

FRANCHISE DISCLOSURE DOCUMENT



Beerhead FC, LLC
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West Palm Beach, Florida 33405
Tel: (561) 469-2739
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The franchise offered is for the right to operate a “Beerhead Bar & Eatery” franchised business offering microbrews, craft, flavored, organic, gluten-free, seasonal, and other specialty beers, wines, and other alcoholic beverage products and services, along with certain food items utilizing the proprietary system for Beerhead Bar & Eateries.

The total investment necessary to begin operation of a Beerhead Bar & Eatery franchise ranges from \$746,000 to \$1,261,000. This amount includes between \$35,000 and \$45,000 that must be paid to the franchisor or its affiliate. If you want development rights, you must pay the franchisor or its affiliate a development fee equal to \$50,000 (the initial franchise fee for the first Beerhead Bar & Eatery) plus a deposit of \$22,500, \$20,000 and/or \$17,500, as is applicable for each additional Beerhead Bar & Eatery you will develop. (See Item 5 and Item 7 for more detailed information.)

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 Greg Goodrich, Director of Business Development, at 319 Belvedere Road #5, West Palm Beach, Florida 33405, and (561) 469-2739.

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. 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 of this Franchise Disclosure Document: April 30, 2022.

STATE COVER PAGE

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 can 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 or Exhibit I.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Beerhead business in my area?	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 Beerhead franchisee?	Item 20 or Exhibit I lists 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, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in West Palm Beach, Florida. 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 West Palm Beach, Florida than in your own state.
2. **Financial Condition.** The franchisor's financial condition as reflected in the financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.

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

**THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED
BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives 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 franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonably opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising of 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 or ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attention: Franchise Section
670 Law Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce that section as written.

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APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT K.

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Beerhead FC, LLC (“we,” “us,” or “our”). “You” means the individual or entity that buys the franchise. If you are a corporation, partnership, limited liability company, or other entity, your owners must sign our “Guaranty and Assumption of Obligations,” which means that all of the provisions of the Franchise Agreement (a form of which is attached as Exhibit C) also will apply to your owners.

We are a Florida limited liability company formed on August 1, 2014 under the name “TBM Franchise Co., LLC.” On April 3, 2018 we changed our name to our current name, Beerhead FC, LLC. Our principal business address is 319 Belvedere Road #5, West Palm Beach, Florida 33405. We operate under the name “Beerhead” and no other name. If we have an agent in your state for service of process, we disclose that agent in Exhibit B. We have not previously conducted business in this or any other line of business and we have been offering franchises in this line of business since March 2015. We have never offered franchises in any other line of business.

Our direct parent is The Beer Market, LLC, a Florida limited liability company formed February 23, 2012 and its principal place of business located at 204 Avila Road, West Palm Beach, Florida 33405. We have no other parents or predecessors required to be disclosed in this Item. We have no affiliates who currently provide products or services to franchisees of Beerhead Bar & Eateries. We have no affiliates who have offered or currently offer franchises in any lines of business.

We grant franchises for retail businesses operating under the “Beerhead” name and other trademarks, trade names, service marks, and commercial symbols (collectively, the “Marks”). For reference purposes in this Disclosure Document, we collectively refer to all businesses using the System (defined below) and the Marks as “Beerhead Bar & Eateries,” and we call the Beerhead Bar & Eatery that you will operate the “BAR & EATERY.” Beerhead Bar & Eateries offer microbrews, craft, flavored, organic, gluten-free, seasonal, and other specialty beers, wines, and other alcoholic beverage products and services, along with certain food items (collectively, the “Menu Items”) utilizing the System (defined below).

Beerhead Bar & Eateries use our business formats, methods, procedures, signs, designs, layouts, standards, specifications and Marks (the “System”), all of which we may improve, further develop or otherwise modify. If you acquire a franchise, you must operate your BAR & EATERY according to the System. The BAR & EATERY will be operated from a site we approve located at the principal business address listed on Exhibit B of the Franchise Agreement (the “Premises”).

Your BAR & EATERY will be located in a specific geographic territory (the “Territory”) and will offer Menu Items to the general public throughout the year and compete with other food and beverage establishments, particularly those specializing in craft beer and premium spirits. The market for food and beverages generally is well-developed and competitive nationally, and the market for craft beers is developing.

We also may grant multi-unit development rights to qualified franchisees, who then will have the right to develop a number of Beerhead Bar & Eateries within a defined area (the “Area”) over a specific time period or according to a pre-determined development schedule. These franchisees may open and operate Beerhead Bar & Eateries directly or through controlled affiliates. Our Development Agreement Rider to the Franchise Agreement is attached as Exhibit D. (See Items 5 and 12) You must sign our then-current form of franchise agreement for each Beerhead Bar & Eatery you develop pursuant to our Development Agreement Rider to the Franchise Agreement.

You must comply with all existing regulations concerning the sale and service of alcoholic beverages, food service, nutrition, calorie content, and other federal or state regulations that apply specifically to the food and beverage service industry. For example, the Environmental Protection Agency, U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local environmental and health departments and other agencies, have laws and regulations concerning the preparation of food and sanitary conditions of food and beverage establishments. State and local agencies may periodically conduct inspections for compliance with these requirements. Under the federal Clean Air Act and certain state laws, you may be required to comply with applicable statutory guidelines, such as localized quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of such laws impose limits on emissions resulting from commercial food preparation.

You also must comply with existing laws, regulations, and ordinances that apply generally to all businesses, such as the Americans with Disabilities Act, federal wage and hour laws and state law equivalents, the Affordable Care Act, the Occupational Safety and Health Act, anti-terrorism and anti-corruption laws (such as the Patriot Act and the Foreign Corrupt Practices Act), and data protection and privacy laws (such as credit card protection under the U.S. Fair and Accurate Credit Transactions Act, or “FACTA”). It is your sole responsibility to comply with all applicable laws, and to obtain and maintain all necessary licenses and permits required by public authorities. You should investigate these laws that may apply to the sale and service of alcohol, to the food service and beverage service industry, and to all businesses in general.

Item 2

BUSINESS EXPERIENCE

Co-Founder, President, and Secretary: Greg Goodrich

Mr. Goodrich has served as our Co-Founder since our inception, Secretary since February 2015, and President since April 2016. He has served as Managing Member of our parent, The Beer Market, LLC (which operates our company-owned Beerhead Bar & Eateries) in West Palm Beach, Florida since February 2012. He has also served as Managing Member of Rhumblin Holdings, LLC in West Palm Beach, Florida since February 2012.

Co-Founder, Chairman and Director of Business Relations: Pasquale Donofrio

Mr. Donofrio has served as Co-Founder and Director of Business Relations since our inception, and Chairman since April 2016. He has also served as Franchise Coordinator for Panini's Franchise Group in Independence, Ohio since January 2000, Operator for Thirsty Dog Brewing Co.

in Cleveland, Ohio since January 2017, and Operator for Slyman's Tavern in Independence, Ohio since June 2017.

Director of Operations: Tracy Donofrio

Ms. Donofrio has served as our Director of Operations through her consulting firm, TBM Consulting Too, LLC, since our inception. She has also served as Managing Member of TBM Consulting Too, LLC in Broadview Heights, Ohio since August 2013.

Marketing Representative: Jack ("Steve") Burton

Mr. Burton has served as our Marketing Representative since our inception. He has also been an actor since 1987, and since 2013, he has appeared on the daytime soap opera "The Young and the Restless" on the CBS network in Los Angeles, California.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item.

Item 5

INITIAL FEES

Initial Franchise Fee

If we grant you a franchise for a Beerhead Bar & Eatery, then when you sign the Franchise Agreement you must pay us a non-recurring initial franchise fee (the "Initial Franchise Fee") in the amount of \$45,000.

If when you sign a Franchise Agreement for the right to operate your first Beerhead Bar & Eatery, you concurrently sign our Development Agreement Rider to the Franchise Agreement agreeing to develop a minimum of 3 Beerhead Bar & Eateries, then we will reduce the amount of Initial Franchise Fee to \$40,000 for the second Beerhead Bar & Eatery, and to \$35,000 for the third Beerhead Bar & Eatery and each additional Beerhead Bar & Eatery you agree to develop under the Development Agreement Rider.

If you either (i) sign our Development Agreement Rider to the Franchise Agreement agreeing to develop less than 3 Beerhead Bar & Eateries or (ii) do not sign our Development Agreement Rider to the Franchise Agreement when you sign a Franchise Agreement for the right to operate your first Beerhead Bar & Eatery, but you later sign our Development Agreement Rider agreeing to develop

additional Beerhead Bar & Eateries, then the amount of the Initial Franchise Fee will remain \$45,000 for each of the Beerhead Bar & Eateries you agree to develop under the Development Agreement Rider.

The Initial Franchise Fee is fully earned by us when paid and is not refundable under any circumstances, except as provided below in this Item 5. Except for the reduced Initial Franchise Fee disclosed above, the Initial Franchise Fee is uniform as to all franchisees purchasing a franchise for a Beerhead Bar & Eatery.

If we terminate your Franchise Agreement (at our option) because (1) your required attendees to our initial training program described in Item 11 below cannot complete initial training to our satisfaction; or (2) we and you cannot agree upon a location for the BAR & EATERY within 120 days after completion of the initial training program; or (3) you are unable to obtain all necessary governmental approvals, licenses, permits, or other legal authorizations required to open and operate the BAR & EATERY lawfully by the agreed upon opening date, then you will be eligible to receive a refund of up to 50% of any amounts you have paid to us toward the Initial Franchise Fee if you sign a release of claims in a form we then prescribe (a sample of which is attached as Exhibit H).

Development Agreement Rider

If we allow you to sign our Development Agreement Rider to the Franchise Agreement because you commit to develop a minimum number of Beerhead Bar & Eateries in an area, we currently charge a development fee that you must pay in full when you sign the Development Agreement Rider. If you sign the Development Agreement Rider agreeing to develop a minimum of 3 Beerhead Bar & Eateries together with a Franchise Agreement for your first Beerhead Bar & Eatery, then the development fee due equals the full \$45,000 Initial Franchise Fee for the Beerhead Bar & Eatery covered by that Franchise Agreement plus a deposit of \$20,000 for the second Beerhead Bar & Eatery you will develop and \$17,500 for the third Beerhead Bar & Eatery and each additional Beerhead Bar & Eatery you will develop. If you either (i) sign our Development Agreement Rider to the Franchise Agreement agreeing to develop less than 3 Beerhead Bar & Eateries or (ii) do not sign our Development Agreement Rider to the Franchise Agreement when you sign a Franchise Agreement for the right to operate your first Beerhead Bar & Eatery, but you later sign our Development Agreement Rider agreeing to develop additional Beerhead Bar & Eateries, then the development fee due equals the full \$45,000 Initial Franchise Fee for the Beerhead Bar & Eatery covered by that Franchise Agreement plus a deposit of \$22,500 for each additional Beerhead Bar & Eatery you will develop. The balance of the Initial Franchise Fee (that is, the remaining \$22,500, \$20,000 or \$17,500, as is applicable) for each Beerhead Bar & Eatery is due when you sign the Franchise Agreement for that Beerhead Bar & Eatery. We and you will determine the number of Beerhead Bar & Eateries you must develop, and the dates by which you must develop them, before signing the Development Agreement Rider.

The development fee is not refundable under any circumstances. If you sign the Development Agreement Rider, pay the development fee, and then cannot find sites for Beerhead Bar & Eateries or choose not to perform for another reason (in which case the first Franchise Agreement and/or the Development Agreement Rider is terminated), we may keep the entire development fee and need not return any money to you.

Range of Pre-Opening Amounts Received During Prior Fiscal Year

During our 2021 fiscal year, we did not reduce the Initial Franchise Fee or any of the pre-opening fees under Development Agreement Riders for any franchisee.

Item 6

OTHER FEES

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Continuing Service and Royalty Fee (“Royalty”)	6% of weekly Gross Sales ⁽²⁾	Tuesday of each week ⁽²⁾	“Gross Sales” means all of your revenue from operating the BAR & EATERY, but excluding all federal, state or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority
Advertising and Development Fund Contribution (“Fund contribution”)	Up to 2.5% of weekly Gross Sales (currently, 1.5%)	Tuesday of each week ⁽²⁾	Fund contributions are payable in the same manner as the Royalty. See Item 11 for a detailed discussion about the Advertising and Development Fund (the “Fund”)
Local Advertising	At least 2% of monthly Gross Sales	As incurred	You must spend this amount on local marketing activities for the BAR & EATERY according to our guidelines
Cooperative Advertising Programs	Up to 2% of Gross Sales, unless increased by vote of 50% or more of the Beerhead Bar & Eateries operating in your defined Advertising Coverage Area ⁽³⁾	As Cooperative Advertising Program directs	See Item 11 for a detailed discussion about Cooperative Advertising Programs. No Cooperative Advertising Program yet exists for any Beerhead Bar & Eateries as of this Disclosure Document’s issuance date. Cooperative Advertising Program spend, if and when required, will offset against local advertising requirement

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Additional or Renewal Training and Assistance	Then current training fee per person for all training during the term (currently, \$500 per each trainer we provide per day, plus incurred expenses)	As incurred	We provide initial training for you (or your managing owner) and a manager-level employee at no additional cost (see Item 11). We may charge you for additional initial training for additional employees at our training facility and for additional or special assistance or training you need or request or that we may require during the franchise term. These amounts also apply to on-site consultation services we may provide at the BAR & EATERY during the franchise term and for new or managers you may hire or appoint during the franchise term (see Item 11)
Transfer	50% of the then-current franchise fee	Before transfer completed	Applicable to transfers of a controlling interest in you, the Franchise Agreement, or the assets of the BAR & EATERY. You must satisfy all our conditions of transfer as provided under the Franchise Agreement in order for us to approve any transfer
Relocation	50% of the then-current franchise fee, plus any applicable taxes	Upon invoice	Applicable to relocation in the event you lose your lease and we work with you on the site transfer (for example, by assisting in accepting the new location, reviewing lease terms, design and construction, coordination of suppliers, training of new staff and onsite ongoing support)
Renewal	25% of the then-current franchise fee, plus any applicable taxes	Upon signing the Successor Franchise Agreement	You must meet certain conditions to have the option to acquire a successor franchise
Product and Service Purchases	Varies	When billed	You will buy products and services from us, our affiliates, designated and approved vendors whose items meet our standards and specifications, and/or other suppliers in the industry (See Item 8). We may withdraw these amounts from your EDTA (See Note 2 below)

