercise of the option to purchase, at which time Franchisee must deliver instruments transferring to WWFS or its assignee: (1) good and marketable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to WWFS or its assignee), with all sales and other transfer taxes paid by Franchisee and (2) all licenses to the Property and/or permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. WWFS will have the right to set off against and reduce the purchase price by any and all amounts owed by Franchisee to WWFS, the amount of any encumbrances or liens against the assets and any liability of Franchisee assumed or paid for by WWFS.

14.5 If Franchisee's default is such that, in WWFS' sole judgment, the Franchised Business does not fairly represent the quality and standards of the System, WWFS may, temporarily in lieu of termination, remove the Franchised Business from marketing and registration channels generally available to all WaterWalk Properties such as reservation websites, reservation telephone numbers, national accounts marketing and other such channels then in use. Because fees charged by WWFS for access to such marketing and registration channels are generally set to cover the cost of the channels and charged on a pro rata basis, Franchisee shall continue to pay such fees, so that Franchisee's default does not negatively impact other WWFS franchisees. WWFS' removal of the Franchised Business from generally available marketing and reservation channels will not constitute a waiver of WWFS' right to terminate this Agreement due to the underlying default.

Article 15. Obligations Upon Termination.

15.1 Upon expiration or termination of this Agreement for any reason, all rights granted hereunder to Franchisee shall terminate; and

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

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

15.4 Franchisee shall surrender and transfer to WWFS or its designee any and all rights to use the telephone numbers and other business listings used by Franchisee for the Franchised Business. Franchisee agrees to cooperate and execute any and all documents required to affect transfer of the telephone numbers and other business listings from Franchisee to WWFS or its designee.

15.5 Franchisee shall immediately turn over to WWFS all materials, including, without limitation, the Manual (in whatever form Franchisee may have) and all other manuals, all customer and supplier lists, marketing materials, instructions, any Online Presence references and brochures and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, custody,

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or control, and all copies thereof (all of which are acknowledged to be WWFS' property), and shall retain no copy or record of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law.

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

15.7 Franchisee shall, at its expense, immediately make such modifications or alterations as may be necessary to distinguish the Property so clearly from its former appearance and from other System Properties as to prevent any possibility of confusion therewith by the public, and to prevent the operation of any business at the location of the Property by Franchisee or others in derogation of this Article (including, without limitation, removal of all distinctive physical and structural features identifying Property in the System including, without limitation, removal of all signs and emblems, and changing of telephone numbers and other directory listings). Franchisee shall, at Franchisee's expense, immediately make such specific additional changes as WWFS may reasonably request for this purpose. Franchisee agrees that for ninety (90) days following termination or expiration, WWFS or its designated agents may enter the Property and adjacent areas, and hereby grants WWFS an irrevocable license and permit to go upon the Property premises for such purposes, at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others. Franchisee acknowledges that such actions by WWFS are authorized and permitted and shall not be deemed a violation of any civil or criminal law or any basis for an action under such laws by Franchisee or others. Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to WWFS, and consents to entry, at Franchisee's expense, of an ex parte order by any court of competent jurisdiction authorizing WWFS or its agents to take such action, if WWFS seeks such an order.

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

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

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

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

15.12 The parties recognize the difficulty of ascertaining damages to WWFS resulting from premature termination of this Agreement and have provided for Liquidated Damages, which Liquidated Damages represent the parties' best estimate as to the damages arising from the circumstances in which they are provided and which are the only damages for the premature termination of this Agreement and not as a penalty or as damages for breaching this Agreement or in lieu of any other payment. Accordingly, if this Agreement is terminated pursuant to Sections 14.1.C or 14.1.E, or by Franchisee without cause, Franchisee shall pay to WWFS within ten (10) days of termination a lump sum payment (as Liquidated Damages and not as a penalty or in lieu of any other payments required under this Agreement) equal to the greater of: (i) the total of all amounts required under Article 4 of this Agreement (including Initial Franchise Fees, Royalty Fees BD Fund Fees, Reservation Fees, National Sales Fee, Web Strategy, Technology and Intranet Fee, pro-rata marketing and advertising fees) for the greater of the thirty-six (36) calendar months of operation of the Property under the System preceding Franchisee's default, or if there have not been thirty-six (36) full calendar months of actual operation under the System, then for the period of time the Property has been in actual operation under the System projected over a thirty-six (36) calendar month basis, or (ii) \$2,000 per unit in the Property. Notwithstanding the foregoing, if Franchisee is not able to secure a building permit for the Approved Location, Franchisee will not pay liquidated damages to WWFS if Franchisee submits a request for a new site to be determined in a market to be approved within ninety (90) days of notice.

15.13 Termination of this Agreement shall not relieve Franchisee of the obligations under Article 10 hereof to maintain and preserve financial and other records and to make them available for inspection and audit by WWFS.

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

Article 16. Additional Covenants.

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

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

Property has no right to do so; (b) Property maintenance; (c) guest safety and health; or (d) other matters arising out of or affecting Property operations, which are within the responsibility of Franchisee as a qualified independent business operator. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from WWFS. Franchisee agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the premises of the Franchised Business and, as directed by WWFS, in Franchisee's advertising and on Franchisee's agreements, forms, stationery and promotional materials.

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

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

Article 17. Approvals and Waivers.

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

17.2 WWFS shall have no liability for withholding any consent or approval or for any delay or inaction in connection therewith, and the granting of any approval or consent shall not imply or constitute any representation, warranty, guaranty or endorsement of the matter approved or consented to or an assumption of any liability in connection therewith.

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

Article 18. Notices.

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

NOTICES TO
WWFS:

WATERWALK FRANCHISE SERVICES LLC
2121 N. WEBB ROAD
WICHITA, KANSAS 67206
ATTN: PRESIDENT
FACSIMILE: (316) 631-1382

NOTICES TO
FRANCHISEE:

ATTN: _____
FACSIMILE: _____

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

Article 19. Dispute Resolution.

19.1 In the event of any unsettled claims, disputes or controversies between WWFS and Franchisee, and other matters arising between them relating to this Agreement, the dealings or relationship between them, or Franchisee’s development or operation of the Property (“Dispute”), either party has the option of initiating a mediation procedure by submitting a written request for mediation to the American Arbitration Association in accordance with the Commercial Mediation Rules.

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

B. Mediation shall be private, voluntary and nonbinding. Any party may withdraw from the mediation at any time before signing a settlement agreement upon written notice to each other party and to the mediator. The mediator shall be neutral and impartial. The mediator’s fees shall be shared equally by the parties. The mediator shall be disqualified as a witness, consultant, expert or counsel for either party with respect to the matters in Dispute and any related matters.

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

Nevertheless, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in mediation.

D. All mediation proceedings shall take place in Wichita, Kansas.

19.2 The commencement of any mediation shall not act to prevent either party from instituting or proceeding with any action which may be the subject of the Dispute.

19.3 Notwithstanding anything to the contrary contained in this Article, Franchisee and WWFS each have the right in a proper case to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. Franchisee acknowledges that a proper case to obtain temporary restraining orders and temporary or permanent injunctive relief from a court of competent jurisdiction shall include, but not be limited to, the following:

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

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

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

D. Any action by WWFS to stop or prevent any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Property. The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19.4 The parties acknowledge that WWFS operates a nationwide franchise system, with franchisees located in numerous different states and in numerous counties and cities within such states. Accordingly, the parties hereby agree that in view of the fact that the books, records and business personnel of WWFS are located, for the most part, in Sedgwick County, Kansas, and in order to minimize disruption or interference with operation of the franchise system as a whole, the parties agree as follows:

A. Any and all court proceedings arising from or relating in any manner to any dispute between WWFS and Franchisee arising out of, relating to or referencing this Franchise Agreement or its breach in any way, shall be brought in, and only in, the United States District Court for the District of Kansas (whether named or otherwise designated). No individual shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law. If the United States District Court does not have jurisdiction over the dispute, the proceeding may be initiated in, and only in, the 18th Judicial District of the District Court in and for Sedgwick County, Kansas. In either case, WWFS and Franchisee hereby consent and submit to the exercise of jurisdiction by such courts.

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

C. NO PUNITIVE OR EXEMPLARY DAMAGES SHALL BE AWARDED AGAINST EITHER WWFS OR FRANCHISEE OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.

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

19.6 The parties hereto recognize, and any mediator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of WWFS to take (or refrain from taking) certain actions in the exercise of its discretion based on its assessment of the overall best interest of the network and/or franchise program. Where such discretion has been exercised, and is supported by the business judgment of WWFS, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by WWFS.

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

19.8 Any disagreement between Franchisee and WWFS (and WWFS' affiliates) will be considered unique as to its facts and must not be brought as a class action, and Franchisee waives any right to proceed against WWFS (and WWFS' affiliates, stockholders, officers, directors, employees, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action.

Article 20. Entire Agreement/Amendment.

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

officer of WWFS or such other entity granting the Franchise Agreement and specifically identified as a modification of this Agreement. No change, modification amendment or waiver of any of the provisions hereof, including by custom or usage of trade or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto, and signed by the party to be charged.

Article 21. Construction and Modification.

21.1 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between the WWFS and Franchisee shall be governed, construed and interpreted in accordance with the substantive laws of the State of Kansas, without giving effect to its conflicts of law principles. Notwithstanding the foregoing, if the covenants in Section 11 of this Agreement would not be enforceable under the laws of Kansas, and the Property is located outside of that state, then such covenants shall be interpreted and construed under the laws of the state in which the Property is located. Nothing in this Section 21.1 is intended by the parties to subject this Agreement to any franchise of similar law, rule or regulation of the State of Kansas to which this Agreement would not otherwise be subject.

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

21.3 This Agreement is made solely for the benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein shall create any right to rely upon the terms hereof in favor of any third party nor confer any right or remedy upon any third party, except as specifically provided in Section 11.7 of this Agreement.

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

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

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

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

21.8 No right or remedy conferred upon or reserved to WWFS or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

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Article 22. Execution of Agreement.

22.1 This Agreement may be executed in counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. Delivery of an electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

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

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

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

DATED: _____

WATERWALK FRANCHISE SERVICES LLC,
A Kansas limited liability company

BY: _____

ITS: _____

DATED: _____

"Franchisee"

BY: _____

ITS: _____

FRANCHISEE GUARANTY

In consideration of, and as an inducement to WATERWALK FRANCHISE SERVICES LLC (“WWFS”), to enter into the foregoing Franchise Agreement with _____ (“Franchisee”) dated _____ (“Franchise Agreement”), the undersigned individually and, if more than one Guarantor, jointly and severally, guarantee the punctual payment and performance of all obligations of the Franchisee under the Franchise Agreement. This shall be an unconditional, irrevocable and continuing guaranty for the entire term of this Guaranty and the Franchise Agreement.

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

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

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

WITNESS:

GUARANTOR:

PRINT NAME: _____

WITNESS:

GUARANTOR:

PRINT NAME: _____

Exhibit A

WATERWALK FRANCHISE SERVICES LLC

FRANCHISE AGREEMENT

Property Type & Approved Location

Property Type:

- New Build
- Conversion

Number of units at the Approved Location: _____

Location:

Street Address: _____
City: _____ State: _____ Zip Code: _____

Exhibit B

WATERWALK FRANCHISE SERVICES LLC

FRANCHISE AGREEMENT

Owners of Franchisee

<u>NAME OF OWNER</u>	<u>VOTING RIGHTS IN FRANCHISEE</u>	<u>BENEFICIAL INTEREST IN FRANCHISEE</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
<u>TOTAL</u>	<u>100%</u>	<u>100%</u>

Exhibit C

WATERWALK FRANCHISE SERVICES LLC

FRANCHISE AGREEMENT

Protected Territory Map

[Insert Map Here]

Exhibit D

WATERWALK FRANCHISE SERVICES LLC

SITE TO BE DETERMINED ADDENDUM

THIS SITE TO BE DETERMINED ADDENDUM TO FRANCHISE AGREEMENT (“Addendum”) is made and entered into at Wichita, Kansas this ____ day of _____, _____, by and between WATERWALK FRANCHISE SERVICES LLC, a Kansas limited liability company (hereinafter referred to as “WWFS”), and _____ (hereinafter referred to as “Franchisee”) whose principal business address is _____.

WHEREAS, WWFS and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) of even date hereof; and

WHEREAS, the location where Franchisee shall construct a Property under the Franchise Agreement has not yet been identified;

NOW, THEREFORE, the parties agree as follows:

The following provisions shall amend and be incorporated into the Franchise Agreement. In the event of any conflict between the terms of the Franchise Agreement and the terms of the Addendum, the terms of this Addendum shall control. All capitalized terms not defined in this Addendum shall have the respective meanings set forth in the Franchise Agreement.

1. Notwithstanding anything to the contrary in the Franchise Agreement, the parties agree, that Franchisee shall select an approved Trade Area or market for approval by WWFS no later than on _____, and that Franchisee shall submit a completed Site Application for a location located within such Trade Area to WWFS on or before _____. Such Trade Area or market must be in a state where WWFS is registered to offer and sell franchises. Franchisee’s failure to meet either one of these deadlines shall constitute a default under the Franchise Agreement allowing WWFS to terminate the Franchise Agreement effective immediately upon notice of termination.

2. Notwithstanding anything to the contrary set forth in Article 5.2 of the Franchise Agreement, Franchisee shall Commence Construction no later than 210 days after the proposed site is approved by WWFS or within 60 days of the point in time when a building permit for the Property is ready for issuance, whichever occurs earlier.

3. To the extent not amended herein, all other terms and conditions of the Franchise Agreement shall remain in full force and effect. No references to the amendments contained herein need be made in any instrument or document at any time referring to the Franchise Agreement and any such reference is deemed to be a reference to the Franchise Agreement as amended by this Addendum.

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

FRANCHISEE:

WATERWALK FRANCHISE SERVICES LLC,
A Kansas limited liability company

By: _____

By: _____

Its: _____

Its: _____

Exhibit E

**WATERWALK FRANCHISE SERVICES LLC
FRANCHISE AGREEMENT**

DIRECT DEBIT AUTHORIZATION AGREEMENT

_____(Name of Person or Legal Entity)
_____(ID Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes WaterWalk Franchise Services LLC (“**WWFS**”) or any of its affiliates to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to WWFS’ instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authority is to remain in full and force and effect until sixty (60) days after WWFS has received written notification from Franchisee of its termination.

_____ Depositor	_____ Depository
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

EXHIBIT D

**WATERWALK FRANCHISE SERVICES LLC
CONFIDENTIALITY AGREEMENT**

**WATERWALK FRANCHISE SERVICES LLC
CONFIDENTIALITY AGREEMENT**

THIS CONFIDENTIALITY AGREEMENT (the “Agreement”) is made and entered into as of the _____ day of _____, 20__ by and between _____ (“Recipient”), and WaterWalk Franchise Services LLC, a Kansas limited liability company (“WWFS”).

A. Recipient desires to review certain confidential and proprietary information regarding WWFS, its affiliates, and/or its franchisees (collectively the “Disclosing Parties”), for the purpose of evaluating whether to directly or indirectly enter into a business relationship with WWFS (the “Contemplated Relationship”); and

B. WWFS desires to disclose certain confidential and proprietary information to Recipient, but only pursuant to the terms of this Agreement.

In consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

1. Recipient acknowledges and agrees that all Covered Information (defined below) it receives from WWFS, its affiliates, or franchisees is confidential and proprietary information. For purposes of this Agreement, “Covered Information” includes, by way of example, but without limitation, data, know-how, processes, designs, sketches, photographs, plans, drawings, specifications, reports, financial information, customer lists, pricing information, other information about advertising, marketing, designs and methods of operation, studies, findings, inventions, and ideas. Recipient agrees that any information received from WWFS, its subsidiaries, affiliates, or franchisees (a) shall only be used for purposes of evaluating whether Recipient desires to directly or indirectly enter into a business relationship with WWFS, and (b) shall not be disclosed to any third party without the prior written consent of WWFS. Recipient agrees to use reasonable care to prevent the disclosure of the Covered Information to any third party, and further agrees to limit the dissemination of the Covered Information within its own organization to individuals whose duties justify the need to know such information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential status of the Covered Information and to restrict its use solely to the purposes specified herein.
2. All Covered Information remains the exclusive property of WWFS or the Disclosing Parties, and nothing contained in this Agreement may be construed as a grant, express or implied or by estoppel, of a transfer, assignment, license, or lease of any right, title, or interest in the Covered Information to Recipient or any other person, other than as the limited right of use stated herein. Recipient agrees that the amount of Covered Information to be disclosed to Recipient is completely within the discretion of WWFS. Nothing in this Agreement requires either party or its owners to enter into the Contemplated Relationship or to negotiate a Contemplated Relationship for any specified period of time or otherwise.
3. The Parties agree that notwithstanding the termination of this Agreement, the Recipient’s obligations hereunder will survive for five (5) years after the Effective Date. If either party determines that it does not wish to proceed with a Contemplated Relationship or if either party notifies the other party of a termination of this Agreement, then Recipient will destroy or return all written materials, documents, or other Covered Information received from WWFS, its affiliates, subsidiaries, or franchisees, and any notes, photos, or derivatives works thereof. Additionally, the Recipient will certify to WWFS in writing that it has complied with the obligations of this Section.