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Labor Costs for Certain Products	Currently \$25 per hour per person	When billed	If you request that we or our affiliates provide you with products and/or services that are not included as part of our standard franchise offering, including to create specific marketing materials that are not part of the Fund, or to customize the POS System for the BAR & EATERY, we will require that you pay our staff's then-current hourly rate for such work in addition to the cost of the requested products. We may withdraw these amounts directly from your EDTA upon providing you an invoice for our staff's work
Technology Support Fee	Then current fee, will vary under the circumstances	Monthly	We may require you to pay us a monthly technology support fee to cover the increasing cost of supporting technology solutions for the System, including the BAR & EATERY, and/or to fund the continued development of new and innovative technology solutions for the System. We do not presently charge or collect the Technology Support Fee, but we may do so in the future. Such fees are subject to change at any time.
Operations Manual	Then-applicable charge	Immediately upon receipt of invoice	Due only if your copy of the Operations Manual is stolen, lost or significantly damaged
Testing	Greater of \$1,000 or the actual cost of inspection and testing	As incurred	This covers our costs and expenses for evaluating and testing new products or inspecting new suppliers you propose

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Computer Systems, Maintenance, and Support	Costs of Service in amounts that could change monthly (currently, approximately \$250 per month) plus third party fees for licensing, help desk functions, user-based fees, fees related to exposure on the franchisor's website	As incurred	We or a third party may charge you a fee for any proprietary software or technology that we, our affiliates or a third-party license to you and for other maintenance and support services that we or a third party might provide in the future. This may include software or application licensing expenses, customer loyalty and rewards programs, subscription fees or on-line ordering platforms. Certain vendors may charge us initial or ongoing fees in connection with the Computer System (as defined in Item 11). We may either (i) pay these fees on your behalf and withdraw the appropriate amount from your EDTA (See Note 2), or (ii) require that you pay these fees directly to the vendor
Audit	Cost of inspection or audit	Upon invoice	Due if you do not give us reports, supporting records, or other required information
Interest on overdue amounts	3% above the prime rate of interest on the first day of each month or the maximum rate allowable by applicable law ⁽⁵⁾	As agreed	Due on all overdue amounts
Insurance	You must reimburse our costs	As incurred	If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us
Insufficient Funds Processing Fee	\$100, plus our expenses	As agreed	Due if you have insufficient funds in your EDTA to cover a payment, or, if you pay by check, a check is returned for insufficient funds
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due when you do not comply with the Franchise Agreement

Column 1 Type of Fee⁽¹⁾	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Brand Damages	Will vary under circumstances	As incurred	Due only if you terminate the Franchise Agreement before it expires, in which case you must pay us for all damages, costs and expenses related to the early termination
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from the BAR & EATERY's operations and other damages we incur
Management Fee	\$500 per day that we (or a third party) manage the BAR & EATERY (plus costs and expenses)	As agreed	Due when we (or a third party we designate) manage the BAR & EATERY after your or your managing owner's death or disability or upon your default or abandonment

1/ Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. Except as noted above, all fees are uniform and nonrefundable.

2/ If you enter into a Franchise Agreement with us for the right to operate a Beerhead Bar & Eatery or if you sign our Development Agreement Rider on or before December 31, 2022 committing to develop 2 Beerhead Bar & Eateries in an area, then for the BAR & EATERY you open or each BAR & EATERY you open pursuant to the Development Agreement Rider we will temporarily reduce the amount of the Royalty to 5% during the initial twelve month period after the BAR & EATERY opens. If you enter into a Franchise Agreement with us for the right to operate a Beerhead Bar & Eatery and you sign our Development Agreement Rider on or before December 31, 2022 committing to develop a minimum of 3 Beerhead Bar & Eateries in an area, then for each BAR & EATERY you open pursuant to the Development Agreement Rider we will temporarily reduce the amount of the Royalty to 3% during the initial six month period after each BAR & EATERY opens.

Before the BAR & EATERY begins operating, you must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty, Fund contributions, and other amounts due under the Franchise Agreement and for your purchases from us and/or our affiliates (the "Electronic Depository Transfer Account" or "EDTA"). We will debit the EDTA for these amounts on their due dates. Funds must be available in the EDTA for withdrawal. We may require payment other than by automatic debit, and you must comply with our payment instructions.

If you do not report the BAR & EATERY's Gross Sales, we may debit your EDTA for 120% of the last Royalty and Fund contribution that we debited. If the amounts we debit are less

than the amounts you actually owe us, then we will debit your EDTA for the remaining balance on the day we specify. If the amounts we debit are greater than the amounts you actually owe us, then we will credit the excess against the amounts that we otherwise would debit from your EDTA during the following month less a 2% administrative fee on the excess amount due to your failure to report.

- 3/ Members of the Cooperative Program will include Beerhead Bar & Eateries operated by us or our affiliates that are located within the Advertising Coverage Area. Each Beerhead Bar & Eatery operating in the Advertising Coverage Area will have one vote. No Cooperative Program yet exists for the franchise network.
- 4/ There is no transfer fee due for (a) transferring your Franchise Agreement to an entity you control, or (b) transferring a non-controlling ownership interest in you or your owners, as long as in either case: (i) the proposed transferee and its owners (whether direct or indirect) are of good character and otherwise meet our then applicable standards for franchise owners (including no involvement with a Competitive Business, as defined in Item 17); (ii) you give us prior notice of the transfer and later provide us final documentation of the consummated transfer; and (iii) you reimburse us, upon our demand at any time, for any costs we incur related to the proposed transfer (regardless of whether the proposed transfer actually occurs).
- 5/ If there is no applicable legal maximum rate, interest will be calculated at the rate of 3% above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

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)	\$35,000 - \$45,000	Lump Sum	Upon signing Franchise Agreement (and, if applicable, Development Agreement Rider)	Us
Real Estate/Rent (2)	\$21,000 - \$36,000	As Agreed	As Incurred	Landlord

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
Lease, Utility and Security Deposits	\$0 - \$15,000	As Agreed	As Incurred	Landlord
Leasehold Improvements (3)	\$500,000 - \$800,000	As Agreed	As Incurred	Outside Suppliers
Tenant Improvements (4)	(\$50,000 - \$350,000)	As Arranged	As Incurred	Landlord
Furniture, Fixtures and Equipment (5)	\$150,000 - \$450,000	As Agreed	As Incurred	Outside Suppliers
Signage	\$35,000 - \$55,000	As Agreed	As Incurred	Outside Suppliers
Computer System (6)	\$8,000 - \$20,000	As Agreed	As Incurred	Outside Suppliers
Professional Fees	\$5,000 - \$15,000	As Agreed	As Incurred	Lawyers, Accountants and other Advisors
Business License and Permits (7)	\$5,000 - \$40,000	As Agreed	As Incurred	Government Agencies
Opening Inventory and Supplies (8)	\$25,000 - \$45,000	As Agreed	As Incurred	Designated and Approved Suppliers, Us
Grand Opening Advertising (9)	\$5,000 - \$10,000	As Incurred	As Incurred; Must be spent during the period 1 week before opening and ending 30 days after opening	Third-party Advertising Sources

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
Training Expenses (out-of-pocket costs for up to 2 people) (10)	\$2,500 - \$10,000	As Incurred	As Incurred	Third Parties
Insurance (11)	\$2,500 - \$5,000	As Incurred	As Incurred	Insurance Company
Miscellaneous Opening Costs	\$2,000 - \$35,000	As Incurred	As Incurred	Third Parties
Additional Funds – 3 months (12)	\$0 - \$30,000	As Incurred	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$746,000 - \$1,261,000			

Explanatory Notes

* Except for the Initial Franchise Fee (See Item 5), all amounts listed in the above table are nonrefundable. Except for the development fee (see Item 5), no separate initial investment is required when you sign the Development Agreement Rider.

1. We describe the Initial Franchise Fee in Item 5.

If when you sign a Franchise Agreement for the right to operate your first Beerhead Bar & Eatery you concurrently sign our Development Agreement Rider to the Franchise Agreement agreeing to develop a minimum of 3 Beerhead Bar & Eateries, then we will reduce the amount of Initial Franchise Fee to \$35,000 for the second Beerhead Bar & Eatery, and to \$30,000 for the third Beerhead Bar & Eatery and each additional Beerhead Bar & Eatery you agree to develop under the Development Agreement Rider. If you do not sign our Development Agreement Rider to the Franchise Agreement when you sign a Franchise Agreement for the right to operate your first Beerhead Bar & Eatery, but you later sign our Development Agreement Rider agreeing to develop an additional Beerhead Bar & Eateries, then the amount of the Initial Franchise Fee will remain \$40,000 for each of the Beerhead Bar & Eateries you agree to develop under the Development Agreement Rider.

2. It is your responsibility to identify suitable Premises within the Territory, which we must approve. We estimate that the Premises should occupy approximately 3,500 square feet of

space. We anticipate that you will rent the Premises and the range included above estimates 3 months of rent. It is possible, however, that you might choose to buy, rather than rent, real estate on which a building suitable for the BAR & EATERY already is constructed or could be constructed. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, and other factors, and could be considerably higher in large metropolitan areas. Beerhead Bar & Eateries can be located in strip shopping centers, free-standing units, other venues in downtown commercial areas and in residential areas with high street visibility, as well as in Non-Traditional Sites (defined in Item 12 below) such as military bases, shopping malls, airports, train stations, stadiums, commercial business complexes, and similar venues.

3. Leasehold improvements may include necessary construction work, landscaping and grading of the premises and parking lots, and other alterations to the proposed site to create a suitable retail space for the BAR & EATERY. This estimate excludes any allowances for tenant improvements that you may receive from the landlord of the Premises.
4. This amount represents an allowance or credit a landlord typically provides to offset the remodeling and build-out costs you will incur to conform the Premises for the BAR & EATERY. The amounts included in the table are the low-end and high-end of the allowances or credits provided by landlords to us and our franchisees during the remodeling and/or build-out process.
5. The costs for furniture and equipment vary depending on the size, configuration and condition of the BAR & EATERY.
6. You must purchase a Computer System (defined in Item 11) and related software that meets our specifications, which hardware and software components we detail in Item 11. The cost of the Computer System may be higher than the estimate if BAR & EATERY requires more than 6 POS System terminals. See Item 11 for more information on our required technology specifications for the Computer System.
7. This range includes licensing or permits that will be necessary for the BAR & EATERY to offer alcoholic beverages. The price and related costs of obtaining an alcohol permit may vary substantially by jurisdiction such that we cannot estimate the projected expenditure.
8. You are responsible for purchasing an initial supply of products and marketing materials from designated or approved suppliers (which may, but need not, include us or our affiliates).
9. We must approve your grand opening marketing plan that covers a period beginning 1 week before the scheduled opening of the BAR & EATERY and ending 30 days from the date the BAR & EATERY opens for business. Your advertising must comply with our specifications. See Item 11.
10. These estimates are for training costs for up to 2 people to attend initial training. The low end of the training costs estimate assumes you are located near our training facility and does not include wages for your employees. The high end of the training costs estimate assumes

you are not located near our training facility and includes airfare, lodging, food, car rental, and wages for your employees.

11. You must obtain and maintain certain types and amounts of insurance. (See Item 8) Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. The estimate contemplates insurance costs for 3 months.
12. These item estimates are for your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs (but not any draw or salary for you); equipment; installations; security deposits; utility costs; incorporation fees; signage; materials; and any unforeseen incidental expenses related to facilities improvements. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs depend on your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. We relied on our and our executives' experience in operating The Beer Market Bar & Eateries (See Item 12) and other restaurant businesses to compile these estimates.
13. You should review these estimated figures carefully with a business advisor before deciding to acquire the franchise. These amounts are only estimates and your costs could vary considerably depending on the particular circumstances for the BAR & EATERY. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan.

The estimates above generally apply to a new Beerhead Bar & Eatery. If we allow you to purchase an existing company-owned location, then the initial estimates may vary depending on the circumstances to require a greater or smaller investment than shown above in this Item; however, we do not anticipate that the estimated initial investment will cost significantly more than the estimates shown for a new franchise location.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Franchise Agreement

You must operate the BAR & EATERY according to our System Standards. System Standards may regulate, among other things, the types, models, and brands of beer taps and equipment, coolers, audio/visual equipment, fixtures, furniture, vehicles, furnishings, and signs (collectively, “Operating Assets”); products, other equipment and supplies you must use in operating the BAR & EATERY; unauthorized and prohibited products, equipment, and services; inventory requirements; local restaurants or delivery and/or catering services that may deliver and/or cater third party food items to customers at the BAR & EATERY; and designated and approved suppliers of Operating Assets and other items.

In the case of Operating Assets, suppliers could, at our option, be limited to us, our affiliates, and/or other specified exclusive sources, in which case you would have to buy such Operating Assets only from us, our affiliates, and/or the other specified exclusive sources at the prices we or they decide to charge. We have the absolute right to limit the suppliers with whom you may deal. None of our officers currently owns an interest in any designated third-party supplier to the franchise network.

Currently, we require you to purchase certain Menu Items, related ingredients, and other products, as well as certain Operating Assets and the point-of-sale systems and software we describe in Item 11, only from suppliers we designate. While we do not currently require you to purchase proprietary products under the Franchise Agreement, we may do so in the future. Currently, you must buy certain Menu Items and related ingredients from our sole designated supplier of food and beverage items and related ingredients. Except as we describe above, there are no other goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate or comparable items for establishing or operating the BAR & EATERY that you currently must buy or lease from us (or an affiliate) or designated suppliers.

If we approve you to offer delivery and/or catering services in connection with the BAR & EATERY, you must make accommodations for delivery and/or catering services in compliance with our System Standards, including utilizing only the specified designated delivery and/or catering service providers we identify, making available the Menu Items identified as appropriate for delivery and/or catering (and only those designated Menu Items), and limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing. (See Item 12)

To maintain the quality of the goods and services that Beerhead Bar & Eateries sell and our System’s reputation, we may condition your right to buy or lease goods and/or services (besides those described above that you may obtain only from us, our affiliates, and/or other specified exclusive sources) on their meeting our minimum standards and specifications and/or being acquired from suppliers that we approve. We will issue and modify standards and specifications based on our and our Beerhead Bar & Eatery franchise owners’ experience in operating Beerhead Bar & Eateries. Our standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our confidential operating manual and other

communications we may provide to you (collectively, the “Operations Manual”) will identify our standards and specifications for the System. We will notify you and, where appropriate, the suppliers, of our standards and specifications. There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier.