4. Recipient shall be under no obligation under this Agreement with respect to any information (a) which is, at the time of the disclosure, available to the general public; (b) which becomes at a later date available to the general public through no fault of the Recipient and then only after said date; or (c) which Recipient can demonstrate was in its possession before receipt.
5. The definition in Section 1 of Covered Information is for illustrative purposes only. The Recipient of the Covered Information must perform its own due diligence when evaluating the Contemplated Relationship, and WWFS or other Disclosing Parties will not be liable for the Recipient's failure to do so. Recipient must rely solely on its own investigation and not on information provided by WWFS.
6. WWFS does not guarantee or warranty the accuracy or completeness of the Covered Information. Some Covered Information may have been obtained or gathered from third parties and WWFS has not performed any independent investigation or verification of such Covered Information. The Covered Information is being provided on an "AS IS" "WHERE IS" basis and WWFS does not make and specifically disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, including, without limitation, warranties of merchantability, fitness for a particular purpose, non-infringement or intellectual property rights or other warranties, conditions, guarantees or representations, whether express or implied.

Any financial information included in the Covered Information is not a guarantee or otherwise indicative of potential success, profitability, or any particular level of return from the Contemplated Relationship, if consummated. Many factors would impact the success and profitability of the Contemplated Relationship, including without limitation site selection, local economic conditions (which conditions may change over time), and the Recipient's business acumen, management skill, and experience.

The Covered Information does not constitute an offer to become a franchisee or to sign any agreement or an offer to enter the Contemplated Relationship. Entering the Contemplated Relationship will be subject to, among other things, the execution of a franchise agreement and certain other collateral agreements and the payment of certain fees. WWFS's provision of the Covered Information, and the Recipient's acceptance of it, does not obligate either party to enter into the Contemplated Relationship.

7. This Agreement will be governed and construed in accordance with the laws of the State of Kansas, excluding its conflicts of law principles. Any legal action or proceeding arising out of or related to this Agreement must be brought in a state or federal court in Sedgwick County, Kansas. Each party submits itself to the jurisdiction of such courts. However, a party may seek to enforce an order or judgment of any such court in any other court of competent jurisdiction.
8. This Agreement constitutes the entire agreement and understanding among the parties hereto and shall not be amended except pursuant to a written agreement executed by each of the parties hereto. This agreement shall be binding upon the parties hereto and their respective heirs, administrators, successors, and assigns. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. Delivery of electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day, month, and year first above written.

WATERWALK FRANCHISE SERVICES LLC

Multistate 9/2023
(Confidentiality Agreement)

By: _____

By: _____

Its: _____
"RECIPIENT"

Its: _____
"WWFS"

EXHIBIT E

**WATERWALK FRANCHISE SERVICES LLC
COVENANT AGREEMENT**

COVENANT AGREEMENT

THIS COVENANT AGREEMENT (this “Agreement”) is entered into as of the ____ day of _____, 20__, by and among WaterWalk Franchise Services LLC (“WWFS”) and _____, _____, and _____ (whether one or more “Covenantors”).

WITNESSETH:

WHEREAS, Covenantors have agreed to enter into this Agreement to induce WWFS to enter into that certain Franchise Agreement (“Franchise Agreement”) dated _____, 20__, between WWFS and _____ (“Franchisee”); and

WHEREAS, Covenantors and its Affiliates have entered into, or may in the future enter into other franchise agreements with WWFS (“Other Agreements”);

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the Covenantors covenant and agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the same meaning as defined in the Franchise Agreement.
2. The Covenantors shall not, either directly or indirectly, individually, or through, or on behalf of, or in conjunction with any person, persons, or entity:
 - a. During the term of the Franchise Agreement, the Other Agreements and thereafter, except as otherwise approved in writing by WWFS, copy or disclose to any person other than Franchisee’s employees or employees of Franchisee’s approved property management company (and then only to employees who have a need to know) (i) any Trade Secrets, (ii) any knowledge, information or know-how concerning the System, or (iii) all or any portion of the Manual or any other confidential materials, including without limitation, the design of the System Properties, methods of operation and service at System Properties, intranet, knowledge of sales and profit performance at any one or more System Properties, and advertising and promotional programs, advertising, promotion and marketing techniques, the selection and training of Property managers and, in general, methods, techniques, formulas, formats, specifications, procedures, information systems and knowledge, in the operation and licensing of System Properties, or other materials deemed confidential by WWFS. Covenantors shall at all times treat the Trade Secrets and Manual and the information contained therein as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential and shall use the same only in the operation of the Property. The Trade Secrets and Manual shall at all times remain the sole property of WWFS, and shall be returned to WWFS immediately upon expiration or termination of this Agreement. Any and all information, knowledge, know-how, and other data, that WWFS designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Covenantors can demonstrate came to their attention prior to disclosure thereof by WWFS; or which, at or after the time of disclosure by WWFS to Covenantors, had become a part of the public domain, through publication or communication by others.
 - b. During the term of the Franchise Agreement or any Other Agreement, compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business, and, for a period of two (2) years after any transfer

or termination of any Franchise Agreement or any Other Agreement for any reason, Covenantors shall not compete, or be associated, directly or indirectly as an owner, officer, director, employee, consultant, or otherwise, in any Competitive Business that is located within the continental United States. For purpose of this Section 2, the term “Competitive Business” shall mean any property (except a System Property) that offers a mix of unfurnished apartments and furnished hotel suites within a building or complex; provided, however, that passive ownership of less than 2% of the outstanding voting securities of a publicly held corporation (which for purposes of this Agreement means a corporation registered under the Securities Exchange Act of 1934) shall not be deemed a violation of this Section.

- c. During the term of the Franchise Agreement or any Other Agreement, employ or seek to employ any person who is or was within the immediate past six (6) months employed in a management capacity by WWFS, any other System franchisee (except for System franchisees who are Affiliates of any Covenantor), or of any property management company employed by any System franchisee, or induce or seek to induce any such person to leave his or her employment. WWFS shall not employ or seek to employ any person who is or was within the immediate past six (6) months employed by Franchisee or induce or seek to induce any such person to leave his or her employment. Any party violating the provisions of this Section 2.c shall pay to the former employer as liquidated damages (which the parties agree are difficult of ascertainment) an amount equal to two (2) times the annual salary of the employee involved, plus all costs and attorneys’ fees incurred by the former employer in connection with such default. The parties hereto agree that each current and future Franchisee in the System shall be a third party beneficiary of the provisions of this Section 2.c, and shall be entitled to enforce the provisions hereof. WWFS shall have no obligation to enforce the provisions of this Section 2.c for the benefit of any current or future franchisee in the System.

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

4. The Covenantors agree that the existence of any claim that any of them may have against WWFS shall not constitute a defense to the enforcement by WWFS of this Agreement or the covenants contained in Article 11 of the Franchise Agreement. In the event that Covenantors commence any action against WWFS arising out of or related to this Agreement, or the dealings or relationship of the parties hereunder or otherwise, such action shall be brought only in a federal or state court sitting within the City of Wichita, Sedgwick County, Kansas. Covenantors consent to the exercise of jurisdiction by courts within the City of Wichita, Sedgwick County, Kansas over any claims or counterclaims against Covenantors. In the event WWFS incurs legal fees or costs or other expenses to enforce any obligation of Covenantors hereunder, or to defend against any claim, demand, action or proceeding by reason of Covenantors’ failure to perform or observe any obligation imposed upon Covenantors by this Agreement, then WWFS shall be entitled to recover from Covenantors the amount of all legal fees, costs and expenses, including reasonable attorneys’ fees, whether incurred prior to, or in preparation for or contemplation of the filing of any claim, demand, action, or proceeding to enforce any obligation of Covenantors hereunder or thereafter or otherwise.

5. This Agreement and the documents provided for herein contain the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, agreements and understandings with respect thereto, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations WWFS made in the Franchise Disclosure Document furnished to Franchisee. This Agreement may only be amended by a written document duly executed by all parties hereto. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas, without reference to the rules governing conflicts of law. This Agreement shall inure to the benefit of and shall be binding upon the respective successors, heirs, administrators, executors, personal representatives, trustees, and assigns of the parties hereto. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. Delivery of electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart. Capitalized used herein but not defined shall have the meaning set forth in the Franchise Agreement between WWFS and Franchisee.

6. **[To be added for Washington franchisees: This post-term non-competition provision is only binding in the State of Washington to the extent that the provision is reasonable and lawful.]**

IN WITNESS WHEREOF, the undersigned have executed this Agreement.

WATERWALK FRANCHISE
SERVICES LLC

By: _____
Name:
Title:

NAME: _____
INDIVIDUALLY _____

NAME: _____
INDIVIDUALLY _____

NAME: _____
INDIVIDUALLY _____

"COVENANTORS"

EXHIBIT F

FINANCIAL STATEMENTS

Part I
Audited Financial Statements

WaterWalk Support LLC

**Independent Auditor's Report
and Financial Statements**

December 31, 2022 and 2021

WaterWalk Support LLC
December 31, 2022 and 2021

Contents

Independent Auditor's Report..... 1

Financial Statements

Balance Sheets..... 3
Statements of Income and Member's Capital..... 4
Statements of Cash Flows 5
Notes to Financial Statements 6



1551 N. Waterfront Parkway, Suite 300 / Wichita, KS 67206

P 316.265.2811 / F 316.265.9405

forvis.com

Independent Auditor's Report

The Member
WaterWalk Support LLC
Wichita, Kansas

Opinion

We have audited the financial statements of WaterWalk Support LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and member's capital, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WaterWalk Support LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

FORVIS,LLP

Wichita, Kansas
October 3, 2023

WaterWalk Support LLC

Balance Sheets

December 31,

	<u>2022</u>	<u>2021</u>
Assets		
Certificate of deposit	<u>\$ 211,323</u>	<u>\$ 210,900</u>
Total assets	<u><u>\$ 211,323</u></u>	<u><u>\$ 210,900</u></u>
 Member's Capital		
Member's Capital	<u><u>\$ 211,323</u></u>	<u><u>\$ 210,900</u></u>

WaterWalk Support LLC
Statements of Income and Member's Capital
December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest income	\$ 423	\$ 857	\$ 1,578
Member's capital, beginning of year	<u>210,900</u>	<u>210,043</u>	<u>208,465</u>
Member's capital, end of year	<u>\$ 211,323</u>	<u>\$ 210,900</u>	<u>\$ 210,043</u>

WaterWalk Support LLC
Statements of Cash Flows
Years Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Activities			
Net income	\$ 423	\$ 857	\$ 1,578
Change in interest receivable	<u>-</u>	<u>193</u>	<u>(96)</u>
Net cash provided by operating activities	<u>423</u>	<u>1,050</u>	<u>1,482</u>
Investing Activities			
Purchases of certificate of deposit	<u>(423)</u>	<u>(1,050)</u>	<u>(1,482)</u>
Net cash used in investing activities	<u>(423)</u>	<u>(1,050)</u>	<u>(1,482)</u>
Increase in Cash	-	-	-
Cash, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WaterWalk Support LLC

Notes to Financial Statements

December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

WaterWalk Support LLC (the Company) is a wholly-owned subsidiary of WaterWalk Holding Co LLC (WH) and was formed on May 19, 2014, in Kansas. The Company was formed to absolutely and unconditionally guarantee the performance by WaterWalk Franchise Services LLC (WFS), also a wholly-owned subsidiary of WH, of all of the obligations under its franchise registration in each state where the franchise is registered and under its franchise agreement and other agreements identified in its Franchise Disclosure Document, which may be amended from time to time. The Company was contributed to WH by WaterWalk International LLC on June 8, 2021.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit are carried at cost which approximates their fair value. Certificates of deposit with original maturities greater than 90 days are classified outside of cash and cash equivalents.

Revenue Recognition

The Company recognizes interest income as earned.

Income Taxes

The Company's member has elected to have the Company's income taxed as a partnership under provisions of the Internal Revenue Code and a similar section of the Kansas income tax law. Therefore, taxable income or loss is reported to the individual member for inclusion in its respective tax returns and no provision for federal and state income taxes is included in these statements.

Subsequent Events

Subsequent events have been evaluated through October 3, 2023, which is the date the financial statements were available to be issued.

WaterWalk Support LLC
Notes to Financial Statements
December 31, 2022 and 2021

Note 2: Certificate of Deposit

The Company's certificate of deposit at December 31, 2022, bears interest at 0.20% and had a maturity date of June 14, 2023. Upon maturity, the certificate of deposit was renewed at 0.85% with a new maturity date of December 14, 2024.

Note 3: Guarantee

As discussed in *Note 1*, the Company has guaranteed the performance of WFS under its franchise registration in each state the franchise is registered in and under its franchise agreement. The amount of the guarantee is not limited, with maximum performance under the guarantee being limited to the Company's assets. Because WFS and the Company are under common control, the Company is not required to record the guarantee based upon its fair value. At December 31, 2022, the Company believes that performance under the guarantee is remote and therefore has not recorded a liability in connection with the guarantee.

Part II
Guarantee of Performance

GUARANTEE OF PERFORMANCE

For value received, WATERWALK SUPPORT LLC, a Kansas limited liability company (the "Guarantor"), located at 2121 North Webb Road, Wichita, Kansas 67206, absolutely and unconditionally guarantees to assume the duties and obligations of WaterWalk Franchise Services LLC, located at 2121 North Webb Road, Wichita, Kansas 67206 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Wichita, Kansas on the 4th of October, 2023.

Guarantor:

WATERWALK SUPPORT LLC
a Kansas limited liability company

By: 
Name: Jim Mrha
Title: Chief Financial Officer

Part III

Unaudited Financial Statements

(if required by state law)

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

WaterWalk Support Financial Package

August 31, 2023





WW Operations Company
 Consolidating Balance Sheet Aug 31 2023
 Actual Dollars

WaterWalk
 Support

ASSETS:	
Cash & Cash Equivalent(s)	211,323
Replacement Fund	-
Escrow Fund	-
Accounts Receivable	-
Prepaid Expenses and Other	-
Receivable from Related Party	-
Clearing	-
CURRENT ASSETS	\$ 211,323
Land	-
Land Improvements/(Sale of Excess)	-
Tenant/Lease Improvements	-
Buildings	-
Furniture, Fixtures and Equipment	-
Site Identification & Acquisition Costs	-
PROPERTY, PLANT & EQUIPMENT	\$ -
Less: Accumulated Depreciation	-
PROPERTY, PLANT & EQUIPMENT (NET)	\$ -
Deferred Loan Costs	-
Utilities Deposit(s)	-
Intangible Asset(s)	-
Goodwill	-
Notes Receivable	-
Corporate Investments	-
OTHER LONG TERM ASSETS	\$ -
TOTAL ASSETS	\$ 211,323
LIABILITIES:	
Accounts Payable	-
Due to Related Party	-
Accrued Interest	-
Current Portion of Long Term Debt	-
Accrued Guaranteed Payments	-
Other Accrued Expenses	-
CURRENT LIABILITIES	\$ -
Notes Payable	-
Notes Payable (Jack DeBoer)	-
Notes Payable (PPP)	-
Notes Payable - Other	-
Deferred Fees	-
LONG TERM LIABILITIES	\$ -
TOTAL LIABILITIES	\$ -
Members' Equity (Deficit)	211,323
TOTAL EQUITY	\$ 211,323
TOTAL LIABILITIES AND EQUITY	\$ 211,323

EXHIBIT G

**WATERWALK FRANCHISE SERVICES LLC
OPEN PROPERTIES**

**WaterWalk Franchise Services LLC
List of Franchisees
As of December 31, 2022**

OPEN PROPERTIES

Open Franchised Properties

Franchisee	Address	City	State	Telephone Number
MBC Denver Property, LLC	11410 E. Peakview Ave., Centennial, Colorado 80112	Centennial	Colorado	949.945.2741
Zion Partners, LLC	10000 59th Avenue, Plymouth, MN, 55422	Plymouth	Minnesota	651.470.6681
MBC Dallas Property, LLC	2220 N. Glenville Dr., Richardson, TX 75082	Richardson	Texas	949.945.2741
WaterWalk San Antonio The Rim LLC	5385 North Loop West, San Antonio, Texas	San Antonio	Texas	239.217.3487

Open Company-Owned Properties

Franchisee	Address	City	State	Telephone Number
WW KC Metcalf LLC	11200 Glenwood	Overland Park	Kansas	913.956.0234
WaterWalk Wichita LLC	411 W. Maple Street	Wichita	Kansas	316.201.1888
WW Charlotte Arrowood LLC	1525 W. Arrowood,	Charlotte	North Carolina	980.495.4560
WW Raleigh Shiloh LLC	1012 Lower Shiloh Way	Morrisville	North Carolina	919.748.5090

EXHIBIT H

FRANCHISEES WHO LEFT THE SYSTEM OR HAVE NOT COMMUNICATED

Franchisees Who Have Left System or Have Not Communicated

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

Franchisees who left the system in the fiscal year ending December 31, 2022:

Franchisee	City	State	Telephone Number
Hotel of the Hills, LLC	Irving	Texas	316.210.3441

Franchisees who have not communicated with WWFS within 10 weeks of the application date:

None

EXHIBIT I

STATE ADDENDA

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

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

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

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

This Amendment pertains to franchises sold in the states that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the “SOP”) and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not apply, does not subject the parties to the provisions of the SOP. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated _____, 20__ , will be amended as follows:

1. The following language is added immediately before the signature block of the Franchise Agreement:

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

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

WATERWALK FRANCHISE SERVICES LLC
“Franchisor”

“Franchisee”

By: _____

By: _____

Its: _____

Its: _____

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

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

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

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

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

The Franchise Agreement allows for mediation. The mediation will occur at Wichita, Kansas with the costs being shared equally by the parties.

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 (Business and Professions Code 16,600).

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

Section 31125 of the franchise investment law requires us to give to you a disclosure document approved by the commissioner of corporations before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you 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).

Item 6 of the FDD is amended by adding: The highest interest rate in California is 10%.

Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

OUR WEBSITE IS WWW.WATERWALK.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPL.CA.GOV.

**CALIFORNIA AMENDMENT
TO WATERWALK FRANCHISE SERVICES LLC FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of California that are subject to the California Franchise Investment Law (the “Act”) and is for the purpose of complying with California statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, _____, hereby agree that the Franchise Agreement will be amended as follows:

1. To the extent any part of Section 19.5 of the Franchise Agreement is contrary to California law, such part of Section 19.5 is hereby amended to conform with California law.

2. The following language is added as new Section 22.3 of the Franchise Agreement:

“Notwithstanding anything to the contrary in this Agreement, to the extent required by California Corporations Code Section 31512.1, any provision in this Agreement, the franchise disclosure document, and any other acknowledgement, questionnaire, or other writing, disclaiming or denying: (a) representations made by Franchisor or its personnel or agents to Franchisee before entering into the Franchise Agreement; (b) reliance by Franchisee on any representations made by Franchisor, or its personnel or agents; (c) reliance by Franchisee on the franchise disclosure document; or (d) violations of any other provision of the California Franchise Investment Law; is void and will not be enforced by Franchisor.”

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
“FRANCHISEE”

By: _____
Name: _____
Its: _____

“FRANCHISEE”

By: _____
Name: _____
Its: _____

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

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

1. Item 17 of the Franchise disclosure document is amended by the addition of the following language at the beginning thereof:

Notice Required by Law

THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE
TERMINATED AND YOUR RIGHTS UPON NON-RENEWAL MAY BE AFFECTED BY
ILLINOIS LAW, 815 ILCS 705/19 – 705/20.

2. The provisions of Article 19.4.A. of the Franchise Agreement which designates jurisdiction or venue for litigation in a forum outside of the State of Illinois are deleted. See the Illinois Franchise Disclosure Act § 815 ILCS 705/4 and Rule 14 Ill. Adm. Code 200.608.

3. Section 41 of the Illinois Franchise Disclosure Act (“Act”) provides that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” Accordingly, the provisions of the Act shall supersede any provisions of the Franchise Agreement or Kansas law which are in conflict with the Act.

**ILLINOIS AMENDMENT
TO WATERWALK FRANCHISE SERVICES LLC FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Illinois that are subject to the Illinois Franchise Disclosure Act (the “Act”) and is for the purpose of complying with Illinois statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, 20____ hereby agree that the Franchise Agreement will be amended as follows:

1. The provisions of Section 19.4.A of the Franchise Agreement which designates jurisdiction or venue for litigation in a forum outside of the State of Illinois is deleted. See Illinois’ Franchise Disclosure Act § 815 ILCS 705/4 and Rule 14 Ill. Adm. Code 200.608.

2. Section 41 of the Illinois Franchise Disclosure Act (“Act”) provides that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” Accordingly, the provisions of the Act shall supersede any provisions of the Franchise Agreement or Kansas law which are in conflict with the Act.

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
“FRANCHISEE”

“FRANCHISEE”

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO
THE MARYLAND FRANCHISE DISCLOSURE ACT**

Even though contrary language may appear in the franchise disclosure document and the Franchise Agreement the following provisions shall supersede and apply to all franchises offered and sold in the State of Maryland:

1. Franchisees may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law and the Franchise Agreement is amended as such.

2. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the Maryland Franchise Registration and Disclosure Law.

3. Section 19.6 of the Franchise Agreement is amended by adding the following language:

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

4. Neither the Franchise Agreement, nor the Site Application are intended to, nor do they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure laws Section 14-226 and the Franchisee's acknowledgements in the agreements are so amended.

5. Under COMAR Section 02.02.16L the general release required as a condition of renewal, sale, and/or assignment/transfer in Item 17 as well as in the Franchise Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law and the Franchise Agreement is amended as such.

6. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement.

**MARYLAND AMENDMENT
TO FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Maryland that are subject to the Maryland Franchise Registration and Disclosure Law (the “Act”) and is for the purpose of complying with Maryland statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

The parties to the Franchise Agreement dated _____, _____, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 4.1 A of the Franchise Agreement is amended by adding the following:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its preopening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.”

3. The following language is added to Section 13.10 B of the Franchise Agreement dealing with transfers by you:

“, except that the general release provisions shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

4. The following language is added to the end of Section 19.4 of the Franchise Agreement dealing with “Venue”:

“You may bring a lawsuit in Maryland for claims arising out of the Maryland Franchise Registration and Disclosure Law.”

5. The following language is added to the end of Section 19.5 of the Franchise Agreement dealing with the “Limitations Period”:

“All claims arising under the Maryland Franchise Registration and Disclosure Law shall be commenced within three (3) years after the grant of the franchise.”

6. Sections 17.3 and 20.1 of the Franchise Agreement are amended to state:

“Representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

IN WITNESS WHEREOF, the parties hereby have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
"FRANCHISEE"

"FRANCHISEE"

By: _____
Its: _____

By: _____
Its: _____

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

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

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
 - (i) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and
 - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

**MINNESOTA AMENDMENT
TO WATERWALK FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Minnesota that are subject to the Minnesota franchise registration and disclosure law (the “Act”) and is for the purpose of complying with Minnesota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

The parties to the Franchise Agreement dated _____, _____, hereby agree that the Franchise Agreement will be amended as follows:

1. MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in MINN. STAT. CHAPTER 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases)
 - (i) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and
 - (ii) that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to MINN. STAT. SECTION 80C.12 SUBD. 1(G). The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

IN WITNESS WHEREOF, the parties hereby have duly executed and delivered this Amendment to the Franchise Agreement as of the day and year set forth above.

[Signature Page Follows]

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
"FRANCHISEE"

"FRANCHISEE"

By: _____
Its: _____

By: _____
Its: _____

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

1. The cover page of the Franchise disclosure document is amended to add the following statement:

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. Item 3 is deleted in its entirety and the following substituted in its place:

Item 3 - LITIGATION

Neither the franchisor, its predecessor, a person identified in Item 2 nor any of its affiliates offering franchises under the franchisor's principal trademark:

B. 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. Has any 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. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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 compatible allegations.

D. 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 or 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. Item 4 is deleted in its entirety and the following is substituted in its place:

Item 4 - BANKRUPTCY

Neither the franchisor nor any of its affiliates, its predecessor or officers during the 10-year period immediately before the date of the Franchise disclosure document : (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. Item 5 is amended to add the following language at the end of the Item:

We use the initial fees to cover costs incurred in performing our obligations under the Franchise Agreement and to cover other overhead expenses.

5. Item 17 is amended by deleting the first paragraph and substituting the following:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS FRANCHISE DISCLOSURE DOCUMENT.

6. The following language is added to Item 17 in the Summary section of provision (c), entitled **Requirements for you to renew or extend**, and to Summary section of provision (m), entitled **Conditions for franchisor's 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.

7. The following language is added to Item 17 in the Summary section of provision (d), entitled **Termination by you**:

Franchisee can terminate upon any grounds available by law.

8. The following language is added to Item 17 in the Summary section of provision (w), entitled **Choice of law**:

The foregoing Choice of Law should not be considered a waiver of any right conferred upon the franchisor or Franchisee by the General Business Law of the State of New York, Article 33.

**RIDER TO WATERWALK FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider pertains to franchises sold in the State of New York that are subject to the New York franchise registration and disclosure law (New York General Business Law, Art. 33, Sec. 680 et seq., the "Act") and is for the purpose of complying with New York statutes and regulations. Signing this Rider where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

THIS RIDER is entered into this _____ day of _____, 20____ by and between WaterWalk Franchise Services LLC, a Kansas limited liability company ("WWFS"), and _____, whose principal business address is _____ ("Franchisee").

1. **Background.** WWFS and Franchisee are parties to that certain WaterWalk Franchise Agreement dated _____ that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because: (a) you are a resident of the State of New York and your WaterWalk Property franchise will operate in New York; and/or (b) the offer or sale of the franchise occurred in New York.

2. **Termination of the Franchise:** The following is added as a new Section 14.1.F. of the Franchise Agreement:

Franchisee may terminate this Agreement upon any grounds available at law.

3. **Governing Law/Consent to Jurisdiction.** The following is added to Section 21.1 of the Franchise Agreement.

This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the day and year first above written.

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
"FRANCHISEE"

"FRANCHISEE"

By: _____
Its: _____

By: _____
Its: _____

FRANCHISOR REPRESENTATION

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

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO
THE NORTH CAROLINA BUSINESS OPPORTUNITY ACT**

The following information is provided in addition to the disclosures contained in the Franchise Disclosure Document pursuant to Section 66-95 of the North Carolina Business Opportunity Act:

1. We are doing business under the name WaterWalk Franchise Services LLC and WaterWalk. We have previously done business under the name WaterWalk Apartments.
2. The names and titles of the persons who have responsibility for our business activities relating to the sale of franchises are listed in Item 2 of the Franchise Disclosure Document. The address of each of those persons is 2121 N. Webb Road, Wichita, Kansas 67206.
3. None of the persons listed in Item 2 of the Franchise Disclosure Document has been the subject of any legal or administrative proceeding alleging the violation of any business opportunity or franchise law, or fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.
4. None of the persons listed in Item 2 of the Franchise Disclosure Document has been the subject of any bankruptcy, reorganization or receivership proceeding, or was an owner, a principal officer or a general partner of any entity which has been subject to such proceeding.
5. We have never offered any other business opportunity.
6. A detailed description of the services that we will perform for a franchisee is disclosed in Item 11 of the Franchise Disclosure Document.
7. If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

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

Notwithstanding anything to the contrary set forth in the Franchise disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of North Dakota:

1. Item 5 of the Franchise Disclosure Document is amended by adding the following provision:

“Initial franchise fees are due and payable on such date that we have fulfilled our pre-opening obligations to you under the Franchise Agreement and you have commenced doing business.”

2. Liquidated damages and termination penalties are prohibited by law in the State of North Dakota and, therefore, Section 15.11 of the Franchise Agreement may not be enforceable in North Dakota.

3. Waiver of trial by jury is prohibited by law in the State of North Dakota. Accordingly, Section 19.4.B of the Franchise Agreement is deleted.

4. Waiver of exemplary and punitive damages is prohibited by law in the State of North Dakota. Accordingly, Section 19.4 of the Franchise Agreement is deleted.

5. North Dakota prohibits a provision that the Franchisee shall pay all costs and expenses incurred by WWFS in enforcing the Franchise Agreement. Accordingly, Section 19.7 of the Franchise Agreement is amended as follows:

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

6. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or Kansas law if such provisions are in conflict with North Dakota law.

7. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue for litigation, in a form outside of North Dakota, is deleted from any Franchise Agreement issued in the State of North Dakota.

8. North Dakota has determined that requiring a Franchisee to consent to liquidated damages and/or termination penalties is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. North Dakota law limit the Franchisee’s ability to restrict your activity after the Franchise Agreement has ended (Century Code Section 9-08-06).

**NORTH DAKOTA AMENDMENT
TO WATERWALK FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of North Dakota that are subject to the North Dakota Franchise Investment Law (the “Act”) and is for the purpose of complying with North Dakota statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

The parties to the Franchise Agreement dated _____, _____, hereby agree that the Franchise Agreement will be amended as follows:

1. Section 4.1 A. of the Franchise Agreement is deleted in its entirety and replaced by the following:

“Franchisee shall pay an Initial Franchise Fee in an amount equal to: (i) \$75,000, if the Property is approved to have no more than 153 units, or (ii) \$75,000 plus \$375 per apartment in excess of 153, if the Property is approved to have more than 153 units. The Initial Franchise Fee is due and payable on such date that WWFS has completed its pre-opening obligations under this Agreement and Franchisee has commenced doing business hereunder. If subsequent to the execution of this Agreement WWFS approves Franchisee to develop a Property at the Approved Location with more units than initially approved, and the total number of approved units will be in excess of 153, Franchisee shall pay to WWFS as an additional Initial Franchise Fee of \$375 for each additional unit that has been approved. The additional Initial Franchise Fee shall be payable when WWFS has completed its pre-opening obligations under this Agreement and Franchisee has commenced doing business hereunder if the additional units were approved before such date, or if approved thereafter at the time of approval of the increased number of units. Franchisee acknowledges and agrees that such Initial Franchise Fee has been fully earned and is nonrefundable in consideration of expenses incurred, rights granted, services rendered, and other valuable consideration, the receipt and sufficiency of which is acknowledged by Franchisee.”

2. Section 19.4.B. of the Franchise Agreement is deleted.
3. Section 19.5 of the Franchise Agreement is deleted.
4. Section 19.7 of the Franchise Agreement is amended as follows:

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

or contemplation of the filing of any claim, demand, action or proceeding to enforce any obligation of the other party hereunder or thereafter or otherwise.”

5. The laws of the State of North Dakota supersede any provisions of the Franchise Agreement, the other agreements or Kansas law if such provisions are in conflict with North Dakota law.

6. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the Franchisee to agree to jurisdiction or venue, in a form outside of North Dakota, is deleted from any Franchise Agreement or issued in the State of North Dakota.

Dated:

WATERWALK FRANCHISE SERVICES LLC
“FRANCHISEE”

“FRANCHISEE”

By: _____
Its: _____

By: _____
Its: _____

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

The cover page is amended by adding the following:

“EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT KANSAS LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ITEM 17 OF THE FRANCHISE DISCLOSURE DOCUMENT FOR DETAILS. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE ADMINISTRATORS LISTED ON EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY RHODE ISLAND DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE RHODE ISLAND DIVISION OF SECURITIES, 1511 PONTIAC AVENUE, JOHN O. PASTORE COMPLEX - BUILDING 69-1, CRANSTON, RHODE ISLAND 02920.”

Item 17 is amended by adding the following:

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

Section 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 this Act.”

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

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

Virginia has a statute which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: Virginia Code 13.1-557 to 5741. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause.

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.

**VIRGINIA AMENDMENT
TO WATERWALK FRANCHISE SERVICES LLC FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Virginia that are subject to the Virginia Retail Franchising Act (the “Act”) and is for the purpose of complying with Virginia statutes and regulations. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

The parties to the Franchise Agreement dated _____ hereby agree that the Franchise Agreement will be amended as follows:

1. Section 14.1.C(xi) of the Franchise Agreement is amended by adding the following sentence:

“§13.1-564 of the Virginia Retail Franchising Act provides that it is unlawful for a franchisor to cancel a franchise without reasonable cause.”

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
“FRANCHISEE”

“FRANCHISEE”

By: _____
Its: _____

By: _____
Its: _____

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

Notwithstanding anything to the contrary set forth in the franchise disclosure document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Washington.

1. If any of the provisions in the franchise disclosure document or Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent provisions of the Franchise disclosure document and Franchise Agreement with regard to any franchises sold in Washington.

2. 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.

3. The State of Washington’s policy pursuant to its Administrative Regulations pertaining to releases is as follows:

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.

4. The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

5. Item 6 is amended to add the following in the remarks column of the Public Offering Fee line item:

“The fee amounts are governed by the Washington Addendum and Washington Amendment’s transfer fee provisions.”

6. Item 6 amended to add the following in the remarks column of the Private Offering Fee line item:

“The fee amounts are governed by the Washington Addendum and Washington Amendment’s transfer fee provisions.”

7. Item 17 is amended to add the following:

“These states have statutes which limit the franchisor’s ability to restrict your activity after the Franchise Agreement has ended: California Business and Professions Code Section 16,600, Florida Statutes Section 542.33, Michigan

Compiled Laws Section 445.771 *et seq.*, Montana Codes Section 30-14-201, North Dakota Century Code Section 9-08-06, Oklahoma Statutes Section 15-217-19, Washington Code Section 19.86.030. Other states have court decisions limiting the franchisor's ability to restrict your activity after the Franchise Agreement has ended.