If we institute any type of restrictive sourcing program and you want to use any item or service that we have not yet evaluated or to buy or lease from a supplier that we have not yet approved or designated, you first must send us sufficient information, specifications, and samples so that we can determine whether the item or service complies with System Standards or the supplier meets our approved supplier criteria. We list examples of our criteria for supplier approval in the following paragraph below in this Item, and we will make available our then current criteria to you, as necessary, upon request if we are asked to evaluate and approve a new supplier, item, or service for use with the System. We may charge you or the supplier a reasonable fee for the evaluation (see Item 6) and will decide within a reasonable time (no more than 120 days). We periodically will establish procedures for your requests and may limit the number of approved items, services, and/or suppliers as we think best.

Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service, or other criteria. We and our affiliates have the right to receive payments or other material consideration from suppliers on account of their actual or prospective dealings with you and other franchise owners and to use all amounts that we and our affiliates receive without restriction (unless we and our affiliates agree otherwise with the supplier) for any purposes we and our affiliates deem appropriate. Supplier approval might be temporary until we evaluate the supplier in more detail. We may inspect a proposed supplier’s facilities during and after the approval process to make sure that the supplier meets our standards. If it does not, we may revoke our approval by notifying the supplier and you in writing. We have no obligation to approve any request for a new supplier, product, or service. We may charge you the greater of \$1,000 or our actual cost of inspection and testing of products in connection with our evaluation and approval or disapproval of proposed suppliers.

Insurance. Besides these purchases or leases, you must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations underwritten by an insurance company having an A.M. Best rating of A+ or higher. You currently must have comprehensive commercial general liability coverage (\$1 million per occurrence for bodily injury and property damage and \$2 million aggregate; \$2 million products and completed operations aggregate; \$1 million personal and advertising injury limit; and \$10,000 medical payments), excess liability and umbrella coverage over the general liability, motor vehicle liability, and worker's compensation policies (\$2 million per occurrence); liquor liability coverage (\$1 million per occurrence and \$1 million aggregate); motor vehicle liability insurance (\$1 million combined single limit per accident), and other policies containing the minimum liability coverage we specify, such as worker’s compensation and employer's liability insurance (\$500,000 per accident, \$500,000 per employee for injury by disease, and \$500,000 aggregate for injury by disease), and any other coverage required by law or your lease. Premiums depend on the insurance carrier’s charges, terms of payment, and your history. All insurance policies must name us and The Beer Market, LLC, along with our and their officers, agents and employees as additional insured parties. If you fail to obtain

or maintain required insurance coverage for the BAR & EATERY, we may do so on your behalf and invoice you for reimbursement of our costs to arrange the missing coverage.

Advertising Materials. Before you use them, you must send us for review samples of all advertising, promotional, and marketing materials that we (or a supplier we may designate, at our option) have not prepared or previously approved. If you do not receive written notice of approval within 10 days after you submit materials to us, they are deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

Beerhead Bar & Eatery Development. You are responsible for developing the BAR & EATERY. We may give you mandatory and suggested specifications and layouts for a Beerhead Bar & Eatery, including requirements for dimensions, design, image, interior layout, decor, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (“ADA”) or similar rules governing public accommodations for persons with disabilities. You must prepare a site survey and all required construction plans and specifications for the BAR & EATERY’s site and make sure that they comply with the ADA and similar rules, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. We may review and approve all final plans and specifications before you begin constructing the BAR & EATERY and all revised or “as built” plans and specifications during construction. Our review is only to ensure your compliance with our design requirements. We may inspect the BAR & EATERY during its development, and at any time and from time to time during the franchise term.

Beerhead Bar & Eatery Site. We have the right to approve your lease or sublease and to require that you sign our required form of Lease Addendum to any third-party lease you sign (attached as an exhibit to the Franchise Agreement). We may also enter into a master lease for the site of the BAR & EATERY and sublease the Premises to you. You must submit, for our approval, all information and materials we request regarding any site at which you propose to operate a Beerhead Bar & Eatery.

Collectively, the purchases and leases described above are approximately 75% of your overall purchases and leases in establishing the BAR & EATERY and 50% of your overall purchases and leases in operating the BAR & EATERY.

Neither we nor our affiliates received any revenue or other material consideration during 2021 from the direct sale of items to Beerhead Bar & Eatery franchise owners, but we may do so in the future. During fiscal year 2021, we received no rebates from any suppliers, but we may do so in the future. Currently, our parent, The Beer Market, LLC, receives rebates from suppliers based on the following purchases by Beerhead Bar & Eateries: (i) a percentage of total purchases of all food items from our sole designated supplier of food items; (ii) a fixed amount on each case of pretzels purchased from our sole designated supplier of food items; (iii) a fixed amount on all Pepsi and other juice products purchased, including a fixed amount per gallon purchased plus an annual fixed payment; (iv) a percentage of total purchases of certain paper and packaging products; (v) a fixed amount on each bankcard transaction; (vi) a percentage of wood cladding materials purchased from our materials supplier; (vii) a fixed amount based on the weight of Hormel products purchased; (viii) a fixed amount per gallon of non-alcoholic beverages purchased from our supplier; and (ix) a fixed amount per case of wine purchased from our supplier. During the 2021 fiscal year, The Beer Market,

LLC received a total of approximately \$66,313 from these suppliers based on purchases by Beerhead Bar & Eateries. The Beer Market, LLC currently contributes these amounts to the Fund, but it is not required to do so and may discontinue doing so at any time. Other than as described above, neither we nor our affiliates received any rebates from any suppliers based on purchases by Beerhead Bar & Eatery franchise owners. We anticipate that we will, but have no obligation to, deposit certain future amounts we receive from suppliers (as a result of purchases made by Beerhead Bar & Eateries from those suppliers) to the Fund for the general benefit of the Marks and the promotion of all Beerhead Bar & Eateries generally.

There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms). We do not provide material benefits to Beerhead Bar & Eatery franchise owners (for example, renewal or granting additional franchises) based on their purchase of particular products or services or use of particular suppliers.

Development Agreement Rider

The Development Agreement Rider does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items. You must give us information and materials we request regarding each site at which you propose to operate a Beerhead Bar & Eatery so we can assess that site. The information and materials we may request is consistent with the information and materials we may request for site selection under the Franchise Agreement. (See Item 11)

Item 9

FRANCHISEE’S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 1.D, 2.A., and 2.B of Franchise Agreement; Section 6 of Development Agreement Rider	Items 7, 8, and 12
b. Pre-opening purchases/leases	Sections 2.A to 2.F, 3.B and 8 of Franchise Agreement	Items 5, 7, 8, and 11
c. Site development and other pre-opening requirements	Section 2 of Franchise Agreement	Items 7, 8, and 11

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
d. Initial and ongoing training	Section 4 of Franchise Agreement	Items 6, 7, and 11
e. Opening	Section 2.F of Franchise Agreement; Section 3 of Development Agreement Rider	Item 11
f. Fees	Sections 2.B, 2.E, 3.A to 3.F, 4.A to 4.D, 8.C, 8.F, 9, 11.B, 12.C, 13.A, 14.F, 16.D, and 17.C of Franchise Agreement; Section 5 of Development Agreement Rider	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Sections 4.C, 4.D, and 8 of Franchise Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 5 and 6 of Franchise Agreement; Section 4 of Development Agreement Rider	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.D and 8 of Franchise Agreement; Section 4 of Development Agreement Rider	Items 8, 11, 12, and 16
j. Warranty and customer service requirements	Section 8 of Franchise Agreement	Items 8, 12, and 16
k. Territorial development and sales quotas	Sections 1.D to 1.G of Franchise Agreement; Sections 2, 3, and 6 of Development Agreement Rider	Items 12 and 17
l. Ongoing product/service purchases	Sections 2.E, 2.F, and 8 of Franchise Agreement	Items 6 and 8
m. Maintenance, appearance, and remodeling requirements	Sections 8 and 13 of Franchise Agreement	Items 8, 11, 16, and 17
n. Insurance	Section 8.F of Franchise Agreement	Items 7 and 8

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
o. Advertising	Section 9 of Franchise Agreement	Items 6, 7, 8, and 11
p. Indemnification	Section 16.D of Franchise Agreement; Section 10 of Development Agreement Rider	Item 6
q. Owner's participation/ management/staffing	Sections 1.C, 4, 6, and 8 of Franchise Agreement	Items 11 and 15
r. Records and reports	Section 10 of Franchise Agreement	Not Applicable
s. Inspections and audits	Section 11 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 12 of Franchise Agreement; Section 9 of Development Agreement Rider	Item 17
u. Renewal	Section 13 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 15 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 7, 12, 15, and 16 of Franchise Agreement	Items 15 and 17
x. Dispute resolution	Section 17 of Franchise Agreement; Section 10 of Development Agreement Rider	Item 17
y. Other - Guaranty	Sections 1.C and 12.C of Franchise Agreement; Attachment to Franchise Agreement	Items 1 and 15

Item 10

FINANCING

We and our affiliates do not offer direct or indirect financing. Neither we nor our affiliate will guarantee your note, lease, or obligation.

Item 11

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

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

Pre-Opening Assistance

Before you open and begin operating the BAR & EATERY, we will:

1. Designate the Territory for the BAR & EATERY. (Franchise Agreement – Section 1.F)
2. We anticipate that you will operate the BAR & EATERY in a commercial space that you will lease. We will approve or disapprove each site that you propose according to our general criteria for selection of a Beerhead Bar & Eatery site. The site must meet our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. We may, however, refer sites to you for your consideration. You must submit a proposed site and related materials to us within 120 days after completion of the initial training program. We will use reasonable efforts to approve or disapprove the proposed site within 30 days after receiving your written proposal. (Franchise Agreement – Sections 1.D, 2.A. and 2.B.)
3. We must approve your third-party lease for the Premises. The lease must be in form and substance we approve, and must include the provisions of our required lease addendum. You must submit a proposed lease or purchase document for the Premises to us for our approval within 120 days after completion of the initial training program. You must deliver to us the approved and fully-signed lease (including the provisions of the lease addendum) within 7 days after you sign the lease or purchase document for the Premises or, if earlier, before the date specified in any Development Agreement Rider that we and you signed. At our option, we may terminate your Franchise Agreement if you and we do not agree on an acceptable site, and you do not submit a lease or purchase document for that site to us within 120 days after completion of the initial training program. (Franchise Agreement – Sections 2.B and 14.B)
4. Provide you mandatory and suggested specifications and layouts for a BAR & EATERY, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. (Franchise Agreement – Section 2.C.)
5. As discussed in Item 8, identify the Operating Assets, Menu Items and related products and services, equipment and supplies that you must use to develop and operate the BAR & EATERY, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items

(which may be limited to and/or include us, our affiliates, and/or other specified exclusive sources). (Franchise Agreement – Sections 2.A., 2.D., and 8)

6. Provide you access to one copy of the Operations Manual, the current table of contents of which is Exhibit G. As of the date of this Disclosure Document, the Operations Manual contains approximately 380 pages. (Franchise Agreement – Section 4.D.)
7. Advise you on the BAR & EATERY's grand opening advertising program. (Franchise Agreement – Section 9.A.)
8. Train you (or your managing owner) and your General Manager. (Franchise Agreement – Section 4.A.) We describe this training later in this Item.
9. Designate a specific number of Beerhead Bar & Eateries you may develop and open at approved locations in the Area (if we grant you development rights). We also will supply to you our site selection criteria and may put you in contact with a commercial real estate broker in your Area. (Development Agreement Rider – Sections 2, 3, and 6) (See Items 5, 12 and 15) Some of the assistance noted above may be performed during the term of a Development Agreement Rider but before the signing of a second or subsequent Franchise Agreement.

Ongoing Assistance

During your operation of the BAR & EATERY, we will:

1. Advise you regarding the BAR & EATERY's operation based on your reports or our inspections. We also will guide you on standards, specifications, and operating procedures and methods that Beerhead Bar & Eateries use; purchasing required and authorized Operating Assets, Menu Items and related products and services, and other items and arranging for their distribution to you; advertising and marketing materials and programs; employee training; and administrative, bookkeeping, and accounting procedures. We will guide you in our Operations Manual, bulletins, or other written materials; by electronic media; by telephone consultation; and/or at our office or the BAR & EATERY. (Franchise Agreement – Section 4.C.)
2. Give you, at your request (and our option), additional or special guidance, assistance, and training. (Franchise Agreement – Section 4) (See Item 6)
3. Continue to provide you access to one copy of the Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules (“System Standards”) that we periodically require. We may modify the Operations Manual periodically to reflect changes in System Standards. (Franchise Agreement – Sections 4.D and 8)
4. Issue and modify System Standards for Beerhead Bar & Eateries. We periodically may modify System Standards, which may accommodate regional or local variations, and these

modifications may require you to invest additional capital in the BAR & EATERY and/or incur higher operating costs. (Franchise Agreement – Section 8) (See Item 16)

5. Establish, to the fullest extent allowed by applicable law, maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. (Franchise Agreement – Section 8.G)
6. Inspect the BAR & EATERY and observe BAR & EATERY operations to help you comply with the Franchise Agreement and all System Standards. (Franchise Agreement – Section 11.A)
7. Let you use our confidential information. (Franchise Agreement – Section 6)
8. Let you use our Marks. (Franchise Agreement – Section 5)
9. Periodically offer refresher training courses. (Franchise Agreement – Section 4.B) (See Item 6)

Advertising and Development Fund

Recognizing the value of advertising and marketing to the goodwill and public image of Beerhead Bar & Eateries, we have established a formal Advertising and Development Fund (the “Fund”) for advertising, marketing, and public relations programs and materials we deem appropriate. We may designate a separate entity as we deem appropriate in our sole discretion to operate and administer the Fund. Any such entity will have all of the rights and duties described here. You must contribute to the Fund the amounts that we periodically require. (See Item 6) Beerhead Bar & Eateries that we or our affiliates operate will contribute to the Fund on the same basis as franchise owners. We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Beerhead Bar & Eateries and with whom we have agreed that we will so deposit these allowances.

We and/or an advertising agency that we designate will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and written materials and electronic media; costs associated with inbound marketing channels and providers (for example, Google, Facebook and Yelp); developing, implementing, and maintaining an electronic commerce Website and/or related strategies; purchasing and maintaining a domain name and email address accounts; administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Fund may advertise locally, regionally, and/or nationally in printed materials, on radio or television, and/or on the Internet, whatever we think best. The Fund periodically may give you samples of advertising, marketing, and promotional formats and materials at no cost. We or the Fund will sell you multiple copies of these materials at their direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for its or our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, exposition and show costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Fund contributions. During our fiscal year ending December 31, 2021, Fund contributions were spent as follows: 3.03% on media placement, 37.37% on production, 17.25% on public relations, and 42.35% on administration.