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

The following states have statutes which restrict or prohibit the imposition of liquidated damage provisions: California [Civil Code Section 1671], Indiana [IC 23-2-2.7-1(10)], Minnesota [Rule 2860.4400J], South Dakota [Civil Law 53-9-5]. State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.”

8. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

9. Section 1.1 (C), (D), and (E), and Section 22.2 of the Franchise Agreement does not apply to Washington Franchisees as so far as it contravenes RCW 19.100.180(2)(g).

10. 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.

11. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer. 13. Section 14.4 of the Franchise Agreement shall be interpreted in accordance with RCW 19.100.180(2)(i) and (j).

12. Section 8 of the Construction Services Agreement in Exhibit K is revised as follows

“Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.”

13. Section 14 of the Construction Services Agreement in Exhibit K is revised as follows:

“This provision is only enforceable in the State of Washington to the extent that the provision is reasonable and lawful.”

14. 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.

15. 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.

**WASHINGTON AMENDMENT
TO WATERWALK FRANCHISE AGREEMENT**

This Amendment pertains to franchises sold in the State of Washington that are subject to the Washington Franchise Investment Protection Act (the “Act”) and is for the purpose of complying with Washington statutes and regulations. It acts to amend the Franchise Agreement along with any agreements related to the Franchise Agreement. Signing this Amendment where the jurisdictional requirements of the Act are not met does not subject the parties to the provisions of the Act. Subject to the foregoing, notwithstanding anything which may be contained in the body of the Franchise Agreement or in any related agreements to the contrary, the Agreement is amended as follows:

The parties to the Franchise Agreement dated _____ hereby agree that the Franchise Agreement will be amended as follows:

1. In the event of a conflict of law, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
2. 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.
3. A release or waiver of rights executed by a Franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
4. Transfer fees, including the fee for a public offering and a private offering, are collectable to the extent that they reflect WWFS’ reasonable estimated or actual costs in effecting a transfer.
5. To the extent that Sections 1.1 (C), (D), and (E), and Section 22.2 of the Franchise Agreement are contrary to RCW 19.100.180(2)(g), which restricts the waiver of liability a franchisee may have under RCW 19.100, such Sections do not apply.
6. 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.
7. 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

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(State Addenda)

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.

- 8. Section 14.4 of the Franchise Agreement shall be interpreted in accordance with RCW 19.100.180(2)(i) and (j).
- 9. The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

Dated: _____

WATERWALK FRANCHISE SERVICES LLC
"FRANCHISEE"

"FRANCHISEE"

By: _____
Its: _____

By: _____
Its: _____

The undersigned does hereby acknowledge receipt of this addendum.

DATED _____

EXHIBIT J

**WATERWALK FRANCHISE SERVICES LLC
RELEASE**

RELEASE

THIS RELEASE is given by the undersigned, _____, in favor of WaterWalk Franchise Services LLC, and its officers, directors, members, agents, and employees as of the ___ day of _____, _____ on the following terms and conditions:

1. Consideration. The undersigned and WaterWalk Franchise Services LLC are parties to a certain Franchise Agreement entered into on _____ (the "Agreement"). The undersigned have requested that WaterWalk Franchise Services LLC approve the transfer of the WaterWalk Property operated under the Franchise Agreement to _____. Under the terms of the Agreement, WaterWalk Franchise Services LLC has no obligation to approve a transfer unless the undersigned provide unconditional assurance that WaterWalk Franchise Services LLC and its officers, directors, members, agents, and employees have discharged any and all obligations to the undersigned, and that the undersigned have no further claims of any nature against WaterWalk Franchise Services LLC. The undersigned have no claims to assert and are executing and delivering this release without qualification or condition of any nature, with the intention that WaterWalk Franchise Services LLC rely absolutely on this Release in approval of the proposed transfer, the benefits of which to the undersigned as good and sufficient consideration are hereby acknowledged.

2. General Release. The undersigned hereby unconditionally release any and all claims, debts, demands, liabilities, or obligations of any and all nature, accrued and unaccrued, known and unknown, whether arising under the Agreement, any other agreement that the undersigned, or any of its or their affiliates have entered into with WaterWalk Franchise Services LLC, any oral agreement, any act or omission, violation of statute or regulation, or other ground or theory of action, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances, against WaterWalk Franchise Services LLC and its officers, directors, members, agents and employees in their corporate or representative capacities and their individual capacities (collectively, "Releasees").

3. Miscellaneous. This Release is the entire agreement of the parties on its subject matter and there are no exceptions to its terms and no other agreements or understandings, oral or written, on its subject matter. This agreement is binding upon the undersigned and their heirs, successors and assigns, and shall inure to the benefit of the Releasees described herein, and the respective heirs, successors, and assigns.

4. **[To be added for Washington franchisees: This Release does not apply to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and any rule or order adopted thereunder.]**

IN WITNESS WHEREOF, the undersigned have set their hands on the date and year first above written.

Franchisee
By: _____
Its: _____

EXHIBIT K

CONSTRUCTION SERVICES AGREEMENT

CONSTRUCTION SERVICES AGREEMENT

THIS CONSTRUCTION ADVISORY SERVICES AGREEMENT (the or this “Agreement”) is made and entered into as of the ____ day of _____, 20 _____, by and between _____ (“Franchisee”), and WaterWalk Franchise Services LLC, a Kansas limited liability company (“WWFS”).

WITNESSETH: That,

WHEREAS, Franchisee has entered into one or more Franchise Agreements with WWFS (the “Franchise Agreements”), whereby it agreed to construct and operate one or more WaterWalk Properties (“Property”); and

WHEREAS, Franchisee has acquired and/or intends to acquire real property for the construction of the Property in the market set forth in Exhibit C and desires that WWFS provide the services described herein for the purpose of assisting Franchisee in the construction of the Property;

NOW, THEREFORE, in consideration of the covenants and premises herein contained, and for other good and valuable consideration received, it is hereby agreed as follows:

1. Construction Advisory Services. Subject to the terms and conditions of this Agreement, Franchisee hereby engages WWFS to provide the Construction Advisory Services to Franchisee with respect to the construction of a Property on land that Franchisee now or hereafter has under contract for building a Property in the Protected Territory(s) set forth in Exhibit C. Franchisee agrees that WWFS shall act solely as an advisor for purposes of assisting Franchisee in Franchisee’s construction of a Property. The Construction Advisory Services to be performed, to the extent required and to the extent requested by franchisee are listed on Exhibit A. Additional services may be provided at additional cost, as the parties may mutually agree. Notwithstanding the foregoing, in accordance with the provisions of Section 13 hereof, WWFS may at any time discontinue performing services for any construction project, including a construction project for which construction has begun, and may do so for any reason whatsoever. In such event, WWFS shall make available to Franchisee its file with respect to such construction project upon payment of all sums due WWFS.

2. Compensation. Franchisee shall pay WWFS when certain milestones are achieved; the milestones and fee payment schedule are set forth on the fee schedule set forth on Exhibit B. On a milestone basis, Franchisee will be billed for services pursuant to the fee schedule. All such fees are due and payable within five (5) days of the date billed to Franchisee. The fee includes WWFS travel and related costs.

3. Personnel. WWFS shall select such personnel as WWFS reasonably believes necessary to perform the services required hereunder and shall be solely responsible for deciding their qualifications, time in field, the amount of deployed resources, and similar logistical decisions.

4. Architectural, Engineering and Other Professional Services. This Agreement does not entitle Franchisee to any architectural, engineering, or other licensed professional services and Franchisee expressly acknowledges that WWFS does not provide architectural, engineering or other licensed professional services, or hold itself out as a provider of any such services. WWFS will not provide any certification services. Franchisee shall engage its own architects and engineers to handle all matters requiring such services at Franchisee’s sole cost and expense. Franchisee shall also engage the architect and engineer of its selection to prepare site drawings and building plans. Upon request, WWFS may provide to Franchisee a list of professional advisors such as architects, engineers, structural engineers, general and

subcontractors, and other personnel from time to time. The selection of any approved professionals, contractors or vendors shall be solely the responsibility of Franchisee.

5. Pre-Construction Advisory Services. Franchisee is solely responsible for acquiring the land and site for construction and for taking all actions necessary to obtain a building permit for the construction of the Property. Franchisee shall be solely responsible for obtaining required permits and the costs thereof. WWFS will review Franchisee's architect's plans and drawings for compliance with the Franchise Agreement and will review the general contractor's proposed construction schedule for feasibility.

6. No Warranty. Franchisee acknowledges that WWFS makes no express or implied warranty regarding (i) the proper performance by the architects, engineers, general contractor or subcontractors of their contractual obligations, (ii) the compliance with applicable zoning, building code, or similar laws, (iii) adequacy of the physical plant to perform its intended purpose, or (iv) the future business success of any Property. Franchisee understands that the construction of the Property will not guarantee success of the business which will depend on many factors under Franchisee's control, and WWFS is engaged solely to assist Franchisee in completing the construction of the Property.

7. Communications. Franchisee shall designate a Franchisee's Representative who shall be authorized to make all decisions on behalf of Franchisee and receive the WWFS reports; execute construction and other contracts in favor of Franchisee; and to act for and on behalf of Franchisee. Franchisee's Representative shall be the official WWFS liaison with Franchisee. WWFS may rely completely on communications and instructions from Franchisee's Representative. WWFS shall communicate with the Franchisee's Representative regarding the construction and the performance of the construction advisory services exclusively through its written reports and shall provide all information due Franchisee hereunder to the Franchisee's Representative. _____ shall be designated the initial Franchisee's Representative and may thereafter be replaced only by the written instructions of Franchisee. In order to avoid confusion and miscommunication, WWFS shall not take any instructions or direction from any person other than the Franchisee's Representative and shall not be obligated to deliver or communicate any information to any person other than the Franchisee's Representative.

8. Entire Agreement, Modifications. This Agreement, together with the other documents contemplated hereby, represents the entire understanding and agreement of the parties hereto with respect to the subject matter hereof, supersedes all prior negotiations between such parties, and cannot be amended, supplemented, or changed orally but only by an agreement in writing signed by the party or parties against whom enforcement is sought and making specific reference to this Agreement. **[To be added for Washington franchisees: Nothing in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.]**

9. Assignment and Succession. Except as expressly set forth herein, this Agreement may not be assigned by either party without the prior written consent of the other and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Kansas without giving effect to its conflict of laws principles.

11. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. Delivery of electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

12. Section and Paragraph Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13. Termination. This Agreement may not be terminated by Franchisee unless WWFS shall have been grossly negligent in the performances of its services. Upon termination, Franchisee will be obligated to pay for the milestones achieved and reimburse WWFS for costs incurred since the last milestone, whether or not yet billed to Franchisee. Upon full payment of sums due, WWFS shall deliver to Franchisee a copy of the file of the construction project and the work WWFS has performed for Franchisee. If WWFS terminates the Agreement, WWFS may elect to complete the milestone that is being worked and shall continue to be paid by Franchisee per the fee schedule for such work. If Franchisee terminates the Agreement, WWFS may elect to complete the milestone which is being worked and shall continue to be paid by Franchisee per the fee schedule for such work; or WWFS may elect to stop work upon such termination.

14. Relationship with Franchise Agreement. The parties acknowledge that they have executed one or more agreements that require Franchisee to obtain a development site and to commence construction within a period specified therein. Franchisee acknowledges that the assistance provided Franchisee hereunder by WWFS does not relieve, absolve, mitigate or otherwise alter or amend Franchisee's obligation under the other agreements with WWFS nor will the failure of WWFS to render services hereunder or otherwise perform its obligations result in any extension of time by WWFS to Franchisee to meet its obligations under such agreements. Provided, however, that any reports regarding construction which the Franchisee is obligated to provide to WWFS will be produced by WWFS as part of the construction advisory services provided hereunder, including the "final inspection" report. **[To be added for Washington franchisees: This provision is only enforceable in the State of Washington to the extent that the provision is reasonable and lawful.]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day, month, and year first above written.

"WWFS"

"FRANCHISEE"

WATERWALK FRANCHISE SERVICES LLC

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT A
Construction Advisory Services*

I. Site Visitations Included in Base Fee

- A. Site Inspection/Slab on grade (prior to pouring slab) and pre-construction meeting
- B. Framing (during the 2nd floor/3rd floor install)
- C. Dry-in of Roof (could be just roof felt) and Start of MEP Rough-in
- D. During Drywall Installation/pre-finishes meeting
- E. Paint, Cabinets & Trim
- F. Flooring, Doors & MEP trim
- G. Final Punch and close-out meeting

Total site visits: 7 – visits to be coordinated with Owner

II. Budgeted time required per visit

- | | | |
|----|--|----------|
| A. | Site Inspection and pre-construction meeting
with construction team | 1 day |
| B. | Framing | 1-2 days |
| C. | Dry-in and MEP rough-in | 1-2 days |
| D. | Drywall and pre-finishes meeting | 1-2 days |
| E. | Paint, Cabinets & Trim | 1-2 days |
| F. | Flooring, Doors & MEP trim | 1-2 days |
| G. | Final Punch and close-out meeting | 1-2 days |

* Franchisee acknowledges that WWFS makes no express or implied warranty regarding (i) the proper performance by the architects, engineers, general contractor or subcontractors of their contractual obligations, (ii) the compliance with applicable zoning, building code, or similar laws, (iii) adequacy of the physical plant to perform its intended purpose, or (iv) the future business success of any Property. Franchisee understands that the construction of the Property will not guarantee success of the business which will depend on many factors under Franchisee's control, and WWFS is engaged solely to assist Franchisee in completing the construction of the Property.

EXHIBIT B

Fees

Total Price to Franchisee

Basic fee: \$45,000

Payment Schedule

- | | |
|---|-------------------|
| 1. Due When Construction Documents are submitted to city for approval | \$17,000 |
| 2. Upon delivery of report following each of 7 visits | \$4,000 per visit |

Additional services (including days in excess of budget)	Fee to be agreed
--	------------------

EXHIBIT C

Market(s):

Protected Territory(s):

Property Address(es):

EXHIBIT L

**WATERWALK FRANCHISE SERVICES LLC
STANDARD WATERWALK COMFORT LETTER**

STANDARD WATERWALK COMFORT LETTER

_____, 20____

Name and
Address
Of Bank

To Whom It May Concern:

This Comfort Letter Agreement (“Agreement”) is made on _____, 20____, by and between WaterWalk Franchise Services LLC, a Kansas limited liability company, (“Franchisor or “WWFS”), and _____ (“Lender”). WWFS and Lender may be referred to collectively herein as the “Parties”.

This letter references a certain agreement between WWFS and _____ (“Franchisee” and/or “Borrower”), dated _____, 20__ (the “Franchise Agreement”), which grants Franchisee the right to operate a WaterWalk Property (the “Property”) at _____ (the “Approved Location”), and a [Loan Agreement - INSERT CORRECT TITLE] (together with any collateral agreements thereto, the “Loan Agreement”), dated _____ 20__, between Lender and Franchisee, pursuant to which, Lender is lending to Franchisee the principal sum of \$_____ (the “Loan”) to acquire real property and construct the Property at the Approved Location, or to be otherwise used to b

enefit the Property, which Property operates, or will be operated as a WaterWalk Property under the Franchise Agreement and which Loan will be secured by the Property.

At Franchisee’s request, and in order to induce Lender to enter into the Loan Agreement and the Loan, WWFS and Lender agree to the terms and conditions set forth herein.

1. Notice of Default and/or Termination.

A. By WWFS. At the same time and in the same manner that written default notices are sent to Franchisee under the Franchise Agreement, WWFS shall give Lender written notice of any event of default or breach under the Franchise Agreement (a “Default Notice”). WWFS shall also provide Lender with any termination notice, at the same time and in the same manner that a termination notice is sent to Franchisee under the Franchise Agreement, (a “Termination Notice”).

B. By Lender. At the same time and in the same manner that Lender is required to give written default notices to the Franchisee, under the Loan Agreement (a “Lender Default Notice”), Lender shall also give WWFS written notice of any event of default or breach or termination under the Loan Agreement. Lender will also notify WWFS at least 10 days before Lender: (i) commences foreclosure proceedings on the Property; (ii) petitions for appointment of a receiver, obtains the entry of an order for relief, or takes any action under federal or state bankruptcy laws or similar laws with regard to the Property; (iii) accepts a deed for the Property in lieu of foreclosure; or (iv) takes ownership, possession, or control of the Property, directly or indirectly, in any manner. Within thirty (30) days after Lender receives notice of another party’s commencement of foreclosure proceedings, filing of an action for appointment of a receiver, or filing of a

petition for relief under state or federal bankruptcy laws with regard to the Property, Lender will notify WWFS of such matters.