The Fund is not our asset. The Fund also is not a trust. We have a contractual obligation to hold all Fund contributions for the benefit of the contributors and to use contributions only for their permitted purposes (described above). We do not have a fiduciary obligation to you for administering the Fund. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, repay any amounts owed to us or others as borrowed by the Fund in prior periods, or invest any surplus for future use. We do not expect to use any of the Fund contributions specifically to develop materials and programs that will be used principally to solicit franchisees. However, media, materials, and programs, including our Website, prepared using Fund contributions may describe our franchise program, reference the availability of franchises and related information, and process franchise leads. We will prepare an annual unaudited statement of Fund collections and expenses and give it to you upon written request. We may have the Fund audited annually, at the Fund's expense, by an independent certified public accountant. We may incorporate the Fund or operate it through a separate entity when we think best. The successor entity will have all of the rights and duties described here.

The Fund is to maximize recognition of the Marks and patronage of Beerhead Bar & Eateries. Although we may use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Beerhead Bar & Eateries, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Beerhead Bar & Eateries operating in that geographic area or that any Beerhead Bar & Eatery benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising. We may use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce a franchise owner's Fund contributions and, upon 30 days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to franchise owners, and to us and our affiliates, in proportion to their, and our, respective contributions during the preceding 12-month period. (Franchise Agreement – Section 9.B)

Your Local Advertising

In addition to your Fund contributions and your grand opening advertising obligation, you must on an ongoing monthly basis spend at least 2% of the prior month's Gross Sales to advertise and promote the BAR & EATERY. You must participate at your own expense in all advertising, promotional and marketing programs that we require. You must send us monthly reports of your marketing expenditures.

Your local advertising and promotion must follow our guidelines. All advertising and promotional materials that you develop for the BAR & EATERY must contain notices of our Website's domain name in the manner we designate. You may not develop, maintain, or authorize any Website that mentions or describes you or the BAR & EATERY or displays any of the Marks without our prior written approval. We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System, including through the use of a page or profile on a social media Website such as Facebook, LinkedIn and Twitter. All advertising, promotion, marketing, and public relations must be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the policies that we periodically require. Before you use them, you must send us or our designated agency for review samples of all advertising, promotional, marketing, and public relations materials that we have not prepared or previously approved. Promotional material includes materials you provide on a Website or similar medium. If you do not receive written approval or disapproval within 10 days after we or our designated agency receives the materials, they are deemed to be disapproved. You may not use any advertising, promotional, marketing, or public relations materials that we have not approved or that we have disapproved.

You must list and advertise the BAR & EATERY in at least one recommended classified telephone directory distributed within the Territory (in designated business classifications) and use an approved form of classified telephone directory advertisement. If other Beerhead Bar & Eateries are located within the directory's distribution area, we may require you to participate in a collective telephone directory advertisement with those Beerhead Bar & Eateries and pay your share. (Franchise Agreement – Section 9.C) (See Items 6, 8, and 9)

Cooperative Advertising Programs

We may designate an advertising coverage area ("ACA") – local or regional – in which 2 or more Beerhead Bar & Eateries are located in order to seek to establish a cooperative advertising program ("Cooperative Program"). An ACA is the area covered by the particular advertising medium recognized in the industry. We will require all franchise owners in the ACA to participate. Each Beerhead Bar & Eatery operating in the ACA will have one vote, including those we or our affiliate operate.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Cooperative Program's purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If we establish a Cooperative Program for the geographic area in which the BAR & EATERY is located, you must sign the documents we require to become a

member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you must contribute up to 2% of the BAR & EATERY's Gross Sales to the Cooperative Program weekly, monthly, or as otherwise specified by 50% or more of the Beerhead Bar & Eateries operating in the ACA. You need not contribute more than 2% of the BAR & EATERY's Gross Sales to the Cooperative Program unless 67% or more of the Beerhead Bar & Eateries operating in the ACA, including those we or our affiliates operate, vote to increase the contribution in excess of 2%. Any amounts you contribute to a Cooperative Program will count toward the percentage of Gross Sales you are required to spend on local advertising.

You must send us and the Cooperative Program any reports that we require. The Cooperative Program and its members may not use any advertising or promotional plans and materials without our prior written consent. We have the power to form, change, dissolve, or merge any Cooperative Program. We will make available for your review any records showing payments to and expenses of any Cooperative Program in which you participate.

We do not have a franchise owner advisory council that advises us on advertising policies.

Computer System

You must obtain and use in the BAR & EATERY a computer system containing the hardware and software we specify or that we recommend (the "Computer System"). The Computer System currently includes: (i) the required point-of-sale system ("POS System") and related software from our designated supplier, Chicago POS, for up to 6 POS System terminals; (ii) inventory and accounting software from another designated vendor; (iii) proprietary software related to our customer loyalty and rewards programs or on-line ordering platforms; and (iv) additional hardware that includes receipt printers, pole display package from the POS System vendor, a digital scanner, a back office computer with a printer. (See Items 7 and 8 above)

We estimate that your purchase of the Computer System will cost between \$8,000 and \$20,000 (see Item 7). There is no requirement that you buy all the required computer hardware and/or operating software if you already own a computer system and software that meets our specifications for the Computer System. You may purchase certain parts of the Computer System from any vendor so long as we have not designated a sole or approved vendor for a particular component and that your Computer System for the BAR & EATERY meets our overall specifications.

You will be solely responsible for ongoing maintenance and upgrading of the Computer System, the annual costs of which we estimate to be approximately \$6,000 per year. Chicago POS currently provides maintenance services for the POS System. Currently, we do not require that you purchase an additional maintenance contract to service the Computer System, but we may do so in the future.

The types of data to be generated or stored in the Computer System include sales and inventory information. We have independent, unlimited access to the information generated by the Computer System. We will provide you with an email address (or multiple addresses) using our

Beerhead domain name, which you must use and maintain in the operation of the BAR & EATERY so that we can send you notices and otherwise communicate with you by this method. We have independent, unlimited access to any email account using the Beerhead domain name.

We may change the Computer System at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs. We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities concerning, the software or technology. We or our affiliates may charge you a monthly, annual, or other license fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during the franchise term. We also may require you to pay us a monthly technology support fee to cover the increasing cost of supporting technology solutions for the System, including the BAR & EATERY, and/or to fund the continued development of new and innovative technology solutions for the System. We do not presently charge or collect the Technology Support Fee, but we may do so in the future. Certain vendors may charge us initial or ongoing fees in connection with the Computer System. We may either (i) pay these fees on your behalf and withdraw the appropriate amount from your EDTA, or (ii) require that you pay these fees directly to the vendor.

Opening

We estimate that it will be 180 to 240 days after you sign the Franchise Agreement before you open and begin operating the BAR & EATERY. The specific timetable for opening and operating the BAR & EATERY depends on various factors, including the location of the Premises (whether it is in a residential or non-residential location); the delivery schedule for equipment and supplies; completing training; and complying with local laws and regulations. You must notify us in writing at least 30 days before the day on which you propose to begin operating the BAR & EATERY. You may not open or begin operating the BAR & EATERY until: (1) we notify you in writing that the BAR & EATERY and Premises meet our standards and specifications; (2) you (or your managing owner) and your other employees complete initial training to our satisfaction; (3) you pay the initial franchise fee and other amounts then due to us; and (4) you give us certificates or other evidence we require for all required insurance policies. In any case, you must open the BAR & EATERY within 365 days after the Effective Date of the Franchise Agreement. (Franchise Agreement – Section 2.F)

Training

If this is your first Beerhead Bar & Eatery, then before the BAR & EATERY opens for business, we will train you (or your managing owner) and the manager-level employee you appoint on operating a Beerhead Bar & Eatery. We will provide at least 5 days of initial classroom training (which may be provided online at our sole option), excluding the days of on-site opening support we describe later in this Item (although the specific number of days depends on our opinion of your experience and needs). We will use the Operations Manual and various instructional materials as we conduct the initial training program. If we determine that you (or your managing owner) and your manager-level employee cannot complete initial training to our satisfaction, then we may terminate the Franchise Agreement. (Franchise Agreement – Section 4.A) If you do not satisfactorily

complete the required initial training during the normal time allotted, we may require you (or your managing owner) and/or your employees to attend additional training programs at our designated training facility in order to achieve the sufficient level of training we require. We may charge reasonable fees for such additional training, as well as for additional training programs we may require or offer during the franchise term. (See Item 6) You also must pay for all travel and living expenses that you and your employees incur and for your employees' wages and workers' compensation insurance while they attend such additional training at our training facility or the location we designate. (Franchise Agreement – Section 4.A)

Additional people beyond the attendees we require may attend initial training, subject to our ability and capacity to accommodate these extra persons in any training session, if you pay our then current training charge for each additional person. (See Item 6) You also must pay for all travel and living expenses that you and your personnel incur, and for your personnel's wages and workers' compensation insurance while they train at our training facility or the location we designate. (Franchise Agreement – Section 4.A)

We or our designee conduct our initial training program as frequently as we deem necessary at our training location in Schaumburg, Illinois or another location we designate (except for the on-site support period around the BAR & EATERY's opening that we will provide at the Premises). Initial training will occur and be completed no more than 6 weeks before the BAR & EATERY's scheduled opening date. You (or your managing owner) must complete initial training to our satisfaction before you may open and begin operating the BAR & EATERY. As of the date of this Disclosure Document, our required initial training program includes the following programming:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Pre-Opening Checklist	10	0	Cleveland, Ohio, another location we designate, or online at our sole option
Operations, Policies & Procedures	30	0	Cleveland, Ohio, another location we designate, or online at our sole option
Operator Management – Purchasing, POS System Training, Scheduling, Staff Management, Event Management	0	160	Cleveland, Ohio, or another location we designate
Totals	40	160	

Our Director of Operations, Tracy Donofrio, will direct the initial training program. Ms. Donofrio has been providing operational management services to The Beer Market, LLC's company-

owned outlets since August 2013 and has developed and implemented training programs for the bar and restaurant industry since 1988.

The instructional materials for our required training programs currently include, or may include in the future, computer-based training courses and software, videos, handouts, the Operations Manual, and tests or other evaluations we may require you or your attendees to complete.

In addition to the initial training we outline above, we will, at our own cost, send at least 1 of our representatives to the BAR & EATERY, for a period of at least 5 total days, to provide on-site support in connection with pre-opening and opening activities when the BAR & EATERY is preparing to open for business. We may provide more representatives, or more days of on-site support, at the Premises during this period as we deem necessary. We solely determine the timing, scheduling and staffing of on-site support we provide according to this paragraph, including the calendar dates, times of our support, and whether we provide these days consecutively or intermittently. You must successfully complete all activities of this on-site support period to our satisfaction. If you request, and we agree to provide, additional or special guidance, assistance, or training during this on-site support period, then you will pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

You (or your managing owner) and/or other previously trained and experienced employees must attend and complete to our satisfaction various training courses that we periodically provide either online or in-person at the times and locations we designate. We may charge reasonable registration or similar fees for these courses, and we will not require in-person attendance by you or your personnel for more than 10 total days of training during a calendar year. Besides attending these courses, we may require you to attend an annual national meeting of all Beerhead Bar & Eatery franchise owners at a location we designate. You are responsible for all related travel and living expenses and wages incurred in connection with attending these courses and meetings.

Other personnel we designate may assist in our initial and other training programs, including other Beerhead Bar & Eatery representatives, or other Beerhead Bar & Eatery franchisees or qualified managers or operators of Beerhead Bar & Eateries. On average, representatives will have a minimum of 3 years operational experience with "The Beer Market" businesses (see Item 12) or Beerhead Bar & Eateries and 10 years overall operational experience in the industry. The Franchise Agreement requires you to assist in future training programs for other franchisees, upon our request and for which we will reimburse you for your associated expenses.

Item 12

TERRITORY

Franchise Agreement

You will operate the BAR & EATERY within a specific Territory that we first must approve. We will describe the Territory in the Franchise Agreement before you sign it. We will determine the size and boundaries of the Territory in our sole judgment, based upon factors including population density, character of neighborhood, location, number of competing businesses, general traffic and pedestrian traffic flow, and other demographic and population factors. The Territory will cover a

geographic area that comprises an estimated population of 50,000 people. (For purposes of the Territory, the term “population” includes all potential persons within the Territory, whether arising from personal, residential, weekday or daytime business, and/or general commercial business, or any combination thereof.) We may reduce or otherwise modify the size or boundaries of your Territory during the term of your Franchise Agreement, at our sole option and upon providing notice to you, as long as the re-defined Territory (as modified) still encompasses a geographic area around the Premises consisting of 50,000 people. If we do so, we will amend Exhibit B to your Franchise Agreement to reflect the modified Territory and provide you an updated version of that Exhibit. We are not obligated to expand or modify the size and/or boundaries of the Territory to include a greater population than 50,000 people.

Except as described below under “Development Agreement Rider”, you have no options, rights of first refusal, or similar rights to acquire additional franchises within the Territory or in contiguous territories. You may operate the BAR & EATERY only from the Premises we approve within the Territory and may not relocate the Premises without our approval.

If we approve you to offer delivery and/or catering services in connection with the BAR & EATERY, you must make accommodations for delivery and/or catering services in compliance with our System Standards, including limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing. (See Item 8) Any delivery and/or catering area we specify is not exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the delivery and/or catering area without any restrictions (including allowing other Beerhead Bar & Eatery franchisees and delivery and/or catering service providers to provide delivery and/or catering services in the delivery and/or catering area). Any delivery and/or catering area we specify is nothing more than the geographic boundaries in which you may deliver and/or cater those Menu Items approved for delivery and/or catering from the BAR & EATERY, and no other rights are granted to you.

We and our affiliates retain certain rights within and outside the Territory, as described below in this Item. Therefore, you will not receive an exclusive territory. You may face competition from other Beerhead Bar & Eatery franchise owners, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except as limited below, as long as you are in full compliance with the Franchise Agreement, then we and our affiliates will not operate or grant a franchise for the operation of a Beerhead Bar & Eatery at a location in the Territory during the term of your Franchise Agreement. Otherwise, we and our affiliates retain all rights with respect to Beerhead Bar & Eateries, the Marks, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

- (1) the right to establish and operate, and to grant to others the right to establish and operate businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;

(2) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and services that are identical or similar to and/or competitive with those products and services provided by Beerhead Bar & Eateries, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the Internet or similar electronic media, any other form of electronic commerce, supermarkets and department stores) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(3) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(4) the right to operate, and to grant others the right to operate, Beerhead Bar & Eateries anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Territory;

(5) the right to operate and grant others the right to operate Beerhead Bar & Eateries at “Non-Traditional Sites” within and outside the Territory on any terms and conditions we deem appropriate. “Non-Traditional Sites” are sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including military bases, shopping malls, airports, stadiums, arenas, major industrial or office complexes, hotels, train stations, travel plazas, toll roads, casinos, hospitals, and sports or entertainment venues;

(6) the right to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by Beerhead Bar & Eateries, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

(7) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Beerhead Bar & Eateries, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Territory.

We may exercise any of the retained rights without compensating you. Although we have the right to do so (as described above), neither we nor an affiliate currently operates, franchises, or has present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will sell in the BAR & EATERY. Our parent, The Beer Market, LLC, operates retail businesses under the “The Beer Market” trademark offering goods and services similar to those you will sell in the BAR & EATERY, including, microbrews, craft beers and premium spirits. These retail businesses may be located in the Territory. We do not anticipate conflicts between the Beer Market businesses and Beerhead Bar & Eateries. If conflicts do arise, we and The Beer Market, LLC will resolve them as we deem appropriate. The principal business address of The Beer Market, LLC is the same as ours.

You may use other channels of distribution to make sales at the BAR & EATERY, such as the Internet or any other form of electronic commerce, catalog sales, telemarketing, or other direct marketing to make sales inside or outside the Territory, only in a manner we approve. You must advertise and solicit customers for the BAR & EATERY only within the Territory. You may not operate the BAR & EATERY away from the Premises.

Continuation of your franchise and your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other contingency.

Development Agreement Rider

You may (if you qualify) develop and operate a number of Beerhead Bar & Eateries within the Area. We and you will identify the Area in the Development Agreement Rider before signing it. The Area typically is a city, cities, or counties. We base the Area's size primarily on the number of Beerhead Bar & Eateries you agree to develop, demographics, and site availability. We and you will negotiate the number of Beerhead Bar & Eateries you must develop to keep your development rights and the dates by which you must develop them. We and you then will complete the schedule in the Development Agreement Rider before signing it. While the Development Agreement Rider is in effect, you will receive an exclusive Area and we (and our affiliates) will not establish or operate, or grant to others the right to establish or operate, other Beerhead Bar & Eateries the physical premises of which are located within the Area. There are no other restrictions on us (or our affiliates). You may not develop or operate Beerhead Bar & Eateries outside the Area. We may terminate the Development Agreement Rider if you do not satisfy your development obligations when required. In addition, if you fail to comply with the terms of the Development Agreement Rider during its term, we may, at our option, elect to terminate only the exclusivity of the Area instead of terminating the Development Agreement Rider entirely. This means that during the remainder of the term of the Development Agreement Rider, we and our affiliates will have the right to establish and operate, and grant to others the right to establish and operate, Beerhead Bar & Eateries the physical premises of which are located within the Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Area without any restrictions. However, our termination of the exclusivity will be without prejudice to our right to later terminate the Development Agreement Rider for the same default or any other defaults under the Development Agreement Rider.

Despite the development schedule under the Development Agreement Rider, we may delay your development of additional Beerhead Bar & Eateries within the Area for the time period we deem best if we believe, when you apply for the next Beerhead Bar & Eatery, that you are not yet operationally, managerially, or otherwise prepared (due to the particular amount of time that has elapsed since you developed and opened your most recent Beerhead Bar & Eatery) to develop, open and/or operate the additional Beerhead Bar & Eatery according to our standards and specifications. We may delay additional development as long as the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, we may not alter your Area during the Development Agreement Rider's term.

Item 13

TRADEMARKS

You may use certain Marks in operating the BAR & EATERY. The current principal Marks are:

MARK	REGISTRATION OR APPLICATION NUMBER	REGISTRATION OR APPLICATION DATE
Beerhead	4,909,836 (Registration)	March 1, 2016 (Registration)

The principal Mark “Beerhead” is owned by The Beer Market, LLC. The Beer Market, LLC has registered the Mark listed above on the Principal Register of the United States Patent and Trademark Office (“USPTO”). No affidavits or renewal filings are yet due in connection with these registrations or applications.

Under a License Agreement with The Beer Market, LLC dated January 1, 2015, The Beer Market, LLC has licensed us to use the Marks and to sublicense them to our franchise owners to use in operating Beerhead Bar & Eateries. The license agreement is perpetual in duration, but either we or The Beer Market, LLC may terminate it with 30 days' notice to the other party. However, termination of the license agreement will not affect existing franchise agreements. No other agreement limits our right to use or license the Marks.

You must follow our rules when you use the Marks, including giving proper notices of trademark and service mark registration and obtaining fictitious or assumed name registrations required by law. You may not use any Mark in your corporate or legal business name; with modifying words, terms, designs, or symbols (except for those we license to you); in selling any unauthorized services or products; or as part of any domain name, homepage, electronic address, or otherwise in connection with a Website.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark, and you may not communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and The Beer Market, LLC may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us or The Beer Market, LLC, as we direct, in protecting and maintaining our interests in any litigation or USPTO or other proceeding. At our option, we and The Beer Market, LLC may defend and/or control the defense of any proceeding arising from your use of any Mark. We need not participate in your defense and/or

indemnify you for damages or expenses in a proceeding involving the Marks; however, if you timely notify us and comply with our directions in response to a trademark infringement proceeding that disputes your authorized use of the Marks, then we will reimburse you for your damages and reasonable expenses you incur.

If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for our direct expenses of changing the BAR & EATERY's signs, for any loss of revenue due to any modified or discontinued Mark, any loss of goodwill associated with any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Item 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. We and The Beer Market, LLC claim copyrights in the Operations Manual (which contains our trade secrets), advertising and marketing materials, and similar items used in operating Beerhead Bar & Eateries. Neither we nor The Beer Market, LLC have registered these copyrights with the United States Registrar of Copyrights, but neither we nor The Beer Market, LLC need do so at this time to protect them. You may use these items only as we specify while operating the BAR & EATERY (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses of our copyrights that could materially affect your use of the copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the best interests of the System or all or some Beerhead Bar & Eateries, as we solely determine. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). This information includes, or may in the future include: training and operations materials; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Beerhead Bar & Eateries; marketing and advertising programs for Beerhead Bar & Eateries; any computer software or similar technology that is proprietary to us or the System; knowledge of specifications for and suppliers of Operating Assets, Proprietary Products, and other products and supplies; knowledge of the operating results and financial performance of Beerhead Bar & Eateries other than the BAR & EATERY; and graphic designs and related intellectual property.

All ideas, concepts, inventions, techniques, or materials concerning a Beerhead Bar & Eatery, whether or not protectable intellectual property and whether created by or for you or your owners or

employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others. You agree to have our then current form of “Nondisclosure and Non-Competition Agreement” executed by all of the following persons: (i) any supervisory or other employees of yours who have received or will receive training from us, prior to their employment; (ii) if you are an entity, all your officers, directors, shareholders, partners, members and owners, and those of any entity directly or indirectly controlling you, at the same time the Franchise Agreement is signed, or at such time as they assume such status; and (iii) you, your owners and your and your owners’ spouses. You agree to provide us copies of all executed Nondisclosure and Non-Competition Agreements no later than 10 days following their execution. We will be a third-party beneficiary of each Nondisclosure and Non-Competition Agreement with independent enforcement rights.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are a legal entity, you must appoint a shareholder, member, or partner (as applicable) to be your “Managing Owner,” responsible for overseeing and supervising the BAR & EATERY’s operation. You must maintain a competent, conscientious, trained staff, including a fully-trained, full-time manager, which may be you (or your Managing Owner), who must act as the general manager of the BAR & EATERY with responsibility for direct supervision of the BAR & EATERY. The BAR & EATERY must at all times be under the full-time direct, on-premises management of you (or your Managing Owner) or the general manager. You (or your Managing Owner) and the general manager are responsible for conducting day-to-day business activities at the BAR & EATERY. You must at all times faithfully, honestly, and diligently perform your contractual obligations and use best efforts to promote and enhance the BAR & EATERY. System Standards may regulate the BAR & EATERY’s staffing levels, identifying the BAR & EATERY’s personnel, and employee qualifications, training, dress, and appearance.

If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. The required form of “Guaranty and Assumption of Obligations” is attached to the Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all goods and perform all services that we periodically require for Beerhead Bar & Eateries. You may not offer or sell any products or perform any services that we

have not authorized. (See Item 8) Our System Standards may regulate: (i) required and/or authorized Menu Items, local restaurants or delivery and/or catering services that may deliver and/or cater third party food items to customers at the BAR & EATERY, equipment, vehicles, materials, supplies and other products and services; and (ii) unauthorized and prohibited services, products, equipment, vehicles, materials, and supplies. We periodically may change required and/or authorized services and products. There are no limits on our right to do so. (See Item 8)

You may conduct business only with customers at the BAR & EATERY and any catering or delivery operations we authorize you to conduct in the Territory. (See Items 8 and 12) We do not restrict the customers whom you may serve at the BAR & EATERY, but you must comply with all applicable laws related to the sale and service of alcohol. You must advertise and solicit clients for the BAR & EATERY only within the Territory. You may not operate the BAR & EATERY, or provide the Menu Items or offer products for sale from any physical location other than at the Premises.

Item 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 1.E. of Franchise Agreement	10 years from the Effective Date of the Franchise Agreement. Term of Development Agreement Rider depends on development obligations.
b. Renewal or extension of the term	Section 1.E and Section 13 of Franchise Agreement	If you are in full compliance, you may acquire 2 successor franchise terms of 5 years each, or as long as you have the right to maintain possession of the Premises, whichever is less. The successor franchises will be on our then current form of Franchise Agreement (which may contain materially different terms and conditions than your original

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		franchise agreement) No renewal or extension of Development Agreement Rider.
c. Requirements for franchisee to renew or extend	Section 13 of Franchise Agreement	To “renew,” you must be in full compliance with the Franchise Agreement; give us timely notice; pay us the renewal fee; maintain possession of BAR & EATERY premises or find acceptable substitute premises; remodel BAR & EATERY according to our then current standards (regardless of cost); and sign our then current Franchise Agreement, a release (if law allows), and other documents we use to grant franchises The terms of our then current Franchise Agreement that you sign for renewal of the franchise may differ materially from any and all of those contained in the Franchise Agreement attached to this Disclosure Document, including reduced Territory and increased fees
d. Termination by franchisee	Section 14.A. of Franchise Agreement	If we breach Franchise Agreement and an arbitrator determines that we did not cure default after notice from you
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Section 14.B. of Franchise Agreement and Section 8 of Development Agreement Rider	We may terminate your franchise (and development rights) only if you or your owners commit one of several violations

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
g. "Cause" defined-curable defaults	Section 14.B. of Franchise Agreement	You have 72 hours to cure any health, safety or sanitation law, ordinance, or regulation regulating the operation of the BAR & EATERY; 10 days to cure monetary defaults and failure to maintain required insurance; 30 days to cure operational defaults and other defaults not listed in (h) below; and 180 days to relocate the Premises to a new site we approve if you lose possession of the Premises
h. "Cause" defined- non-curable defaults	Sections 14.B. and 14.C. of Franchise Agreement and Section 8 of Development Agreement Rider	Non-curable defaults include: misrepresentation in acquiring the franchise; failure to locate and submit a lease for a proposed site for our approval within 120 days; failure to deliver a signed lease addendum within 7 days after its execution; failure to open and operate the BAR & EATERY within 365 days; failure to complete training; abandonment; unapproved transfers; conviction of a felony, crime involving moral turpitude, or other crime; dishonest or unethical conduct; making an unauthorized representation or warranty on our behalf; unauthorized use or disclosure of the Operations Manual or other confidential information; failure to pay taxes; understating Gross Sales; repeated defaults (even if cured); an assignment for the benefit of creditors; appointment of a trustee or receiver; violation of any anti-terrorism law; knowingly maintaining false books or records or submitting false reports; refusing to permit us to inspect the BAR &

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		<p>EATERY or your books, records, or accounts; termination of any other agreement between you (or your owners or affiliates) and us (or our owners and affiliates) due to failure to comply with the agreement; violation of any law, rule, regulation or requirement by any local, state or government agency relating to sale, service or use of alcoholic beverages; and you, any of your owners, representatives or employees make any illicit statements, including in an email to our employees, officers, or directors, or in any social media posts, or any other unlawful, threatening, abusive, libelous, defamatory, obscene, vulgar, pornographic, gambling-related, drug-related, alcohol-related, profane, racist, sexually explicit or indecent comments that in our opinion negatively affects us, our employees, our operations or otherwise affects the BAR & EATERY's reputation or the goodwill associated with the Marks.</p> <p>We may terminate the Development Agreement Rider if you do not meet development schedule or other obligations; if the Franchise Agreement or any other franchise agreement between us and you (or your affiliated entity) is terminated by us for cause or by you for any or no reason; or we have delivered formal notice of default to you (or your affiliated entity) under the Franchise Agreement or another franchise agreement (whether or not default is cured).</p>

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
i. Franchisee’s obligations on termination/nonrenewal	Section 15 of Franchise Agreement	Obligations include paying outstanding amounts; complete de-identification; assigning telephone and other numbers; and returning confidential information (also see (o) and (r) below)
j. Assignment of contract by franchisor	Section 12.A. of Franchise Agreement	No restriction on our right to assign; we may assign without your approval
k. “Transfer” by franchisee – defined	Section 12.B. of Franchise Agreement	Includes transfer of Franchise Agreement, the BAR & EATERY (or its profits, losses or capital appreciation), sale of Operating Assets, and ownership change in you or your owners
l. Franchisor approval of transfer by franchisee	Section 12.B. of Franchise Agreement and Section 9 of Development Agreement Rider	No transfer without our prior written consent. Your development rights under the Development Agreement Rider are not assignable at all
m. Conditions for franchisor approval of transfer	Section 12.C. of Franchise Agreement	New franchise owner qualifies (based on business experience, aptitude and financial resources); you pay us, our affiliates, and third party vendors all amounts due and submit all required reports; no default during 60-day period before transfer request or during period between request and transfer’s proposed effective date; new franchise owner (and its owners and affiliates) are not in a Competitive Business; training completed; your landlord allows the transfer or sublease of your lease; you or transferee signs our then current Franchise Agreement and other