2. Default Under the Loan/Lender Foreclosure.

A. Lender Acquisition and Assumption.

1. WWFS hereby agrees that, if Lender acquires the Property from the current Franchisee through foreclosure, a deed in lieu of foreclosure, or through any other exercise of its rights under the Loan Agreement (“**Lender Acquisition**”), and if the Franchise Agreement has not yet otherwise been terminated by WWFS, and if the Lender desires to continue to operate the property as a WaterWalk Property, Lender shall assume Franchisee’s rights and obligations under the Franchise Agreement (“**Lender Assumption**”), subject to the terms of this Agreement, by giving written notice to WWFS of its intention to assume Franchisee’s rights and obligations under the Franchise Agreement (the “**Assumption Notice**”), together with the payment of a Five Thousand Dollar (\$5,000.00) processing fee.

2. The Assumption Notice shall be delivered to WWFS no later than ten (10) calendar days after Lender Acquisition. WWFS may require the submission by Lender of its organizational documents, ownership structure and evidence of compliance with WWFS’ then-current insurance standards, in connection with the submission of the Assumption Notice. For purposes of this Agreement, the Property shall be deemed to be acquired by the Lender effective immediately upon the execution of a deed in lieu of foreclosure, order of a court, or any other act of transferring ownership of the Property to Lender.

B. Management. Within ten (10) days of Lender’s assumption of the Franchise Agreement, whether by delivery of the Assumption Notice or by its Deemed Assumption (defined below), Lender must select a management company to manage the Property from a list recommended by WWFS or engage such other management company as WWFS may approve in its reasonable discretion, to operate the Property. Lender shall be responsible for the fees and costs associated with the placement of qualified management company. Such management company, or a successor reasonably acceptable to WWFS, shall continue to manage the Property during such time as Lender is in possession of and operating the Property under the Franchise Agreement or any successor franchise agreement entered into in accordance with the provisions of this Agreement, as applicable. If at any time the Property is operated by a management company not consented to by WWFS, WWFS may immediately terminate the Franchise Agreement, this Agreement, and the Property’s relationship with the WaterWalk brand.

C. Default Under the Loan/Lender Foreclosure in conjunction with Default Under the Franchise Agreement.

1. In addition to the requirements set forth above in this Paragraph 2, as a condition to the consummation of a Lender Assumption or Deemed Assumption, Lender will be required to: (i) promptly cure (subject to Paragraph 3 D) any uncured breach or default under the Franchise Agreement existing at the time of Lender Assumption, relating to quality, service or other deficiency in the Franchisee’s performance or obligations under the Franchise Agreement (excluding defaults that are personal to the Franchisee and cannot be cured by the Lender, as defined below); and (ii) pay any and all past due royalties or funds due the Franchisor and its affiliates.

D. Non-monetary Defaults Requiring Possession of Premises to Cure.

1. In the event of a breach or default under the Franchise Agreement which the Lender is unable to cure absent its possession, control, or ownership of the Property, Lender shall have such an additional time period to cure said default as WWFS may, in its reasonable discretion, grant to Lender. In no event

shall the additional time period exceed one hundred twenty (120) days after Lender's acquisition of possession, control, or ownership of the Property, and it shall further be subject to that:

- a) Lender immediately commences, and diligently prosecutes to completion, proceedings to obtain possession, control or ownership of the Property, as may be necessary to enable Lender to cure Franchisee's default under the Franchise Agreement; and
- b) following its acquisition of possession, control or ownership of the Property, Lender shall diligently proceed to cure all defaults, except for personal and non-curable defaults (as defined below) within the time period granted by WWFS, and shall thereafter perform all obligations of the Franchisee under the Franchise Agreement.

2. "Diligently proceed to cure" shall include the physical renovation work necessary at the Property to comply with WWFS requirements under the Franchise Agreement and/or WaterWalk brand standards. A "Personal and Non-Curable" default shall include a default that occurred prior to the Lender's acquisition of possession, control, or ownership of the Property that is personal to the Franchisee (i.e. bankruptcy, failure to provide adequate notice, moral turpitude, failure to maintain company status, etc.) and is unrelated to operation of the Property.

E. Failure to Assume.

Lender's failure to timely deliver an Assumption Notice shall be deemed an assumption of the Franchise Agreement and all of its terms and conditions with the exception of Article 15.12 regarding liquidated damages (the "Deemed Assumption"), and entitle WWFS to proceed in the ordinary course of business to pursue its legal rights and remedies under the Franchise Agreement and this Agreement. Such rights include, but are not limited to WWFS' right, but not the obligation, to immediately terminate the Franchise Agreement. Lender shall be immediately required to begin performing the obligations of Franchisee under the Franchise Agreement.

F. Rejection

Should Lender acquire possession, control or ownership of the Property through a Lender Acquisition, but elect not to exercise its right to assume the Franchise Agreement, Lender shall immediately comply with WWFS' request to perform the obligations of the Franchisee under the Franchise Agreement with regard to the de-identification and/or de-branding of the Property and shall indemnify, defend and hold WWFS and its affiliates harmless from and against any loss, claim or other liability of any kind arising from or in connection with the operation of the Property from the time of Lender's rejection until such de-identification and de-branding has been completed. Lender's obligations under this Paragraph shall survive any termination of this Agreement and nothing in this Agreement shall limit Franchisor's rights, if any, to pursue its legal rights and remedies for any unauthorized use of Franchisor's trademarks, service marks, or systems.

G. Management During Receivership.

In the event that Lender gains any right to control the Property or revenues from the Property via the appointment of a Receiver or otherwise, Lender shall comply with all terms and provisions of the Franchise Agreement, including all monetary obligations arising under the Franchise Agreement, specifically, but not limited to the payment of royalties and outstanding fees due WWFS and/or its affiliates. In the event that a receiver is appointed for the Property during a foreclosure proceeding or through any exercise of Lender's rights under the Loan Agreement, Lender may, by notice and payment to Franchisor of a non-refundable \$5,000 application fee, have the Property operated by a management company, if the

receiver cures any quality, service, or other deficiency in Franchisee's prior performance of its obligations under the Franchise Agreement and under any other agreements with WWFS and its affiliates relating to the Property (but excluding any unpaid liquidated damages), and comply with the renovation and upgrade requirements that are stated in the Franchise Agreement or otherwise required of WaterWalk franchisees at the time such Franchise Agreement is executed.

3. Assignment and Transferability.

A. Lender and Franchisee represent, warrant and covenant to the Franchisor that that the Franchise Agreement has been collaterally assigned, pledged, or granted as a security interest or otherwise transferred to the Lender or its affiliates. Franchisee further represents and covenants that the granting of the Loan Agreement will not cause the Franchisee to violate any financial covenants contained in the Franchise Agreement. Neither the Lender nor the Franchisee shall have the right or authority to sell, convey, assign or in any manner transfer any rights hereunder or under the Franchise Agreement without the written consent of WWFS, and in accordance with the provisions of the Franchise Agreement, including its confidentiality provisions.

B. Notwithstanding anything to the contrary contained herein, Lender may transfer its rights and obligations under the Franchise Agreement to a wholly owned subsidiary, as approved in writing by WWFS, for the purposes of operating and maintaining the Property pursuant to the requirements herein and under the Franchise Agreement and for a period of time as designated in Paragraph 6 below, and such transfer will not be subject to WWFS' right of first refusal under the Franchise Agreement.

C. Notwithstanding anything to the contrary contained herein, this Agreement may be assigned to any subsequent holder or holders of the Loan upon notice to Franchisor, but without Franchisor's consent; provided the Loan is assigned to a commercial bank, investment bank, pension fund, finance company, insurance company, or other entity engaged in the business of making loans and any fund managed by any of the foregoing.

4. Immediate Termination of Franchise Agreement. Notwithstanding any provision to the contrary contained herein, WWFS reserves its right to immediately terminate the Franchise Agreement if, subsequent to a Lender Acquisition, Lender does not comply with the terms and provisions of this Agreement.

5. Transition of Control of the Property. Lender, Franchisee and WWFS hereby agree to fully cooperate with one another in the event of change of control of the Property as contemplated herein. Said transition shall be conducted efficiently without inconvenience to the guests or employees of the Property and shall be in compliance with any applicable federal or state law or regulation.

6. Intent of this Agreement and Subsequent Sale of the Property.

A. The parties hereto acknowledge that a Lender Assumption or Deemed Assumption, and any subsequent acquisition of the Franchise Agreement by Lender is intended to serve as temporary remedy to lessen the negative impact of a Franchisee/Borrower Default under the Loan on both the Lender and the Franchisor. It is not the Franchisor's desire to maintain a long term franchise relationship with the Lender, and the Lender is not in the business of, and does not intend to be in the business of, operating apartment complexes and buildings or extended stay hotels.

B. Notwithstanding anything to the contrary herein, in the event of a Lender Acquisition and subsequent Lender Assumption or Deemed Assumption the Lender shall, within eighteen (18) months from the date of the Lender Assumption or Deemed Assumption ("Transfer Period"), in conjunction with the

sale, assignment or transfer of the Property, relinquish its rights to the Franchise Agreement to a transferee acceptable to WWFS.

C. Lender agrees to diligently pursue a qualified third party to affect such transfer and WWFS agrees that it shall use its resources within the WaterWalk franchise system to aid the Lender in finding a qualified replacement, but makes no guarantee that it will be able to do so.

D. Such Transfer shall be upon all of the terms and conditions of the Franchise Agreement and shall require the proposed new transferee to enter into a new, then current form of Franchise Agreement with WWFS and to pay to WWFS the then current Initial Franchise Fee.

E. In the event that Lender would fail to transfer the Franchise Agreement within eighteen (18) months from the date of the Lender Acquisition, WWFS shall have the right to terminate the Franchise Agreement effective immediately upon written notice to the Lender. WWFS may extend the Transfer Period, at its sole discretion, upon written request of the Lender, received by WWFS prior to the expiration of the Transfer Period.

7. Default Under the Franchise Agreement - Lender's Right to Cure. Upon receipt of a Default Notice, Lender shall have the right, but not the obligation, to cure Franchisee's default or breach, during the notice period granted by WWFS to Franchisee, if any. Unless the default is related to health and safety WWFS shall extend, upon Lender's prior written request received by WWFS at least two (2) days before the expiration of the Franchisee's cure period, Lender's right to cure any default susceptible to cure by Lender beyond the cure period established in such Default Notice (not to exceed an additional five (5) days for a monetary default or ten (10) days for a non-monetary default). The Lender's inability or failure to cure shall not prevent WWFS from exercising its legal rights and remedies under the Franchise Agreement.

8. Notices. All notices, requests, demands and other communications under this Agreement, including any Notice of Default or Assumption Notice, shall be in writing and shall be served either by personal delivery, by certified mail - return receipt requested, by receipted overnight courier service or by facsimile (with a confirming copy mailed if served only by facsimile), properly addressed as follows:

If to Franchisee: _____

Attn: _____
Facsimile: () _____

If to Lender: Bank of _____

Attn: _____
Facsimile: () _____

If to WWFS: WaterWalk Franchise Services LLC
2121 N. Webb Road
Wichita, Kansas 67206
Attn: President
Facsimile: (316) 631-1382

Any party may change its address for purposes of this paragraph by giving the other parties written notice of the new address in the manner provided above. Notices shall be deemed received at the earlier of receipt or three business days after mailing by certified mail or one business day after sending by overnight courier service.

9. Franchisee's and Guarantor's Obligations. Franchisee and any guarantor(s) of the Franchise Agreement shall not be released from any obligations under the Franchise Agreement or guaranty upon any assumption of the Franchise Agreement by Lender.

10. Subordination. WWFS hereby acknowledges and agrees that any lien or encumbrance on or any security interest in the Property in favor of WWFS or its affiliates arising out of or in connection with the Franchise Agreement shall be subordinate to Lender's rights under or with respect to the Loan, including without limitation any lien or encumbrance on the Property securing any such rights of Lender. The foregoing subordination is a subordination of liens, encumbrances and/or security interests, as the case may be, and is not intended to be, and shall not be construed as, a subordination by WWFS of its right to payments from Franchisee under the Franchise Agreement. Without limiting the generality of the foregoing, it is acknowledged and agreed by the parties hereto that the subordination set forth in this Section 10 shall not hinder or delay WWFS from pursuing any of its rights under the Franchise Agreement against Franchisee to collect royalties, fees or other amounts due WWFS under the Franchise Agreement.

Lender hereby acknowledges that its rights under this Agreement are subordinate to 1) the rights granted to any other Lender or other third party holding a prior lien against the property which is the subject of this Comfort Letter, and for which WWFS has executed a Comfort Letter to facilitate the loan; or 2) to any Comfort Letter executed prior to the date hereof, for as long as that Comfort Letter is in full force and effect, by and between WWFS and another Lender or third party.

11. Confidentiality, Non-Disclosure and No Claims. The provisions of this letter agreement shall not be disclosed by Lender or Franchisee to any third party, excepting Franchisee's or Lender's respective employees, directors, officers, agents or legal and financial representatives on a need-to-know basis, and/or unless as required by law or as mutually agreed to by the parties, and/or as part of any due diligence performed as part of the sale or participation of the Loan by Lender. As part of such disclosure, Lender must ensure that third parties are advised of, and agree to be bound by, the terms of this confidentiality provision. Franchisee and Lender further agree not to copy, reproduce or otherwise make available in any form whatsoever to any other person, firm, corporation or business the provisions of this letter agreement. Notwithstanding the foregoing, WWFS may discuss with Lender, successor mortgagee, any receiver requested by Lender, or any of their respective designees the status of the Property, the Franchise Agreement, the terms of any agreement contemplated by this Agreement, and any matters of which Lender is entitled to receive notice. Franchisor and its affiliates, agents, employees, officers, directors, successors, assigns and representatives ("Released Persons") will not be liable to any person or entity for taking any action or providing any information required or contemplated by this Agreement ("Comfort Letter Acts"). On behalf of itself and its owners, affiliates, agents, officers, directors, employees, representatives, successors and assigns, Franchisee releases, discharges, and holds harmless the Released Persons from any and all actions, causes of action, suits, claims, demands, damages, debts, accounts, and judgments, at law or in equity, for any Comfort Letter Acts.

12. Automatic Termination of Comfort Letter Agreement. This Agreement shall immediately terminate and Lender shall have no rights hereunder if:

- a) Lender has been taken over in any manner by any state or federal agency or is in receivership, conservatorship, reorganization, or liquidation, or Lender or any of its officers or directors has entered

into or is subject to a cease and desist order or any other formal or informal written agreement with a federal or state agency;

b) Lender no longer holds a valid mortgage or security deed with respect to the Property (other than as the result of a Lender Acquisition);

c) the Franchise Agreement is terminated in accordance with its terms after giving Lender notice required under this Agreement and the cause for termination, if any, remains unremedied after the expiration of any applicable cure periods; or

c) the Franchise Agreement expires at the end of its term.

13. General. The provisions contained herein are applicable to the Property and the parties hereto only. Issuance and execution of this Agreement or the granting of any conditions provided herein does not constitute and obligation on Franchisor's part to provide the same at any future date.

14. Governing Law and Enforceability. This Agreement shall be construed in accordance with, and governed by, the internal laws of the State of Kansas, without regard to its conflict of laws rules. The invalidity or unenforceability of any provision of this Agreement shall not invalidate or affect the enforceability of any other provision of this Agreement. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

15. Estoppel. As of the date of this Agreement, Franchisee is in reasonable compliance with the terms and conditions of the Franchise Agreement, there is no pending Notice of Default to the Franchisee and the Franchise Agreement is in full force and effect.

16. No Representations or Warranties. In no event shall this Agreement or any other circumstances surrounding the financing by Lender be construed to involve (i) any representation by WWFS that it endorses, approved, recommends or otherwise concurs in the financing; (ii) any guarantee or assurance by WWFS that it or any other party to the Loan will be able to repay the Loan in accordance with its terms; (iii) any endorsement, approval, recommendation or concurrence in any financial projections submitted to Lender in connection with the Loan; or (iv) any endorsement, approval or recommendation of the Franchisee's character or reputation.

17. Entire Agreement. This is the entire agreement among the parties relating to the subject matter of this Agreement and it supersedes any previous oral or written agreements. This Agreement may be amended only by a writing signed by all parties. This agreement may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof.

18. Effectiveness. This Agreement shall become effective when, and not before, Franchisor receives a fully executed original of the Agreement. If a fully executed original of this Agreement is not received by WWFS within thirty (30) calendar days of the date of this Agreement this Agreement shall be deemed null and void. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which constitute one and the same instrument. Delivery of electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date set forth above.

Lender:

By:

Name: _____

Title: _____

WWFS:

WaterWalk Franchise Services LLC

By:

Name: _____

Title: _____

Agreement Approved by:

Franchisee

By:

Name: _____

Title: _____

EXHIBIT M

ASSIGNMENT

ASSIGNMENT

This Assignment (the “**Assignment**”) is effective as of _____, 20__ (the “**Effective Date**”), by and between **WaterWalk RE Development Services LLC**, a Kansas limited liability company (“**WaterWalk**”), and _____, a _____ (“**Assignee**”); and is entered into pursuant to the WaterWalk Franchise Agreement (the “**Franchise Agreement**”) between Assignee and WaterWalk Franchise Services LLC (“**WWFS**”). For and in consideration of the mutual covenants and terms hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both parties, the parties agree as follows:

1. **Assignment.** Subject to the terms and contingencies of this Assignment, WaterWalk hereby assigns, transfers and conveys to Assignee, all of WaterWalk’s right, title and interest in and to the “PSA” for the “Approved Location” (both capitalized terms defined on **Exhibit A**).