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		documents; transfer fee paid; you sign release (if law allows); we approve material terms; you subordinate amounts due to you; you de-identify; and you correct existing BAR & EATERY deficiencies of which we notify you on punchlist (also see (r) below)
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 12.G. of Franchise Agreement	We may match any offer for the BAR & EATERY or an ownership interest in you
o. Franchisor’s option to purchase franchisee’s business	Section 15.E. of Franchise Agreement	We have the option to purchase the BAR & EATERY upon termination or expiration of the franchise term
p. Death or disability of franchisee	Section 12.E. of Franchise Agreement	Your or your managing owner’s representative must assign the franchise or an ownership interest in you to an approved party within 6 months; substitute management must be appointed within 15 days; we may assume management of the BAR & EATERY and charge a management fee if the BAR & EATERY is not being managed properly.
q. Non-competition covenants during the term of the franchise	Section 7 of Franchise Agreement	No diverting business; no ownership interest in, performing services for, or lending money to, Competitive Business anywhere (“Competitive Business” means any restaurant, bar, pub, brewery or other food and beverage service business which derives more than 40% of its revenue from selling beer, premium spirits, and other alcoholic beverages and related products or any business granting franchises or licenses to others to

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		operate such a business); no engagement in activities that may injure goodwill of the Marks.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.D. of Franchise Agreement	No direct or indirect ownership interest in, or performing services for, competing business for 2 years at the premises where the BAR & EATERY is located; within the Territory; within a 10 mile radius of the Territory; or within 10 miles of any other Beerhead Bar & Eatery in operation or in the process of opening as of date Franchise Agreement expires or is terminated.
s. Modification of the agreement	Section 17.J. of Franchise Agreement	No modifications except by written agreement signed by both us and you, but we may change Operations Manual and System Standards
t. Integration/merger clause	Section 17.L. of Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this Disclosure Document
u. Dispute resolution by arbitration or mediation	Section 17.F. of Franchise Agreement	We and you must arbitrate all disputes in the metropolitan area of West Palm Beach, Florida
v. Choice of forum	Section 17.H. of Franchise Agreement	Subject to arbitration requirement, litigation generally must be in the state or federal court of competent jurisdiction in West Palm Beach, Florida (subject to state law)
w. Choice of law	Section 17.G. of Franchise Agreement	Except for Federal Arbitration Act and other federal law, Florida law governs (subject to state law)

Item 18

PUBLIC FIGURES

We sometimes use Mr. Steve Burton, one of the owners of our parent, The Beer Market, LLC, to promote franchises for Beerhead Bar & Eateries. We do not pay Mr. Burton compensation (other than the compensation Mr. Burton receives as an owner of The Beer Market, LLC) in connection with this promotion. We may, if we decide to do so, grant you the right to use Mr. Burton to promote your BAR & EATERY. We currently do not use any other public figures to promote franchises for Beerhead Bar & Eateries.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchise owner'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 Greg Goodrich at 319 Belvedere Road #5, West Palm Beach, Florida 33405, (561) 469-2739 the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

**Table 1
Systemwide Outlet Summary
For years 2019 to 2021**

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	2019	4	7	+3
	2020	7	7	0
	2021	7	8	+1
Company Owned*	2019	2	1	-1
	2020	1	1	0
	2021	1	1	0
Totals	2019	6	8	+2
	2020	8	8	0
	2021	8	9	+1

* Our parent, The Beer Market, LLC, operates the location we refer to as “Company-Owned.” The Company-Owned retail business operating as of the end of 2021 is operating under the “The Beer Market” trademark, which offer goods and services similar to those offered at Beerhead Bar & Eateries. The Beer Market business is substantially similar to Beerhead Bar & Eateries.

**Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019 to 2021**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0
Totals	2019	0
	2020	0
	2021	0

Table 3
Status of Franchised Outlets
For years 2019 to 2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminat ions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Illinois	2019	3	1	0	0	0	1	3
	2020	3	0	0	0	0	1	2
	2021	2	0	0	0	0	0	2
Ohio	2019	1	2	0	0	0	0	3
	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Michigan	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Texas	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Totals	2019	4	3	0	0	0	0	7
	2020	7	1	0	0	0	1	7
	2021	7	1	0	0	0	0	8

Table 4
Status of Company-Owned Outlets*
For years 2019 to 2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Illinois	2019	1	0	0	1	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
Pennsylvania	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
New York	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Totals	2019	2	0	0	1	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

* Our parent, The Beer Market, LLC, operates the location we refer to as “Company-Owned.” The Company-Owned retail business operating as of the end of 2021 is operating under the “The Beer Market” trademark, which offer goods and services similar to those offered at Beerhead Bar & Eateries. The Beer Market business is substantially similar to Beerhead Bar & Eateries.

**Table 5
Projected Openings as of December 31, 2021**

Column 1 State	Column 2 Franchise Agreements Signed but Outlets Not Opened	Column 3 Projected New Franchised Outlets In The New Fiscal Year	Column 4 Projected New Company-Owned Outlets In The New Fiscal Year
Ohio	0	2	0
Texas	1	3	0
Totals	1	5	

Exhibit I lists the names of all franchisees operating Beerhead Bar & Eateries and the addresses and telephone numbers of their franchised businesses as of December 31, 2021. There were no franchisees that had an outlet terminated, canceled, transferred, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement, during our last fiscal year or who have not communicated with us within 10 weeks of this Disclosure Document’s issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

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

Item 21

FINANCIAL STATEMENTS

Exhibit F contains our audited financial statements as of December 31, 2019, December 31, 2020 and December 31, 2021.

Item 22

CONTRACTS

The following agreements are exhibits:

- (a) Exhibit C Franchise Agreement
- (b) Exhibit D Development Agreement Rider
- (c) Exhibit E State Addenda to Franchise Agreement
- (d) Exhibit H Sample Form of General Release
- (e) Exhibit J Franchisee Disclosure Questionnaire

Item 23

RECEIPTS

Our and your copies of the receipt to this Disclosure Document are located at the last 2 pages of this Disclosure Document.

EXHIBIT A TO FDD

LIST OF STATE ADMINISTRATORS

Listed here is the contact information for each of the state agencies responsible for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Office of the Commissioner
California Department of Financial Protection and
innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(866) 275-2677

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs,
Business Registration Division,
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2744

ILLINOIS

Chief – Franchise Bureau
Office of Attorney General
State of Illinois
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

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

MARYLAND

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

MICHIGAN

Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Williams Building
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-4973

NEW YORK

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

NORTH DAKOTA

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

OREGON

Dept. of Consumer & Business Services
Division of Finance and Corporate Securities
350 Winter St. NE, Rm. 410
Salem, OR 97301-3881
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920
(401) 222-3048

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

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
150 Israel Road Southwest
Tumwater, WA 98501
(360) 902-8760

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 W. Washington Avenue
Madison, Wisconsin 53703
(608) 266-1064

EXHIBIT B TO FDD

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of the Department of Financial
Protection and Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

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

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

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

ILLINOIS

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

INDIANA

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Department of Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-6328

NEW YORK

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Ave., 6th Floor
Albany, New York 12231
(518) 473-2492

Administrator, Division of Securities
Department of Financial Institutions
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

NORTH DAKOTA

Securities Commissioner, State of North Dakota
600 East Boulevard Avenue, 5th Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

OREGON

Oregon Division of Finance and Corporate
Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

RHODE ISLAND

Director of Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

Clerk, Virginia State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

Director, Department of Financial Institutions
150 Israel Road Southwest
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

B-2

EXHIBIT C TO FDD
FRANCHISE AGREEMENT

BEERHEAD FC, LLC
FRANCHISE AGREEMENT

FRANCHISE OWNER

DATE OF AGREEMENT

BAR & EATERY ADDRESS

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GUARANTY AND ASSUMPTION OF OBLIGATIONS

BEERHEAD FC, LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into by and between **BEERHEAD FC, LLC**, a Florida limited liability company located at 319 Belvedere Road #5, West Palm Beach, Florida 33405 (“we,” “us,” or “our”), and _____, whose principal business address is _____ (“you” or “your”) as of the date signed by us and set forth opposite our signature on this Agreement (the “Effective Date”).

1. PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.

A. PREAMBLES.

(1) We and our affiliates have, over a considerable time period and with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity for the operation of retail businesses offering microbrews, craft, flavored, organic, gluten-free, seasonal, and other specialty beers, wines, and other alcoholic beverage products and services, along with certain food items and merchandise (collectively, “Menu Items”). These businesses operate under the “Beerhead” name and other trademarks (“Beerhead Bar & Eatery”) and have distinctive business formats, methods, procedures, signage designs, layouts, standards, and specifications, and the Marks (as defined below), all of which we may improve, further develop, or otherwise modify at any time and from time to time (collectively, the “System”).

(2) We and our affiliates use, promote, and license certain trademarks, service marks, and other commercial symbols in operating Beerhead Bar & Eateries, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license other trademarks, service marks, and commercial symbols for Beerhead Bar & Eateries (collectively, the “Marks”).

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Beerhead Bar & Eatery using the System and offering the Menu Items and related products and services we authorize.

(4) As a franchise owner of a Beerhead Bar & Eatery, you will comply with this Agreement and all System Standards (defined in Subsection 4.D) in order to maintain the high and consistent quality that is critical to attracting and maintaining customers for Beerhead Bar & Eateries.

(5) You have applied for a franchise to own and operate a Beerhead Bar & Eatery.

B. **ACKNOWLEDGMENTS.**

You acknowledge:

(1) That you have independently investigated the Beerhead Bar & Eatery franchise opportunity and recognize that, like any other business, the nature of the business a Beerhead Bar & Eatery conducts may, and probably will, evolve and change over time.

(2) That an investment in a Beerhead Bar & Eatery involves business risks that could result in the loss of a significant portion or all of your investment.

(3) That your business abilities and efforts are vital to your success.

(4) That attracting customers for your Beerhead Bar & Eatery will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, and display and use of in-store promotional materials.

(5) That retaining customers for your Beerhead Bar & Eatery will require you to have a high level of customer service and adhere strictly to the System and our System Standards and that you are committed to maintaining System Standards.

(6) That you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a Beerhead Bar & Eatery.

(7) That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(8) That you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(9) That you and your guarantors have received as one document at one time a copy of the form of this Agreement, the exhibits hereto, and the applicable complete Franchise Disclosure Document not less than fourteen (14) days prior to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of you relating to this Agreement, and the franchise associated therewith (except, where applicable, any deposit permitted under applicable law).

(10) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement's terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Beerhead Bar & Eatery, and to protect and preserve the goodwill of the Marks.

(11) That we will restrict your sources of products and services, as provided in various sections of this Agreement, including Section 8 below.

(12) That we have not made any representation, warranty, or other claim regarding this Beerhead Bar & Eatery franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(13) That you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Beerhead Bar & Eatery franchise opportunity.

(14) That you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or waived your right to do so.

C. **CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP.**

If you are at any time a corporation, limited liability company, general or limited partnership, or other form of business entity (each, an "Entity"), then you agree and represent that:

(1) You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents, operating agreement, or partnership agreement, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(4) Each of your owners during the Term (as defined in Subsection E below) and any Renewal Term (as defined in Subsection E below) will execute a guaranty in the form attached to this Agreement undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Subject to our rights and your obligations under Section 12, you and your owners agree to promptly sign and deliver to us revisions to **Exhibit A** to reflect any permitted changes in the information that **Exhibit A** now contains;

(5) You will appoint a shareholder, member, or partner, as applicable, to be your “Managing Owner,” who will be responsible for managing and supervising the operation of the BAR & EATERY (as defined in Subsection D below). The Managing Owner as of the Effective Date is identified in **Exhibit A**. You may not change the Managing Owner without our prior written consent; and

(6) The BAR & EATERY and other Beerhead Bar & Eateries, if applicable, will be the only businesses you operate (although your owners may have other, non-competitive business interests).

D. **GRANT OF FRANCHISE.**

You have applied for a franchise to own and operate a Beerhead Bar & Eatery at a location we approve, which will be identified on **Exhibit B** (the “Premises”). Subject to this Agreement’s terms, we grant you a franchise (the “Franchise”) to operate a Beerhead Bar & Eatery (the “BAR & EATERY”) at the Premises, and to use the System in its operation, for the Term. You may use the Premises only for the BAR & EATERY. You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote the BAR & EATERY.

E. **TERM AND RENEWAL.**

(1) **Term.** The term of this Agreement (the “Term”) will begin on the Effective Date and will expire on the tenth (10th) anniversary of the Effective Date, unless this Agreement is sooner terminated as provided herein.

(2) **Renewal Term.** You will have the right, but not the obligation, to enter into Successor Franchise Agreements (as defined in Subsection 13.C below) for up to two (2) additional consecutive franchise terms following the Term (each, a “Renewal Term”). The duration of each Renewal Term will be five (5) years or as long as you have the right to maintain possession of the Premises, whichever is less, provided that you have complied with the conditions and procedures for renewal in Section 13 of this Agreement in connection with the first Renewal Term, and that you comply in the future with the conditions and procedures for renewal in the Successor Franchise Agreement (as applicable) with respect to the possible second Renewal Term.

F. **EXCLUSIVE TERRITORIAL RIGHTS.**

Before this Agreement is executed, we will describe a particular geographic area surrounding the Premises in **Exhibit B** (the “Territory”). The exact size and boundaries of the Territory shall be determined in our sole judgment. Provided that you are in full compliance with this Agreement, and except as provided in Subsection G below, we and our affiliates will not operate or grant a franchise for the operation of another Beerhead Bar & Eatery at a location within the Territory during the Term.

G. **RIGHTS WE RESERVE.**

Except as expressly limited by Subsection E above, we and our affiliates retain all rights with respect to Beerhead Bar & Eateries, the Marks, the sale of identical, similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. Specifically, but without limitation, we reserve the following rights:

(1) the right to operate, and to grant others the right to operate Beerhead Bar & Eateries located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the BAR & EATERY and the Territory;

(2) the right to establish and operate, and to grant to others the right to establish and operate businesses offering similar or dissimilar products and services through similar or alternative channels of distribution, at any locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;

(3) the right to provide, offer and sell and to grant others the right to provide, offer and sell products and services that are identical or similar to and/or competitive with those products and services provided at Beerhead Bar & Eateries, whether identified by the Marks or other trademarks or service marks, through alternative distribution channels (including, without limitation, the internet or similar electronic media, supermarkets and department stores) both inside and outside the Territory and on any terms and conditions we deem appropriate;

(4) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions we deem appropriate;

(5) the right to operate, and to grant others the right to operate, Beerhead Bar & Eateries at “Non Traditional Sites” within and outside the Territory on any terms and conditions we deem appropriate. “Non Traditional Sites” are sites that generate customer traffic flow which is independent from the general customer traffic flow of the surrounding area, including, without limitation, military bases, shopping malls, airports, stadiums, arenas, major industrial or office complexes, hotels, school campuses, train stations, travel plazas, toll roads, casinos, hospitals, and sports or entertainment venues;

(6) the right to acquire the assets or ownership interests of one or more businesses providing products and services the same as or similar to those provided at Beerhead Bar & Eateries, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

(7) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Beerhead Bar & Eateries, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory.

H. **MODIFICATION OF SYSTEM.**

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best, to vary System Standards (defined below) for any franchise owner based upon the peculiarities of any condition that we consider important to that franchise owner's successful operation. You have no right to require us to grant you a similar variation or accommodation. By way of example only, we or our affiliates may authorize the operation of various operating categories, models, or layouts for Beerhead Bar & Eateries as part of the System, such as for Beerhead Bar & Eateries established at one or more Non Traditional Sites.

2. **SITE SELECTION, LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF BAR & EATERY.**

A. **SITE SELECTION.**

If you have suggested a location for the BAR & EATERY which we have approved before the execution of this Agreement, the Premises will be set forth on **Exhibit B**. If we and you have not agreed upon an approved location for the BAR & EATERY before signing this Agreement, then you are responsible for selecting the site for the BAR & EATERY. You agree to obtain our written approval of the BAR & EATERY's proposed site before signing any lease, sublease, or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. We will not unreasonably withhold our approval of a site that meets our criteria for demographic characteristics; traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics.

You agree to send us a description of the proposed site, including a summary of the items listed above, along with a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We will use reasonable efforts to approve or disapprove the proposed site within thirty (30) days after receiving your written proposal. Upon our approval of

a site, and after you secure the site, we will insert its address into **Exhibit B**, and it will be the Premises. You may operate the BAR & EATERY only at the Premises.

You acknowledge and agree that, if we suggest, approve, or give you information regarding a site for the Premises, our action is not a representation, promise or warranty of any kind, express or implied, of the site's suitability for a Beerhead Bar & Eatery or any other purpose or that your BAR & EATERY will achieve a certain sales volume or a certain level of profitability at the site. Similarly, our approval of a site for the Premises and our rejection of other sites is not a representation, promise or warranty of any kind, express or implied, that an approved site will have a higher sales volume or be more profitable than a site which we did not approve. Our action indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site and premises we suggest or approve for the location of a Beerhead Bar & Eatery fails to meet your expectations. Accordingly, you acknowledge and agree that your acceptance of the Franchise pursuant to this Agreement is based on your own independent investigation of the site's suitability for the Premises.

B. LEASE OF PREMISES.

You must submit a proposed lease, sublease or other rental agreement for the Premises (each a "Lease") for our approval within one hundred twenty (120) days after the completion of the initial training program as required under Section 4.A below. Any and all Leases that you propose or enter into must: (i) be in a form and contain substance we approve, and (ii) include our form of franchise addendum to lease agreement attached hereto as **Exhibit C** (the "Lease Addendum") containing certain required terms and provisions applicable to the Lease. You must deliver to us fully-signed copies of the Lease and Lease Addendum, as approved by us, within seven (7) days after their execution. You also agree to sign, and have the landlord sign, any other document(s) we deem necessary to record our interest in the Premises in public real estate indices and elsewhere to protect our interests.

You acknowledge that our approval of the Lease (including the Lease Addendum, for purposes of the remainder of this Subsection) does not constitute a guarantee, warranty, or representation of any kind, whether express or implied, as to the Lease's fairness or suitability, your ability to comply with its terms, or the success or profitability of a Beerhead Bar & Eatery operated at the Premises. Our approval of the Lease indicates only that we believe that the Premises and the Lease terms meet our then acceptable criteria. We do not, by virtue of approving the Lease, assume any liability or responsibility to you or to any third party. You may not modify the Lease if any proposed modification would impact our rights as a third-party beneficiary of provisions of the Lease.

If the Lease expires or is terminated without your fault, or if the site for the Premises is destroyed, condemned, or otherwise rendered unusable, we will allow you to relocate the BAR & EATERY to a new site acceptable to us. You must locate a substitute site, and begin operating

the BAR & EATERY from that substitute site, within one hundred eighty (180) days after you lose the right to occupy the Premises. Any relocation will be at your sole expense, and we may charge you for the reasonable costs we incur, plus a fee (as set forth in the Operations Manual) for our services, in connection with any relocation of the BAR & EATERY.

We reserve the right to enter into a master lease for the Premises (or a substitute site you propose), whether directly or through an affiliate, and sublease the Premises (or any substitute site you propose) to you upon mutually agreeable terms regarding fees, rent and deposits. You acknowledge that any master lease that we or our affiliate may enter into for the Premises (or a substitute site you propose) shall neither give rise to any liability on our part (or that of our affiliates), nor shall such master lease be construed as an express or implied warranty to you regarding the viability, profitability or merit of the Premises (or a substitute site you propose) for your BAR & EATERY. You further acknowledge that you shall not be a third party beneficiary of the master lease and that we do not make any representations or guarantees regarding the commercial terms of the master lease, including, but not limited to, the rent. If we or our affiliate sublease the Premises (or a substitute site you propose) to you, you agree to execute our then current form of sublease, as may be modified or amended by us.

C. BAR & EATERY DEVELOPMENT.

You are responsible for developing the BAR & EATERY. We will give you mandatory and suggested specifications and layouts for a model Beerhead Bar & Eatery, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. These plans might not reflect the requirements of any federal, state, or local law, code, or regulation, including those arising under the Americans with Disabilities Act (the “ADA”) or similar rules governing public accommodations for persons with disabilities. It is your responsibility to prepare a site survey and all required construction plans and specifications to suit the Premises and to make sure that these plans and specifications comply with the ADA and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions.

You agree to send us construction plans and specifications for review before you begin constructing the BAR & EATERY and all revised or “as built” plans and specifications during construction. We may require you to use an approved or designated architect and/or general contractor (which may include or be limited to us and/or our affiliates) to design and construct the BAR & EATERY. Any general contractor or other builders you use must maintain builder’s and/or contractors insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us, pursuant to Subsection 8.F below. Because our review is limited to ensuring your compliance with our design requirements, it might not assess compliance with federal, state, or local laws and regulations, including the ADA. Accordingly, you recognize and acknowledge that compliance with these laws is your responsibility. We may inspect the Premises while you are developing the BAR & EATERY.

You agree to do the following, at your own expense, to develop the BAR & EATERY at the Premises:

- (1) secure all financing required to develop and operate the BAR & EATERY;
- (2) obtain all required building, utility, sign, health, sanitation, business, and other permits and licenses;
- (3) construct all required improvements to the Premises and decorate the BAR & EATERY according to approved plans and specifications;
- (4) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;
- (5) purchase or lease, and install, according to our specifications, all required fixtures, furniture, equipment (including a required or recommended computer, facsimile, and point-of-sale information system), furnishings, and signs (collectively, "Operating Assets") for the BAR & EATERY; and
- (6) purchase an opening inventory of authorized and approved products, materials, and supplies to operate the BAR & EATERY.

D. OPERATING ASSETS.

You agree to use in operating the BAR & EATERY only those Operating Assets that we approve for Beerhead Bar & Eateries as meeting our specifications and standards for quality, design, appearance, function, and performance. You may not install or otherwise operate at the Premises any unauthorized vending or lotto machines. You agree to place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos, and display materials that we approve at any time and from time to time. You agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

E. COMPUTER SYSTEM.

You agree to obtain and use the computer hardware and/or operating software (including point-of-sale equipment and software) we specify at any time and from time to time (the "Computer System"). We may modify specifications for and components of the Computer System. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining Term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

If we are required to pay any fees in connection with you obtaining the Computer System, you acknowledge and agree that we may (1) pay these fees on your behalf and withdraw the appropriate amount from your EDTA (defined below), or (2) require that you pay these fees directly to the vendor.

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

Despite the fact that you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. We reserve the right to connect remotely to the Computer System.

You hereby consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or disclosed to us, whether by means of the Computer System or otherwise, in accordance with this Agreement. You will obtain such consents from third parties, including your customers, as are necessary in order to give effect to the foregoing.

We will provide you with an email address (or addresses) using our Beerhead domain name, which you must use and maintain in the operation of the BAR & EATERY so that we can send you notices and otherwise communicate with you by this method. We have independent, unlimited access to any email account and online/remote files or online/remote file storage services using the Beerhead domain name.

F. BAR & EATERY OPENING.

You must notify us in writing at least thirty (30) days prior to the opening of the BAR & EATERY. We reserve the right to inspect the BAR & EATERY at any time prior to opening. You agree not to open the BAR & EATERY until:

- (1) we notify you in writing that the BAR & EATERY meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the BAR & EATERY complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or

recommendations nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

(2) you (or your Managing Owner) and your other employees satisfactorily complete training;

(3) you pay any amounts then due to us; and

(4) you give us certificates for all required insurance policies, or such other evidence of insurance coverage and payment of premiums as we may request.

Subject to your compliance with these conditions, you agree to open the BAR & EATERY for business within three hundred sixty-five (365) days after the Effective Date of this Agreement, and you acknowledge that your failure to timely open the BAR & EATERY shall be grounds for termination as set forth in Section 14 below.

3. FEES.

A. INITIAL FRANCHISE FEE.

(1) In consideration of our granting you the Franchise, you agree to pay us a nonrecurring and, except as specifically provided in this Agreement, nonrefundable initial franchise fee (the "Initial Franchise Fee") equal to Forty-Five Thousand Dollars (\$45,000). This fee is due, and fully earned by us, when you sign this Agreement.

(2) You may be eligible to receive a refund of up to fifty percent (50%) of amounts you have paid to us for the Initial Franchise Fee in any one of the following circumstances:

(i) if your required attendees to our initial training program cannot complete initial training to our satisfaction, then we may terminate this Agreement (at our option) and receive from you a signed release of claims in a form we prescribe; or

(ii) if we and you cannot agree upon a location for the Premises within one hundred and twenty (120) days after the completion of the initial training program as required under Section 4.A below, then we may terminate this Agreement (at our option) and receive from you a signed release of claims in a form we prescribe; or

(iii) if you are unable to obtain all governmental approvals, licenses, permits or other required authorizations necessary to open and operate the BAR & EATERY lawfully by the scheduled opening date, then we may terminate this Agreement (at our option) and receive from you a signed release of claims in a form we prescribe.

B. CONTINUING SERVICE AND ROYALTY FEE.

You agree to pay us, in the manner provided below (or as the Operations Manual otherwise prescribes), a weekly Continuing Service and Royalty Fee (the “Royalty”) equal to six percent (6%) of the BAR & EATERY’s Gross Sales (defined in Subsection E below). On or before the second (2nd) day of each week, you agree to send us on a form we approve (or as we otherwise direct) a signed statement of the BAR & EATERY’s Gross Sales for the week. Each weekly statement of Gross Sales must be accompanied by the Royalty due for that week, if not already otherwise paid for that week pursuant to this Agreement.

C. ADVERTISING AND DEVELOPMENT FUND CONTRIBUTION.

You agree to contribute to the Fund (as defined in Subsection 9.B below) in the amounts that we prescribe at any time and from time to time. If and when we notify you that we are instituting the Fund, then you agree to contribute an amount not to exceed two and one-half percent (2.5%) of the BAR & EATERY’s Gross Sales (defined in Subsection E below), payable in the same manner as the Royalty. The Fund contributions will be administered and used as set forth in Subsection 9.B below.

D. DEFINITION OF “GROSS SALES”.

As used in this Agreement, the term “Gross Sales” means all revenue that you derive from operating the BAR & EATERY, including, but not limited to, all amounts that you receive at or away from the Premises, and whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority.

E. LATE FEES AND INTEREST.

All amounts which you owe us or our affiliate for any reason, will bear interest accruing as of their original due date at the maximum interest rate permitted by law. If there is no applicable legal maximum rate, interest will be calculated at the rate of three percent (3%) above the prime rate of interest on the first day of each month for the past due amount, as published in The Wall Street Journal. We may debit your bank account automatically for late fees and interest. You acknowledge that this Subsection is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the BAR & EATERY.

F. APPLICATION OF PAYMENTS.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

G. METHOD OF PAYMENT.

Before the BAR & EATERY opens, you agree to sign and deliver to us the documents we require (the current form of which is set forth in **Exhibit E**) to authorize us to debit your business checking account automatically for the Royalty, Fund contributions, and other amounts due under this Agreement and for your purchases from us and/or our affiliates (the “Electronic Depository Transfer Account” or “EDTA”). We will debit the EDTA for these amounts on their due dates. You agree to ensure that funds are available in the EDTA to cover our withdrawals. If there are insufficient funds in the EDTA to cover any such amount owed (or, if you are paying by check and a check is returned for insufficient funds), you must pay us, on demand, a processing fee of One Hundred Dollars (\$100), plus reimbursement of our additional administrative expenses and charges. If there are insufficient funds in the EDTA, or if your check is returned for insufficient funds, then we may require you to make all subsequent payments to us by certified check.

If you fail to report the BAR & EATERY’s Gross Sales, we may debit your EDTA for one hundred twenty percent (120%) of the last Royalty and Fund contribution that we debited (together with the late fee noted in Subsection 3.E above). If we discover, once we have determined the BAR & EATERY’s true and correct Gross Sales, that the amounts we debited from your EDTA are less than the amounts you actually owe us, then we will debit your EDTA for the remaining balance on the day we specify. Conversely, if we discover that the amounts we debited from your EDTA are greater than the amounts you actually owe us, then we will credit an amount equal to: (i) the excess against the amounts we otherwise would debit from your EDTA during the following week, (ii) less a two percent (2%) administrative fee on that excess amount that we will retain for having to conduct this process due to your failure to report.

We may require you to pay any amounts due under this Agreement or otherwise by means other than automatic debit (*e.g.*, by check) whenever we deem appropriate, and you agree to comply with our payment instructions.