2. **Fees and Reimbursement.** In exchange for this Assignment, Assignee agrees to pay to WaterWalk on the Effective Date by wire transfer the amount of \$_____, plus the additional amount of \$_____ as reimbursement for the expenses set forth on **Exhibit B**. Assignee understands that there may be other costs and expenses incurred by WaterWalk allocable to the time period prior to the Effective Date, for which invoices have not been received by the Effective Date. Assignee agrees to reimburse WaterWalk for the payment of those invoices within 15 days of WaterWalk providing notice and copies of any such invoices.

3. **Assumption of Obligations.** Assignee assumes and agrees to perform all of the obligations, terms, provisions, conditions and covenants of the PSA that WaterWalk has the obligation to perform on or after the Effective Date, and Assignee will indemnify and hold WaterWalk harmless from and against any and all claims, liabilities and judgments that WaterWalk may incur as a result of Assignee’s failure to perform those obligations, terms, provisions, conditions and covenants. WaterWalk agrees to indemnify and hold Assignee harmless from and against any and all claims, liabilities and judgments that Assignee may incur as a result of WaterWalk’s failure to perform any of the obligations, terms, provisions, conditions and covenants required to be performed prior to the Effective Date, but only to the extent Assignee both (a) provides WaterWalk with prompt notice once Assignee is on notice or suspects that a claim may exist for which WaterWalk may have liability to Assignee pursuant to this Section, and (b) permits WaterWalk to review, understand and resolve the matter to the fullest extent reasonably possible by WaterWalk.

4. **Real Estate Sale and Purchase Contract Performance.** Assignee agrees: (a) that in each place the PSA requires its purchaser party to perform, or to use certain efforts, Assignee will fully and timely perform and exert those efforts (including the timely completion, review and delivery of objections related to survey, title, and other due diligence items, and the timely pursuit of any required or desired Approvals (as defined in the PSA)); and (b) to promptly provide WaterWalk and WWFS with (i) reasonable evidence of Assignee’s compliance with the terms of the PSA and this Assignment upon request, (ii) copies of any title or survey objection letters delivered to or received from the PSA seller party, (iii) any notice or threat from the PSA seller party of a default or breach, (iii) any information that the PSA seller party may be in default or breach of the PSA, and (iv) any other information or evidence that WaterWalk or WWFS may reasonably request.

5. **No Representations or Warranties.** This Assignment is granted “as is,” “where is,” and with all faults, without warranty or representation of any kind. EXCEPT AS EXPRESSLY STATED IN THIS ASSIGNMENT, ASSIGNEE ACKNOWLEDGES AND AGREES THAT WATERWALK HAS NOT MADE, DOES NOT MAKE, AND SPECIFICALLY NEGATES AND DISCLAIMS ANY

REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESSED OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE CONCERNING THE PSA (EXCEPT THE EXPRESS WARRANTIES MADE IN SECTION 1 ABOVE) OR THE APPROVED LOCATION, INCLUDING, BUT NOT LIMITED TO: THE ASSIGNABILITY THEREOF; THE CONDITION THEREOF; THE SUITABILITY THEREOF FOR ANY OR ALL ACTIVITIES AND USES WHICH ASSIGNEE MIGHT CONDUCT THEREON; THE APPROVED LOCATION'S COMPLIANCE WITH ANY LAWS, RULES, ORDINANCES, REGULATIONS, OR CODES OF ANY APPLICABLE GOVERNMENTAL AUTHORITY; AND ANY OTHER MATTER CONCERNING THE PSA OR THE APPROVED LOCATION. SPECIFICALLY, WATERWALK HAS NOT MADE, DOES NOT MAKE, AND DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES REGARDING THE APPROVED LOCATION'S COMPLIANCE WITH ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS, OR THE DISPOSAL OR EXISTENCE IN, ON, OR UNDER THE APPROVED LOCATION OF ANY HAZARDOUS SUBSTANCE, AS DEFINED BY THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, AND RULES AND REGULATIONS THEREUNDER; OR THE ABILITY TO PERMIT, DEVELOP AND OPERATE UPON THE APPROVED LOCATION A WATERWALK PROPERTY.

ASSIGNEE ACKNOWLEDGES HAVING THE FULL OPPORTUNITY TO INSPECT THE APPROVED LOCATION AND REVIEW THE PSA, AND THAT ASSIGNEE IS AN EXPERIENCED LODGING AND REAL ESTATE DEVELOPER. ASSIGNEE IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE APPROVED LOCATION AND THE PSA, AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY WATERWALK OR ANY OF ITS CONTRACTORS, AGENTS, EMPLOYEES OR REPRESENTATIVES. ASSIGNEE ACKNOWLEDGES THAT WATERWALK HAS GIVEN ASSIGNEE ACCESS TO VARIOUS MATERIALS IN WATERWALK'S POSSESSION AND WATERWALK BELIEVES THAT ADDITIONAL STUDIES, REPORTS AND OTHER MATERIALS MAY BE OBTAINED BY ASSIGNEE PRIOR TO THE PSA CLOSING WHICH MAY BE MATERIAL TO ASSIGNEE'S PURCHASE, DEVELOPMENT, OPERATION AND/OR USE OF THE APPROVED LOCATION. ASSIGNEE ACKNOWLEDGES AND AGREES THAT ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE APPROVED LOCATION OR PSA BY WATERWALK PURSUANT TO THIS ASSIGNMENT, AND THE PSA ITSELF, IS SOLELY FOR ASSIGNEE'S CONVENIENCE WAS OBTAINED FROM A VARIETY OF SOURCES, AND WATERWALK MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. WATERWALK SHALL NOT BE LIABLE FOR ANY FAILURE OF OR BY ASSIGNEE TO INVESTIGATE THE APPROVED LOCATION AND WATERWALK WILL NOT BE LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PSA, CONTRACTS, APPROVED LOCATION, OR ANYTHING ELSE ASSIGNED HEREUNDER WHICH IS NOT CONTAINED HEREIN, WHETHER FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, REPRESENTATIVE, OR OTHERWISE. ASSIGNEE ACKNOWLEDGES THAT TO THE MAXIMUM EXTENT ALLOWED BY LAW, THE TRANSFER OF WATERWALK'S INTEREST IN THE APPROVED LOCATION AND THE PSA IS MADE IN AN "AS IS" CONDITION, WITH ALL FAULTS (EXCEPT THE EXPRESS WARRANTIES MADE IN SECTION 1 ABOVE).

6. **Notices.** All notices which are required or may be given pursuant to the terms of this Assignment must be in writing and must be personally delivered, mailed by certified or registered mail, postage prepaid, return receipt requested, or sent via a nationally recognized overnight delivery service, or sent by facsimile (with a confirming copy mailed) to the respective parties at the following addresses or

facsimile unless and until a different address or facsimile number has been designated by written notice to the other party:

If to WaterWalk:

_____, _____
WaterWalk RE Development Services LLC
2121 N. Webb Road
Wichita, Kansas 67206
Telephone: 316.866.2510
Facsimile: 316.631.1382

With a Copy to:

Foulston Siefkin LLP
Attn: F. Robert Smith, Esq.
1551 N. Waterfront Parkway, Suite 100
Wichita KS 67206
Telephone: 316.291.9767

If to Assignee:

Any notice shall be deemed to have been given at the earlier of actual receipt or 3 business days after mailing by certified or registered mail, or 1 business day after sending by facsimile or overnight delivery service. Any changes in the foregoing addresses shall be given in the manner provided above for the delivery of notices.

7. **Binding Effect; Assignment.** This Assignment is binding upon and inures to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns. Assignee may not assign or otherwise transfer any of its rights or obligations under this Assignment without the prior written consent of WaterWalk, which consent WaterWalk may withhold in its sole discretion.

8. **Governing Law; Venue; Dispute Resolution; Costs.** This Assignment is governed by and to be interpreted and construed in accordance with the substantive laws of the State of Kansas, without giving effect to its conflicts of law provisions.

The Parties agree that any claims, disputes, or questions between them arising hereunder, including the construction and application of this Agreement, shall be first submitted to mediation in Sedgwick County, Kansas, by a mediator chosen by the Parties from the names of mediators furnished by the American Arbitration Association (“AAA”). If the Parties cannot agree on a mediator, they will ask the AAA to select a mediator not previously chosen by either Party from its Commercial Mediation panel, and such request will be made by both Parties after either Party, having attempted to agree with the other Party regarding the selection of a mediator, determines that agreement cannot be obtained in the selection of a mediator. The mediation will be nonbinding and will be conducted in Sedgwick County, Kansas under the

Commercial Mediation Rules then in effect, and each Party will pay one half of the mediator's fee. If the mediation does not result in a settlement, the Parties agree that the matter in dispute will be submitted for binding arbitration in Sedgwick County, Kansas, by the AAA in accordance with its Commercial Arbitration Rules then in force, and the successful Party shall be entitled to reimbursement from the other Party for all costs involved in such arbitration, including reasonable attorney fees.

NO PUNITIVE OR EXEMPLARY DAMAGES MAY BE AWARDED AGAINST EITHER WATERWALK OR ASSIGNEE OR ANY AFFILIATES OF EITHER OF THEM, IN ANY PROCEEDING, AND ALL CLAIMS TO SUCH DAMAGES ARE HEREBY WAIVED.

1.2 WaterWalk and Assignee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless the proceeding is brought before the expiration of the earlier of (i) 1 year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) 2 years after the date of the first act or omission giving rise to such alleged liability or obligation. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (i) or (ii) above.

9. **Entire Agreement; Modification and Non-Waiver; Severability.** This Assignment (including any exhibits hereto) embodies the entire agreement between the parties concerning the subject matter hereof and replaces and supersedes any prior and contemporaneous negotiations, agreements or understandings among the parties hereto. This Assignment may not be modified or amended, except by an agreement in writing signed by WaterWalk and Assignee. The parties may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver will be effective only if in writing and signed by the party waiving such conditions or obligations. In the event any one or more of the provisions contained in this Assignment is for any reason judicially declared to be invalid, illegal, unenforceable or void in any respect, such declaration will not have the effect of invalidating or voiding the remainder of this Assignment, and the parties hereto agree that the part or parts of this Assignment so held to be invalid, illegal, unenforceable or void will be deemed to have been stricken from this Assignment, and the remainder will have the same force and effect as if such part had never been included herein.

10. **Further Acts.** Each party, without further consideration, agrees to execute, acknowledge where appropriate, and deliver such additional documents, provide all information, and take or refrain from taking action as may be reasonably requested by the other party and necessary or appropriate to carry out the purposes and intent of this Assignment.

11. **Time of the Essence.** Time is of the essence to this Assignment.

12. **No Strict Construction.** The parties have participated jointly in the negotiation and drafting of this Assignment. In the event an ambiguity or question of intent or interpretation arises, this Assignment will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Assignment.

13. **Titles and Captions.** All article and section titles or captions in this Assignment are for convenience only. They will not be deemed part of this Assignment and in no way define, limit, extend, or describe the scope or intent of any provisions of this Assignment.

14. **Counterparts; Signatures.** The parties may execute this Assignment in counterparts, each of which will constitute an original, and all of which, when taken together, will constitute one and the same instrument. Delivery of electronic signature or an executed signature page by electronic transmission is as effective as delivery of an original signed counterpart.

15. **Confidentiality and Publicity.** This Assignment is confidential in nature, and the parties agree that, except as required by law, or required to close the PSA transaction (such as to the title company) the terms of this Assignment will remain confidential and may not be disclosed or released to any third parties without the prior written consent of WaterWalk and Assignee, and without such third party executing a similar confidentiality agreement. WaterWalk and Assignee agree that if either WaterWalk or Assignee releases a press release with respect to the transaction(s) contemplated herein, such party will first obtain the written consent of the other party, which consent may not be unreasonably withheld.

[Signature Page Follows]

In witness whereof, the parties hereto have executed this Assignment to be effective as of the Effective Date.

WATERWALK:

WaterWalk RE Development Services LLC,
a Kansas limited liability company

By: _____
Printed Name: _____
Title: _____

ASSIGNEE:

_____,
a _____

By: _____
Printed Name: _____
Title: _____

EXHIBIT A

That certain Purchase and Sale Agreement by and between WaterWalk, as Purchaser, and **[insert seller name]**, as Seller, with an effective date of _____ (**[as amended]**, the “**PSA**”), regarding the real property generally located at: **[insert brief description/address]**, and more particularly described in the Real Estate Sale and Purchase Contract as follows (the “**Approved Location**”):

[Insert legal description]

EXHIBIT B

Reimbursable Expenses

EXHIBIT N

**WATERWALK FRANCHISE SERVICES LLC
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OPERATIONS MANUAL TABLE OF CONTENTS

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EXHIBIT O

DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement is made and entered into effective as of the last date executed by a party hereto (“**Effective Date**”), by and between WaterWalk RE Development Services LLC, a Kansas limited liability company (“**WW Development**”), and _____, a _____ (“**Franchisee**”), for the property located in (city), (state), as more particularly described in the “**Franchisee Agreement**,” by and between WaterWalk Franchise Services LLC (“**WWFS**”) and Franchisee, with an effective date of _____, ___, 20___. This Development Agreement only applies to the “**Approved Location**” (as defined in the Franchise Agreement) identified in the Franchisee Agreement as of the Effective Date, or if the Approved Location has not been finally determined as of the Effective Date, then the initial Approval Location approved by WWFS. Unless agreed to in writing by both WW Development and Franchisee, this Agreement does not apply to any substitution of the Approved Location or any location other than that Approved Location.

In consideration of the mutual promises and terms of this Development Agreement, and other good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree:

1. **Incorporation of Standard Terms.** This Development Agreement fully incorporates by reference the WaterWalk RE Development Services LLC Terms and Conditions (the “**Standard Terms**”) attached hereto as Exhibit A. In the event of any conflict between the terms of the Development Agreement and the Standard Terms, the terms of the Standard Terms will control. Any terms capitalized in this Development Agreement but not defined herein have the definition given to such capitalized terms in the Standard Terms.

2. **Services.** Franchisee and WW Development agree that WW Development will provide certain services, as Franchisee’s authorized agent, to assist Franchisee with their efforts to acquire the Approved Location and construct a “**WaterWalk Property**” (as defined in the Franchise Agreement), at the Approved Location, that is constructed to WWFS standards. To the extent that Franchisee is taking an assignment of a purchase agreement for the Approved Location from WW Development, certain of these services may have been performed prior to the Effective Date. Below is a list of the “**Services**” that WW Development anticipates have been, or will be, provided pursuant to this Development Agreement. WW Development, in its sole but reasonable discretion, may, during the course of Franchisee’s acquisition or construction of the Approved Location, determine that certain of these Services are not necessary or applicable to the Approved Location and will communicate such determinations to Franchisee at which time WW Development will have no further obligation to perform such Services. Additionally, WW Development and Franchisee, during the course of Franchisee’s acquisition or construction of the Approved Location, may mutually determine that Services not listed below will be performed by WW Development and such additional Services will be stated in a writing signed by both parties.

Site Acquisition Services	<ul style="list-style-type: none"> • Manage and coordinate broker and seller relationships • Assist Franchisee with selection and acquisition of the Approved Location (if applicable). • Provide site analytics: <ul style="list-style-type: none"> ▪ MSA Overview of the market and development area ▪ Site placement plan ▪ Demand and competitive set ▪ Site rate analysis and sign rate recommendations ▪ Traffic count data ▪ Demographic study of population near the site ▪ Comparable land comps in the development area ▪ Livability analysis ▪ Preliminary entitlement risk assessment
Entitlement Project Management	<ul style="list-style-type: none"> • Assist Franchisee with obtaining and evaluating third party reports generally associated with real estate and development diligence including site investigation reports, soils reports, site plans, environmental reports (phase I, etc.), feasibility studies, surveys (ALTA, etc.), and construction documents.

	<ul style="list-style-type: none"> • Coordinate with third party service providers including general contractor, civil engineering, consultants, attorneys and architectural firms. • Coordinate the application and approval process for required governmental permits and approvals. • Communicate and coordinate with Franchisee regarding the necessity of appearances and participation in the governmental approval processes. • Assist with investigating economic incentives that may be available at/for the site. • Confirm availability of utilities to the site. • Obtain a design build agreement with a WWFS and Franchisee approved general contractor for Franchisee’s execution. • Manage and coordinate with design/builder and design team during pre-construction activities including cost of design, specific site requirements, exterior features, landscaping, access, site improvements, etc. • Assist with negotiations with Seller for PSA amendments. • Obtain and/or deliver, as requested, documents for financing and closing of land acquisition contract. • Communicate regularly with Franchisee’s designated contact including bi-monthly cost, and schedule progress reports and telephone consultations. • Assist with obtaining a final set of construction drawings for Franchisee’s approval prior to starting construction.
Construction Project Management	<ul style="list-style-type: none"> • Solicit and negotiate a design/build agreement with general contractor which will be signed by Franchisee. • Solicit and negotiate agreements from third parties necessary for completion of the project (FF&E supplier, signage vendor, final cleaning, low voltage contractor, etc.). • Conduct multiple rounds of general contractor negotiations to arrive at the contractor’s guaranteed maximum price. • Manage the general contractor and other third parties throughout the construction process until a certificate of occupancy is received. • Monitor the quality, schedule and cost of the general contractor through the construction process. • Manage project activities and approvals (RFIs, submittal reviews, change orders, site inspections and weekly coordination meetings). • Verify contractor’s AIA pay applications invoices are in accordance to work performed. • Perform final punch list inspection, facilitate owner/operational training, and obtain general contractor’s close out documents. • Visit the project site to assess quality, confirm adherence to brand standards, and validate construction draw requests. • Communicate status of Services performed regularly with Franchisee’s designated contact including cost and schedule progress. • Coordinate the operational transfer of the property to Franchisee’s selected property management company prior to opening.
Construction Payment Services	<ul style="list-style-type: none"> • Upon the start of construction, WW Development will administratively assist Franchisee with coordinating and processing of the general contractor’s, signage vendor’s, FF&E supplier’s, and other 3rd party’s pay applications (draw requests) for submission to Franchisee’s lender. This includes assisting with seeking lien releases and assisting with other relevant contractual and lender requirements.

Schedule Updates	<ul style="list-style-type: none"> • Monthly progress updates of milestones necessary for entitlement approvals and receipt of building permit. • Monthly progress updates of critical milestones during the construction process.
Project Budget	<ul style="list-style-type: none"> • Provide an initial estimated project budget. • Provide a monthly forecast of the site entitlement and land approval cost • Provide updates to initial project budget on monthly intervals. • Provide the Final Budget of the project cost at least ten days before construction financing closing. • Provide updates to Final Budget on monthly intervals during construction.

3. Development Fee. Franchisee will pay WW Development an amount equal to 2.75% of the Final Budget (“**Development Fee**”) but excluding any of the following to the extent included in the Final Budget: (i) loan origination fee, interest, and mortgage broker fee, (ii) Initial Franchise Fee (as defined in the Franchise Agreement), and (iii) the Development Fee. Franchisee will pay WW Development the Development Fee, within seven business days of invoicing of such fee by WW Development, according to the following schedule and in the following amounts, which amounts will be fully earned by WW Development on the dates set forth below:

Development Fee for Services	<ul style="list-style-type: none"> • 50% of Development Fee on the date the building permit for the Approved Location becomes available for payment and pickup (“Building Permit Availability Date”). • 25% of Development Fee upon building dry-in completion. • 20% of Development Fee upon receipt of Certificate of Occupancy. • 5% of Development Fee upon closeout documents and final payment to contractor.
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If the Final Budget has not been established prior to the Building Permit Availability Date, then Franchisee shall pay WW Development 50% of the estimated Development Fee, based on the most current estimated project budget at that time, and the remainder of the 50% of the Development Fee (if an adjustment is necessary) after the generation of the Final Budget by WW Development.

4. Security. Upon the earlier to occur of the following: (a) receipt of site plan approval, or (b) one hundred twenty days prior to the closing of the land acquisition contract, Franchisee will provide WW Development with credit support in the amount of 25% of the estimated Development Fee, in form, content, and on terms acceptable to WW Development in its sole discretion. Examples of credit support types that might be acceptable to WW Development include: letter of credit, personal or entity guaranty, cash escrow. WW Development may elect at any time to apply the credit support to any obligation of Franchisee under this Development Agreement.

5. Deposit Account. Within three business days of the Effective Date, Franchisee will deliver a \$25,000 “**Deposit**” to WW Development or into an account established by WW Development to collect, hold and disburse the Deposit (“**Deposit Account**”). Franchisee agrees to deposit, or cause to be deposited, into the Deposit Account the following amounts at least thirty days prior to when these amounts are due pursuant to the applicable agreement: (i) sufficient funds to perform commercially reasonable due diligence of and related to the Approved Location (including for third party fees and services); and, if requested by WW Development, (ii) all payments due to architects, engineers, and vendors for preconstruction design work (i.e. construction documents, renderings, etc.) related to development of the Approved Location as a WaterWalk Property. WW Development will provide Franchisee a monthly accounting of the Deposit Account. Franchisee will replenish the Deposit Account balance, within five days of written notice from WW Development, to at all times maintain a balance of at least \$25,000. With respect to any contract payment or other payment due to a third-party related to due diligence or development of or

related to the Approved Location, WW Development may elect to either (i) pay the same, or order payment or deposit, directly from the Deposit Account, or (ii) front such payment and obtain reimbursement from the Deposit Account. If the Deposit Account balance at any time is insufficient to pay a particular amount due plus retain a Deposit Account balance of \$25,000, then Franchisee will make the payment due directly to the third party, within five days of Franchisee's receipt of written request by WW Development. Within thirty days after the Building Permit Availability Date, WW Development will return any remaining portion of the Deposit to Franchisee, after payment of all applicable costs, fees, and Reimbursable Expenses.

6. Reimbursable Expenses. In addition to payment of the Development Fee, Franchisee agrees to pay WW Development: (i) a monthly fee of \$6,300 from the Effective Date through the Building Permit Availability Date (the "Staffing Fee"); and (ii) reimburse WW Development for: (a) any amounts due to Advisors, contractors, vendors, or other third parties assisting WW Development with providing the Services; (b) all third-party and out-of-pocket costs related to the Services (such as travel related expenses); (c) payment of any other amounts due to WW Development under this Development Agreement; and (d) payment of any Third-Party Contracts entered into by Franchisee or by WW Development on behalf of Franchisee, but for which the other contract party claims payment due from WW Development (collectively, "Reimbursable Expenses"). Franchisee will pay Reimbursable Expenses within seven business days of Franchisee's receipt of any invoice from WW Development for Reimbursable Expenses. Additionally, within three business days of the Effective Date, Franchisee will deliver to WW Development funds in the amount equal to any Reimbursable Expenses already incurred by WW Development and that WW Development identified in writing to Franchisee on or prior to the Effective Date. WW Development may collect directly from the Deposit Account the Staffing Fee and all Reimbursable Expenses due to WW Development.

7. Notices. All notices must be delivered to the party's address listed below, by one of the methods set out in the Standard Terms:

WW Development: WaterWalk RE Development Services LLC
Attn: Jim Strawn
2121 N. Webb Road
Wichita, KS 67206
Email: jims@waterwalk.com

Franchisee: _____
Attn: _____

Email: _____

[Signatures on Following Page]

WW Development:

WATERWALK RE DEVELOPMENT SERVICES LLC,
a Kansas limited liability company

By: _____

Printed Name: _____

Title: _____

Date: _____

Franchisee:

_____,

a _____

By: _____

Printed Name: _____

Title: _____

Date: _____

Initial Franchisee Representative Contact Information:

Attn: _____

Email: _____

WaterWalk RE Development Services LLC Terms and Conditions

These WaterWalk RE Development Services LLC Terms and Conditions supplement and incorporate by reference the Development Agreement between WW Development and Franchisee (collectively, referred to as the "**Agreement**"). Any terms capitalized in these Standard Terms but not defined herein have the definition given to such capitalized terms in the Development Agreement.

1. Communication Regarding Services. WW Development will establish a system for providing Franchisee with periodic (but not less than approximately monthly) updates on the status of the Services and will respond within a reasonable time of WW Development's receipt from Franchisee of reasonable (a) specific status update requests, and (b) Financing-related requests for information. However, WW Development may elect to suspend providing Services and status updates anytime Franchisee is in breach or failure of any of its obligations under this Agreement. WW Development (i) will not take any instructions or direction from any person other than one "**Franchisee Representative**" (which initial Franchisee Representative is identified below Franchisee's signature block on the Development Agreement), which Franchisee may change upon written notice to WW Development; and (ii) will not be obligated to deliver or communicate any information to, or receive or obtain direction from, any person other than the Franchisee Representative.

2. Franchisee Responsibilities. Franchisee must promptly notify WW Development in writing if Franchisee becomes aware of any fault, defect or other material change or new information regarding the Approved Location, so that WW Development may recommend proper remedial action or otherwise evaluate any warranted change or response. Franchisee agrees to cooperate and not interfere with, and affirmatively assist WW Development in WW Development's provision of the Services, including but not limited to providing WW Development and its representatives with access to the Approved Location; executing any and all applications, petitions, plats, agreements, and other documentation reasonably necessary to obtain the Entitlements; and not interfering with any agreements entered into by WW Development related to the provision of the Services. At least 90 days prior to the scheduled closing date for the acquisition of the Approved Location, Franchisee to provide proof reasonably acceptable to WW Development of funds necessary to purchase the Approved Location and construct a WaterWalk Property, including evidence that all lender funding approval requirements and equity requirements have been met.

3. Budget. WW Development will provide Franchisee with the initial estimated project budget on or before the Effective Date. WW Development will provide Franchisee with updates to the same at approximately monthly intervals. WW Development will deliver the Final Budget (as defined below) to Franchisee no later than ten days before the then-scheduled Approved Location construction financing closing. The "**Final Budget**" is the project budget regarding the WaterWalk Property, established prior to commencing construction, taking into account the Construction Contract, due diligence and entitlement costs, Third-Party Contracts, the Development Fee, the Approved Location purchase price, and includes a three percent (3%) contingency of the total project cost, unless a different contingency amount is mutually agreed to by both parties. The Final Budget will not include amounts due pursuant to any property management agreement, the Franchise Agreement, change orders, changes in entitlement requirements or interpretations made by the governing jurisdiction after the Final Budget delivery deadline, or any costs anticipated by, contracted for, or incurred by Franchisee that have not been disclosed to WW Development or any costs that are unknown to WW Development at the time the Final Budget is generated.

4. Staffing; Selection of Advisors. WW Development may select its employees and other personnel as WW Development deems reasonable to perform the Services and has full discretion to decide their qualifications, time in field, the amount of deployed resources, and similar logistical decisions. WW Development, in its reasonable discretion, may select such non-WW Development personnel and entities as WW Development reasonably believes necessary for WW Development to perform the Services under this Agreement, including without limitation legal counsel, real estate brokers, consultants, lobbyists, permit expeditors, and other personnel (each, an "**Advisor**"), which Advisors may include WW Development affiliates, third-party contractors, and vendors, provided that all such engagements are on commercially reasonable terms at rates competitive in the marketplace. This Agreement does not entitle Franchisee to any legal services, and Franchisee expressly acknowledges that WW Development does not provide legal services or hold itself out as a provider of legal services. WW Development is not a real estate agent and does not hold itself out as a real estate agent.

5. Third-Party Contracts.

a. Execution of Third-Party Contracts. Upon WW Development's request, Franchisee will enter into, as a direct party, such agreements with third-parties that are reasonably required or typically utilized for the acquisition of real estate and construction of commercial properties, including without limitation, local legal counsel with expertise related to commercial real estate development, real estate brokers, architects, engineers, surveyors, design/build contractors, general and subcontractors, sign vendors, consultants, lobbyists, permit expeditors (collectively, "**Third-Party Contracts**"). WW Development is not obligated to enter into any Third-Party Contracts but may elect to do so on behalf of Franchisee, as Franchisee's agent, and for that purpose the parties intend that Franchisee in this Agreement designates and authorizes WW Development to serve as Franchisee's authorized agent and attorney-in-fact. Within three business days of WW Development's written request, Franchisee will accept assignment from WW Development of, and assume WW Development's obligations under, any of the Third-Party Contracts that WW Development entered into as Franchisee's agent and attorney-in-fact, and sign any instrument effecting such assignment and assumption. Subject to Section 4 of these Standard Terms and any other provision of this Agreement, Franchisee is solely responsible for (i) the final selection of all Third-Party Contracts terms and parties, and (ii) deciding whether to perform, and permitting performance of, the Third-Party Contracts.

b. Third-Party Contract Payments. Franchisee agrees to make when due all payments pursuant to all Third-Party Contracts. WW Development is not responsible for, and not obligated to make, any payment due pursuant to any of the Third-Party Contracts; however, WW Development may elect from time-to-time to make any payments due under any of the Third-Party Contracts, on behalf of Franchisee, as Franchisee's agent, and for that purpose (i) the parties intend that Franchisee in this Agreement designates and authorizes WW Development to serve as Franchisee's authorized agent and attorney-in-fact, and (ii) Franchisee expressly authorizes WW Development to receive complete copies of Franchisee's Third-Party Contracts and Financing (as defined below) documentation, and to communicate directly with counterparties to Franchisee's Third-Party Contracts and Financing documentation. Any such payment WW Development elects to make is included within Reimbursable Expenses, provided that the payment amount either: (a) falls within the then-applicable project budget or Final Budget, or (b) was incurred with the prior written approval of Franchisee. WW Development is to be named as an authorized user on all reliance letters and certifications on or related to due diligence reports (phase 1s, geotechnical reports, surveys, etc.), for the Approved Location, obtained from third parties.

c. Copies. Franchisee will cause copies of the following to be concurrently delivered to WW Development: (i) all pay applications, supporting documentation, and any other information or communication from the Design/Builder; (ii) all Third-Party Contracts invoices; (iii) all disbursement requests made to a Financing party; and (iv) all disbursements made by a Financing party. "**Financing**" includes any loan, equity investment, or form of financing or investment funds related to the Approved Location or for which the Approved Location is collateral (each, a "**Financing**").

d. Indemnity. Franchisee agrees to indemnify and hold harmless WW Development from any claims, losses, or damages (including attorneys' fees and court costs) associated with or arising out of or related to any payment due pursuant to any of the Third-Party Contracts. Franchisee will not settle, compromise, or agree to pay any such claim without the written consent of WW Development.

e. Insurance. During the term of the Agreement, Franchisee, at Franchisee's own expense, will maintain and keep in force, a commercial general liability insurance policy against claims for personal injury, death, or property damage occurring in, on, or about the Approved Location in form and content as described in Article 12 of the Franchise Agreement. Franchisee's commercial general liability insurance policy for the Approved Location shall name WW Development as an additional insured and provide that WW Development shall receive at least 30 days' notice of any cancellation, modification or expiration of such policy. Additionally, Franchisee shall cause WW Development to be named as an additional insured in any builder's risk policy obtained by Franchisee, the design/builder or Franchisee's general contractor. Upon request by WW Development, Franchisee shall provide WW Development certificates of insurance confirming the policies required pursuant to this subsection.

6. Notices; Dates and Deadlines. All notices must be delivered to the party's address listed in the Development Agreement, served by one of the following methods, and will be deemed given to and received by the recipient party: (a) if by personal service, when personally delivered; (b) if by e-mail, when the transmitter has either (i) confirmation from its e-mail program, or else (ii) the e-mail program produces an "undeliverable" or similar alert indicating the transmission was not successful due to the e-mail contact information provided by the intended recipient or due to the intended recipient's e-mail service provider failure; (c) if by recognized public or private overnight delivery service, one day after depositing the notice with such service, provided all fees for overnight delivery service are paid, and the notice is properly addressed; and (d) if by depositing the same in a United States Post Office, certified or registered mail, return receipt requested, postage prepaid, and properly addressed, upon the earlier

of either delivery, refusal to accept delivery, or a first but unsuccessful attempt to deliver when notice of such attempt is left for the recipient. If any date or deadline hereunder falls on a Saturday, Sunday, or federal holiday for which financial institutions or post offices in the United States of America are generally closed to observe, the date or deadline will be extended until the following day that is not a Saturday, Sunday, or federal holiday for which financial institutions or post offices in the United States of America are generally closed to observe.

7. Risk of Violations. With the exception of gross negligence or intentional misconduct on the part of WW Development, Franchisee will bear the risk of all violations of law or municipal ordinances, orders, or requirements issued by building, fire, labor, health or other federal, state, county, municipal, or other departments or governmental agencies having jurisdiction against or affecting the Approved Location, and any outstanding work orders.

8. No Warranties. Franchisee acknowledges and agrees that WW Development and its affiliates make no express or implied warranty regarding: (i) the proper performance by Advisors of their contractual obligations or third-parties under Third-Party Contracts, (ii) the compliance of the Approved Location and the WaterWalk Property with all applicable zoning, building code, or similar laws, (iii) the condition of the Approved Location; (iv) the adequacy of the Approved Location for its intended uses, (v) the future business success of any WaterWalk Property located at the Approved Location, or (vi) any other matter, except as otherwise provided in this Agreement. Franchisee understands and agrees that the success of a WaterWalk Property depends on many factors, that location and entitlement are only some of the factors that contribute to the success of a WaterWalk Property, and WW Development is engaged hereunder solely to assist in the specific Services set forth in this Agreement.

Franchisee agrees that WW Development and its affiliates will not be liable for any construction, latent, or patent defects in or at the Approved Location or WaterWalk Property, and will not be bound in any manner whatsoever by any guarantees, promises, projections, operating expenses, set-ups, or other information pertaining to the Approved Location or WaterWalk Property made, furnished, or claimed to have been made or furnished by WW Development, any of its employees, agents, or attorneys, or any other person or entity representing or purporting to represent WW Development. Franchisee acknowledges that neither WW Development nor any of its employees, agents, or attorneys has made or will make any verbal or written representations or warranties whatsoever to Franchisee, whether express, implied, statutory, or by operation of law, except as expressly set forth in this Agreement and, in particular, that no such representations and warranties have been or will be made with respect to the physical or environmental condition or operation of the Approved Location or WaterWalk Property, the layout or footage of the Approved Location or WaterWalk Property, the actual or projected revenue and expenses of the Approved Location or WaterWalk Property, zoning, environmental, and other laws, regulations and rules applicable to the Approved Location or WaterWalk Property, or the compliance of the Approved Location or WaterWalk Property therewith, the quantity, quality or condition of the articles of personal property and fixtures included in the transactions contemplated hereby, the use or occupancy of the Approved Location or WaterWalk Property or any part thereof or any other matter or thing affecting or relating to the Approved Location or WaterWalk Property or the transactions contemplated hereby, except as specifically set forth in this Agreement. Franchisee has not relied, and will not rely, upon any representations or warranties, unless specifically set forth in this Agreement, or rely upon any statements made in any informational materials with respect to the Approved Location or WaterWalk Property provided by WW Development or any other person or entity, including any broker or any shareholder, member, manager, employee, agent, attorney or other person or entity representing or purporting to represent WW Development. Without limitation of the foregoing, Franchisee specifically acknowledges and agrees that it will assume the risk of changes in the condition of the Approved Location or WaterWalk Property, and that no adverse change in such condition will grant Franchisee any right to obtain any damages against WW Development. IN ADDITION TO, AND WITHOUT LIMITATION OF THE FOREGOING, EXCEPT AS SET FORTH IN THIS AGREEMENT, WW DEVELOPMENT WILL MAKE NO WARRANTY, EXPRESS, IMPLIED, STATUTORY, OR BY OPERATION OF LAW, AS TO THE QUANTITY, QUALITY, MERCHANTABILITY, TITLE, MARKETABILITY, FITNESS, OR SUITABILITY FOR A PARTICULAR PURPOSE OF THE APPROVED LOCATION OR WATERWALK PROPERTY OR ANY COMPONENT THEREOF. BY EXECUTING THIS AGREEMENT, EXCEPT AS SET FORTH IN THIS AGREEMENT, FRANCHISEE AFFIRMS AND AGREES THAT (A) WW DEVELOPMENT MAKES NO WARRANTY THAT THE APPROVED LOCATION OR WATERWALK PROPERTY OR ANY COMPONENT THEREOF IS FIT FOR ANY PARTICULAR PURPOSE, (B) THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED, STATUTORY, OR BY OPERATION OF LAW, WITH RESPECT TO THE APPROVED LOCATION OR WATERWALK PROPERTY OR ANY COMPONENT THEREOF, (C) FRANCHISEE WILL BE GIVEN THE OPPORTUNITY TO INSPECT THE APPROVED LOCATION AND WATERWALK PROPERTY AND EACH COMPONENT THEREOF, AND WILL DETERMINE TO PURCHASE THE APPROVED LOCATION OR WATERWALK PROPERTY AND EACH COMPONENT THEREOF BASED ON SUCH INSPECTION, AND (D) FRANCHISEE WILL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING, BUT NOT LIMITED TO, CONSTRUCTION DEFECTS AND ADVERSE PHYSICAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY FRANCHISEE'S INVESTIGATIONS, AND FRANCHISEE WILL BE DEEMED TO HAVE WAIVED, RELINQUISHED,

AND RELEASED WW DEVELOPMENT AND ITS AFFILIATES FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING, WITHOUT LIMITATION, CAUSES OF ACTION IN TORT, LOSSES, DAMAGES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS)) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, THAT FRANCHISEE MIGHT HAVE ASSERTED OR ALLEGED AGAINST WW DEVELOPMENT OR ANY OF ITS AFFILIATES AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS OR PHYSICAL CONDITIONS, VIOLATIONS OF ANY APPLICABLE LAWS AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES, OR MATTERS REGARDING THE APPROVED LOCATION.

FRANCHISEE HAS FULLY REVIEWED THE DISCLAIMERS AND WAIVERS SET FORTH IN THIS AGREEMENT AND UNDERSTANDS THEIR SIGNIFICANCE AND EFFECT. FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH IN THIS AGREEMENT ARE AN INTEGRAL PART OF THIS AGREEMENT, AND THAT WW DEVELOPMENT WOULD NOT HAVE AGREED TO PERFORM THE SERVICES FOR THE DEVELOPMENT FEE WITHOUT THE DISCLAIMERS AND OTHER AGREEMENTS SET FORTH IN THIS AGREEMENT. THE TERMS AND CONDITIONS OF THIS SECTION WILL EXPRESSLY SURVIVE THE TERMINATION OF THIS AGREEMENT.

9. Termination by Franchisee. Franchisee may terminate this Agreement at any time, for any reason, effective upon WW Development's receipt of written termination notice. If Franchisee terminates this Agreement, no Development Fee is due to WW Development if all of the following conditions are satisfied: (1) WW Development does not, or would not with the giving of notice, have a right to terminate this Agreement, (2) Franchisee is not in breach or failure of any of its obligations under this Agreement, (3) WW Development has breached or failed under this Agreement, (4) WW Development's breach or failure is one of gross or wanton negligence, and (5) WW Development's breach or failure continued for 30 days after Franchisee delivered written notice to WW Development specifying both the breach/failure and the required cure, or if WW Development may reasonably need more than 30 days to complete the cure and such additional reasonable period has also expired. If Franchisee terminates this Agreement for any reason other than as set forth in the preceding sentence, Franchisee must pay to WW Development within three business days after the termination either: (A) 25% of the Development Fee, if termination occurs prior to the Building Permit Availability Date; or (B) the Development Fee percentage earned pursuant to Section 3 of the Development Agreement, if termination occurs on or after the Building Permit Availability Date.

10. Termination by WW Development. WW Development may terminate this Agreement if Franchisee is in breach or failure of any of its obligations under this Agreement and such breach or failure continues after Franchisee receives written notice of the same for (A) ten calendar days, if for a Franchisee payment failure, or (B) 30 calendar days for any other Franchisee failure, such termination by WW Development effective upon Franchisee's receipt of written termination notice. In addition, WW Development may immediately terminate this Agreement by written notice to Franchisee in the event of any of the following: (A) Franchisee or any of its affiliates is in default under any definitive agreement with WW Development, WaterWalk Management LLC, or WaterWalk Franchise Services LLC, and any of their parent entities, subsidiaries, or affiliates (collectively, "**WW Parties**"), including, but not limited to, the Franchise Agreement; (B) Franchisee delays or halts progress on the Approved Location for more than 10 consecutive days, solely due to Franchisee and not due to any other delays; (C) Franchisee fails to provide proof reasonably acceptable to WW Development of funds necessary to purchase the Approved Location real estate, at least 90 days prior to the scheduled closing date for the acquisition of the Approved Location; (D) Franchisee is in default or breach of the purchase contract for the Approved Location other than solely due to any act or omission by WW Development; or (E) WW Development determines in its sole discretion that continuing to pursue entitlements for the Approved Location could be commercially unreasonable. If WW Development terminates this Agreement pursuant to this Section, other than solely in the event of a termination under (E) in the preceding sentence (and WW Development has no other basis for terminating this Agreement), Franchisee must pay to WW Development within three business days after the termination either: (A) 25% of the Development Fee, if termination occurs prior to the Building Permit Availability Date; or (B) the Development Fee percentage earned pursuant to Section 3 of the Development Agreement, if termination occurs on or after the Building Permit Availability Date. No Development Fee is due to WW Development if WW Development terminates this Agreement in the event of (E) above and has no other basis to also terminate this Agreement.

11. Effect of Termination. Upon termination, any remaining funds in the Deposit Account (after payment of any and all outstanding expenses) will be returned to Franchisee and the parties have no further obligations under this Agreement other than as set forth in Sections 7, 8, 9, 10, 12, 13, 14, 15, 16, 19 and 22 of these Standard Terms, which Sections expressly survive termination.

12. Late Payments. In addition to WW Development's other available remedies, if any Franchisee payment to WW Development is delinquent by more than 10 days, WW Development is entitled to, and Franchisee will automatically be assessed, interest at an annual rate of 8% on the delinquent payment (including any late charges due) until paid.

13. Mediation; Arbitration. The parties agree that any claims, disputes, or questions between them arising hereunder, including the construction and application of this Agreement, shall be first submitted to mediation in Sedgwick County, Kansas, by a mediator chosen by the parties from the names of mediators furnished by the American Arbitration Association ("AAA"). If the parties cannot agree on a mediator, they will ask the AAA to select a mediator not previously chosen by either party from its commercial mediation panel, and such request will be made by both parties after either party, having attempted to agree with the other party regarding the selection of a mediator, determines that agreement cannot be obtained in the selection of a mediator. The mediation will be nonbinding and will be conducted in Sedgwick County, Kansas under the Commercial Mediation Rules then in effect, and each party will pay one half of the mediator's fee. If the mediation does not result in a settlement, the parties agree that the matter in dispute will be submitted for binding arbitration in Sedgwick County, Kansas, by the AAA in accordance with its Commercial Arbitration Rules then in force, and the successful party shall be entitled to reimbursement from the other party for all costs involved in such arbitration, including reasonable attorney fees.

14. Attorneys' Fees. In the event any party to this Agreement files a legal action to protect its rights under this Agreement or to enforce any term or provision of this Agreement, the prevailing party in such action will be entitled to an award of compensation of its costs related thereto, including but not limited to court costs, filing fees, and reasonable attorneys' fees (including appellate costs and attorneys' fees).

15. Limitation of Liability Time Periods. The parties agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless the proceeding is brought before the expiration of the earlier of (i) 1 year after the date of discovery of the facts resulting in such alleged liability or obligation; or (ii) 2 years after the date of the first act or omission giving rise to such alleged liability or obligation. Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (i) or (ii) above.

16. Limitation on Damages. Notwithstanding any other provision in this Agreement, neither party will be liable to the other party for any incidental, consequential, special, or punitive damages. WW Development's total liability for damages under this Agreement or related to Services provided under this Agreement shall under no circumstance exceed the total amount actually received by WW Development for Services provided under this Agreement.

17. Entire Agreement; Amendments. This Agreement constitutes the entire agreement between the parties relating to the subject matter of this Agreement. This Agreement supersedes all prior communications (whether expressed, implied, written, or oral), agreements, and understandings between the parties relating to the subject matter of this Agreement. This Agreement may not be modified or amended except by an instrument in writing executed by all of the parties hereto as of the time of the amendment.

18. Binding Effect; Assignment. This Assignment is binding upon and inures to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns. Neither party may assign this Agreement without the other party's prior written consent. Any change of control or change of ownership by Franchisee is deemed an assignment for purposes of this Section. Neither party's assignment of this Agreement will result in a novation or any release of assignor of its obligations hereunder. No assignment otherwise permitted hereunder is effective unless the assignee party assumes all of the assigned rights or obligations, and a copy of the assignment executed by both assignee and assignor, plus the assignee party's address, email and telephone number, is delivered to the other party to this Agreement. Any purported assignment, by operation of law or otherwise, which is not permitted hereunder, is null and void and constitutes a material breach of this Agreement, for which the other party may exercise all of its available rights and remedies without first affording any opportunity to cure.

19. Approved Location PSA. Franchisee agrees that any binding real estate purchase contract, ground lease, or similar agreement between the owner(s) of the Approved Location, as seller or lessor, and Franchisee, as purchaser or lessee, for the purchase or lease of all or any portion of the Approved Location (each such contract, as amended the "PSA"), will contain a provision expressly allowing the purchaser or lessee party under the PSA to assign its right, title, and interest under the PSA to WWFS and WW Development without the seller/lessor party's approval or consent, and without cost to WWFS or WW Development. If WW Development terminates this Agreement pursuant to Section 10 of this Agreement (other than a termination solely under Section 10(E)), or Franchisee desires to terminate the PSA, WW Development shall have the same rights granted to WWFS under Section 14.3(A) of the Franchise Agreement.

20. Further Assurances. Each of the parties agrees to execute and deliver such additional documents and take or refrain from taking such action as may be reasonably necessary or appropriate to carry out the purposes and intent of this Agreement, and to fulfill the obligations of the respective parties.

21. No Waiver; Time Is of the Essence. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement, or to exercise any right or remedy consequent upon a breach of this Agreement will constitute waiver of any such breach or any other covenant, duty, agreement, or condition. Time is of the essence in the performance of this Agreement.

22. Governing Law. This Agreement is governed by and will be interpreted and construed in accordance with the substantive laws of the State of Kansas, without regard for any choice-of-law rules that might direct the application of the laws of any other jurisdiction. Venue is exclusive in federal or state court located in Sedgwick County, Kansas.

23. Joint Authorship. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

24. Severability. If any court of competent jurisdiction deems any clause, term, or provision of this Agreement, or the application thereof to any person or circumstance, to be invalid or unenforceable, the remainder of this Agreement, or its application to persons or circumstances other than those to which it is invalid and unenforceable, will not be affected thereby, and each clause, term, and provision of this Agreement will be valid and enforced to the fullest extent permitted by law. If any court of competent jurisdiction deems any provision of this Agreement too restrictive, the other provisions will stand, and the court will modify the provision at issue to the point of greatest restriction permissible by law.

25. Third Parties; WW Parties. Except as expressly set forth herein, nothing in this Agreement expressed or implied is intended or will be construed to confer upon or give to any person or entity, other than the parties to this Agreement and their respective permitted successors and assigns, any rights or remedies under or by reason of this Agreement. Franchisee acknowledges that the terms of this Agreement or any of WW Development's obligations, communications, actions or inactions, do not relieve, mitigate or otherwise alter Franchisee's obligation under any other agreement with any of the WW Parties.

26. Counterparts; Electronic Signatures. The parties may execute this Agreement in counterparts, each of which will constitute an original, and all of which, when taken together, will constitute one and the same instrument. Signatures will be considered binding and original even if transmitted via e-mail, and an Agreement containing scanned signatures will be deemed an original of this Agreement.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

California	Pending
Hawaii	Not registered
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	July 27, 2022, as amended [Pending]
North Dakota	Pending
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Pending
Washington	Pending
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 WaterWalk Franchise Services LLC (“WWFS”) offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If WWFS 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 or state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is WaterWalk Franchise Services LLC. The franchisor is located at 2121 N. Webb Road, Wichita, Kansas 67206. Its telephone number is (316) 630-5505.

Issuance date: October 4, 2023p. The state effective dates are on an exhibit following the State Cover Page.

WWFS authorizes the agents listed in Exhibit B to receive service of process for WWFS.

I received a disclosure document dated October 4, 2023 that included the following Exhibits:

- | | |
|---|--|
| A. List of State Administrators | H. Franchisees Who have Left System or Have Not Communicated |
| B. Agents for Service of Process | I. State Addenda |
| C. Franchise Agreement, including Guaranty and Direct Debit Authorization Agreement | J. Release |
| D. Confidentiality Agreement | K. Construction Services Agreement |
| E. Covenant Agreement | L. Standard WaterWalk Comfort Letter |
| F. Financial Statements | M. Assignment |
| G. List of Franchisees | N. Operations Manual Table of Contents |
| | O. Development Agreement |

Date: _____

FRANCHISE SELLER:

PROSPECTIVE FRANCHISEE:

Name: _____

Sign: _____

Address: _____

Print Name: _____

Title: _____

Telephone: _____

Address: _____

Email: _____

Telephone: _____

Fax: _____

Individually and as _____ of

Franchise Sellers:

Please check the box by each franchise seller listed below with whom you have had significant contacts in connection with the offer or sale of a WaterWalk franchise to you:

- Mary Oliver 2121 N. Webb Road, Wichita, Kansas 67206, 970-319-1184
- James Anhut 2121 N. Webb Road, Wichita, Kansas 67206, 316-631-1399
- Jim Strawn 2121 N. Webb Road, Wichita, Kansas 67206, 316-631-1399
- Jim Mhra 2121 N. Webb Road, Wichita, Kansas 67206, 316-631-1399
- Greg Presley 2121 N. Webb Road, Wichita, Kansas 67206, 316-631-1399

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Date: _____

PROSPECTIVE FRANCHISEE:

Sign: _____

Print Name: _____

Title: _____

Address: _____

Email: _____

Telephone: _____

Fax: _____

Individually and as _____ of _____

FRANCHISE SELLER:

Name: _____

Address: _____

Telephone: _____

(Sign, date and return to us)

Multistate 9/2023

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- Greg Presley 2121 N. Webb Road, Wichita, Kansas 67206, 316-631-1399

(Sign, date and return to us)

Multistate 9/2023