H. TECHNOLOGY SUPPORT FEE.

Upon notice from us you pay us or our designated vendor(s) a monthly fee associated with supporting and maintaining required computer hardware and software, supplying technology solutions, payment card processing services, and any other technology existing now or developed in the future for the System, including used in the operation of the BAR & EATERY, and such payment shall be made in the manner we or the designated vendor(s) prescribe, as applicable. If we collect these fees directly, the fees must be paid as described in Section 3.G of this Agreement, or as we otherwise set forth in writing. We reserve the right to change the amount of the fee described in this Section at any time upon written notice to you.

4. TRAINING AND ASSISTANCE.

A. INITIAL TRAINING.

(1) If this is your first Beerhead Bar & Eatery, then before the BAR & EATERY is scheduled to open for business, we will train you (or, if you are an Entity, your Managing Owner) and the manager-level employee you appoint (the “General Manager”) on the material aspects of operating a Beerhead Bar & Eatery. These persons must begin the initial training (excluding the on-site support phase described below in this Subsection) no more than six (6) weeks before the BAR & EATERY’s scheduled opening date, and must complete the initial training to our satisfaction prior to entering into the Lease.

(2) We will provide the initial training program at a designated training facility of our choice, an operating Beerhead Bar & Eatery, and/or online, at our sole option, except for the on-site support phase around opening that we will provide at the Premises (as discussed below in this Subsection).

(3) We will provide initial training for no additional fee for your two (2) attendees specified above in this Subsection. Additional people beyond these two (2) attendees may attend initial training (subject to our capacity and ability to accommodate additional persons in the training session) if you pay our then current training charge for each additional person. We reserve the right to refuse to provide training to you or any of your proposed attendees for whom we have not received the relevant training fee. In addition to the initial training program fees, you also agree to pay for all travel and living expenses that you (or your Managing Owner) and any of your personnel incur, all accrued wages, and related workers’ compensation insurance while these persons train at a designated training facility of our choice and/or at an operating Beerhead Bar & Eatery.

(4) You (or your Managing Owner) and the General Manager must satisfactorily complete initial training. If we determine that you (or your Managing Owner) and the General Manager cannot complete initial training to our satisfaction, we may terminate this Agreement. In that case, you will be eligible to receive a fifty percent (50%) refund of any initial franchise fee specified under Subsection 3.A above that you have already paid if you sign our then-current form of general release of claims.

(5) You (or your Managing Owner) may request additional training at the end of the initial training, to be provided at our then current per diem charges, if you (or your Managing Owner) feel that you or any of your attendees are not sufficiently trained to operate a Beerhead Bar & Eatery. We and you (or your Managing Owner) will jointly determine the time and duration of this additional training. However, if you (or your Managing Owner) and the other attendees satisfactorily complete our initial training program and you do not expressly inform us at the end of the program that you (or your Managing Owner) or other attendees do not feel sufficiently trained in the operation of a Beerhead Bar & Eatery, then you (or your Managing Owner) and all other attendees to

the initial training program will be deemed to have been trained sufficiently to operate a Beerhead Bar & Eatery.

(6) When the BAR & EATERY is preparing to open for business, we will, at our own cost, send at least one (1) of our representatives to the BAR & EATERY for at least five (5) total days, during the hours we determine in our sole judgment, to provide on-site support in connection with pre-opening and opening activities. We reserve the right to provide more representatives, or more days of on-site support, at the Premises during this period as we deem necessary. For avoidance of doubt, we solely determine the timing, scheduling and staffing of on-site support we provide according to this subparagraph, including the calendar dates, times of our support, and whether we provide these days consecutively or intermittently. You must successfully complete all activities of this on-site support period to our satisfaction. If you request, and we agree to provide, additional or special guidance, assistance, or training during this on-site support period, then you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

B. ONGOING TRAINING.

As described in Subsection A above, we will provide on-site training and assistance, as we determine in our sole judgment, for at least five (5) business days before, during and/or after your BAR & EATERY opens for business for no additional charge. We need not provide such on-site training on consecutive days.

We may require you (or your Managing Owner) and/or other previously trained and experienced employees to attend and complete satisfactorily various training courses that we periodically choose to provide either online or in-person at the times and locations that we designate. We may charge reasonable registration or similar fees for these courses. We will not require in-person attendance for more than a total of five (5) days during a calendar year. Besides attending these courses, you agree to attend an annual meeting of all Beerhead Bar & Eatery franchise owners at a location we designate, if we organize and plan (at our option) such a meeting. You agree to pay all costs to attend these online and in-person training courses and meetings.

We may require that any General Managers you hire or appoint after your BAR & EATERY opens for business satisfactorily to complete our initial and ongoing training programs. We may charge reasonable fees for training General Managers. You agree to pay all travel and living expenses which you and your employees incur during all training courses and programs.

You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify at any time and from time to time.

C. **GENERAL GUIDANCE AND CONSULTATION SERVICES.**

We will advise you at any time and from time to time regarding the BAR & EATERY's operation based on your reports or our inspections and will guide you with respect to: (1) standards, specifications, and operating procedures and methods that Beerhead Bar & Eateries use; (2) purchasing required and authorized Operating Assets, Menu Items and related products and services, and other items and arranging for their distribution to you; (3) advertising and marketing materials and programs; (4) employee training; and (5) administrative, bookkeeping, accounting, and inventory control procedures.

We will guide you in our operations manual ("Operations Manual"); in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our office or the BAR & EATERY. If you request, and we agree to provide (subject to our availability), additional or special guidance, assistance, or training, you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses.

If you request, and we agree to provide (subject to our availability) either (i) additional guidance, assistance, or training, or (ii) specialized Consultation Services, then you agree to pay our then applicable charges, including our personnel's per diem charges and travel and living expenses. For purposes of this Agreement, "Consultation Services" may include any advice related to the operation of your BAR & EATERY, on-site reviews of your operations and additional training as needed, on-site training for you (or your Managing Owner), General Managers, or any of your other personnel, creating specific marketing materials, customizing the Computer System for the BAR & EATERY, and other specialized assistance. You must also pay the cost of any products we develop as a result of your request for specialized Consultation Services.

D. **OPERATIONS MANUAL.**

We may provide you access during the Term to one (1) copy of our Operations Manual, which could include audiotapes, videotapes, compact disks, computer software, other electronic media, and/or written materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules ("System Standards") that we periodically prescribe for operating a Beerhead Bar & Eatery and information on your other obligations under this Agreement. We may modify the Operations Manual at any time, in our sole judgment, to reflect changes in System Standards. For purposes of this Agreement, all written instructions or communications we or our affiliates provide to all, or a substantial number of, Beerhead Bar & Eatery franchise owners concerning aspects or modifications to the System shall be deemed part of the Operations Manual.

You agree to keep your copy of the Operations Manual current and in a secure location at the BAR & EATERY. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than BAR & EATERY employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost,

destroyed, or significantly damaged, you agree to obtain a replacement copy at our then applicable charge.

At our option, we may post some or all of the Operations Manual on a restricted Website or extranet to which you will have access. (For purposes of this Agreement, “Website” means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the internet and World Wide Web home pages). If we do so, you agree to monitor and access the Website or extranet for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a Website or extranet will be deemed to be part of Confidential Information (defined in Section 6 below).

E. DELEGATION OF PERFORMANCE.

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

5. MARKS.

A. OWNERSHIP AND GOODWILL OF MARKS.

Our affiliate, The Beer Market, LLC, owns and has licensed the Marks to us to use, and to sublicense others to use, in connection with the franchising, development, and operation of Beerhead Bar & Eateries. Therefore, you agree and acknowledge that the Marks are ours (or our affiliate’s) exclusive property, and that we are granting you a license (or sublicense, as applicable) to use the Marks in connection with the BAR & EATERY’s development and operation. Your right to use the Marks is derived only from this Agreement and is limited to your operating the BAR & EATERY according to this Agreement and all System Standards we prescribe during the Term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our and/or our affiliate’s rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our and/or our affiliate’s benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the BAR & EATERY under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after the Term and any Renewal Term contest, or assist any other person in contesting, the validity, or our and/or our affiliate’s ownership, of the Marks.

B. LIMITATIONS ON YOUR USE OF MARKS.

You agree to use the Marks as the BAR & EATERY’s sole identification, except that you agree to identify yourself as its independent owner in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other

modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website (other than our Website), or (5) in any other manner that we have not expressly authorized in writing.

You may not use any Mark in advertising the transfer, sale, or other disposition of the BAR & EATERY or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the BAR & EATERY and on forms, advertising, supplies, and other materials we designate. You agree to use the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

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

D. DISCONTINUANCE OF USE OF MARKS.

If, in our sole judgment, it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the BAR & EATERY's signs, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

Our rights in this Subsection apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages and reasonable expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. CONFIDENTIAL INFORMATION.

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “Confidential Information”), relating to developing and operating Beerhead Bar & Eateries, including (without limitation):

- (1) site selection criteria and layouts, designs and other plans and specifications for Beerhead Bar & Eateries;
- (2) training and operations materials and manuals;
- (3) methods, formats, specifications, standards, systems, procedures, food preparation techniques, sales and marketing techniques, knowledge, and experience used in developing and operating Beerhead Bar & Eateries;
- (4) marketing, promotional, and advertising research and programs for Beerhead Bar & Eateries;
- (5) recipes and related information concerning any food items as part of the Menu Items;
- (6) knowledge of specifications for and suppliers of Operating Assets and other products and supplies, including supplier pricing and related terms;
- (7) any computer software or similar technology which is proprietary to us or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
- (8) knowledge of the operating results and financial performance of Beerhead Bar & Eateries other than the BAR & EATERY;
- (9) graphic designs and related intellectual property;
- (10) customer and member solicitation, communication and retention programs, along with data and information used or generated in connection with those programs;
- (11) all data and other information generated by, or used in, the operation of the BAR & EATERY, including customer names, addresses, phone numbers and other information supplied by any customer (such as credit card information or personal information), and any other information contained at any time and from time to time in the Computer System or that visitors to the BAR & EATERY (including you and your personnel) provide to the Website for the network of Beerhead Bar & Eateries;
- (12) future business plans relating to Beerhead Bar & Eateries and the Beerhead franchise opportunity, including expansion and development plans; and

(13) any other information that we reasonably designate as confidential or proprietary.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the BAR & EATERY during the Term and any Renewal Term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you:

- (a) will not use Confidential Information in any other business or capacity;
- (b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Term and any Renewal Term and then thereafter for as long as the item is not generally known in the food and beverage service industry;
- (c) will not sell, trade or otherwise profit in any way from the Confidential Information (including by selling or assigning any customer names, addresses, phone numbers, e-mail contact information, or related data), except using methods that we may have authorized or approved in our sole judgment;
- (d) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and
- (e) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to BAR & EATERY personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the food and beverage service industry through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the food and beverage service industry through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

All ideas, concepts, techniques, or materials relating to a Beerhead Bar & Eatery, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us, hereby waive all moral rights in that item, and

hereby agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item (including signing assignment or other documents, and causing your owners, employees and contractors to do the same). You may not use any such idea, concept, technique or material in connection with the BAR & EATERY without our prior approval.

7. EXCLUSIVE RELATIONSHIP.

You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term and any Renewal Term, neither you, any of your owners, nor any of your or your owners' spouses will:

- (a) have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);
- (b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
- (c) divert or attempt to divert any actual or potential business or customer of the BAR & EATERY to a Competitive Business;
- (d) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, wherever located or operating; or
- (e) engage in any other activity which, in our sole opinion, might injure the goodwill of the Marks and System.

The term “Competitive Business” means (i) any restaurant, bar, pub, brewery or other food and beverage service business which derives more than forty percent (40%) of its revenue from selling beer, premium spirits, and other alcoholic beverages and related products, or (ii) any business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than a Beerhead Bar & Eatery operated under a franchise agreement with us).

You agree to have all of the following persons sign, and you will submit to us an executed copy of, our then current form of Nondisclosure and Non-Competition Agreement (a current form of which is set forth in **Exhibit D**) from all of the following persons: (i) the General Manager and any supervisory or other employees who have received or will receive training from us, prior to their employment; (ii) if you are an Entity, all your officers, directors,

shareholders, partners, members and owners, and those of any Entity directly or indirectly controlling you, concurrent with the execution of this Agreement, or at such time as they assume such status; and (iii) all of the persons enumerated in this Section 7 and Subsection 15.D below. You agree to provide us copies of all executed Nondisclosure and Non-Competition Agreements no later than ten (10) days following their execution.

8. SYSTEM STANDARDS.

A. CONDITION AND APPEARANCE OF THE BAR & EATERY.

You agree that:

(1) you will maintain the condition and appearance of the BAR & EATERY, its Operating Assets and the Premises in accordance with System Standards and consistent with the image of a Beerhead Bar & Eatery as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness, sanitation, efficient, courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the Term: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Premises at intervals we prescribe; (2) interior and exterior repair of the Premises; and (3) repair or replacement of damaged, worn out or obsolete Operating Assets;

(2) you will place or display at the Premises (interior and exterior) only those signs (including neon), emblems, designs, artwork, lettering, logos, and display and advertising materials that we at any time and from time to time approve;

(3) if at any time we determine, in our reasonable judgment, the general state of repair, appearance or cleanliness of the Premises of the BAR & EATERY or its fixtures, furnishings, equipment or signs does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten (10) days after you receive our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, we have the right, in addition to all other remedies, to enter the Premises or the BAR & EATERY and do any required maintenance or refurbishing on your behalf. You must reimburse us on demand for all costs and expenses we incur in connection with such maintenance and refurbishment; and

(4) once every five (5) years on notice from us, you agree to remodel, expand, redecorate, reequip and/or refurbish the Premises and the BAR & EATERY at your expense to reflect changes in the operations of Beerhead Bar & Eateries which we prescribe and require of new franchisees. You agree to diligently complete such renovation within a reasonable time after commencing the work.

B. BAR & EATERY MENU, SPECIFICATIONS, STANDARDS AND PROCEDURES.

You agree that: (1) the BAR & EATERY will offer for sale all Menu Items and other products and services that we specify at any time and from time to time, and with respect to any food items, will only use recipes and methods of food preparation we have specified or approved; (2) the BAR & EATERY will offer and sell approved products and services only in the manner we have prescribed; (3) you will not offer for sale or sell at the BAR & EATERY, the Premises or any other location any products or services we have not approved in advance, including, food delivery and/or catering from third party local restaurants in the proximity of the Premises (one or more of which we may (at our option) designate, approve or disapprove); (4) all products will be offered and sold only at retail and from the Premises (subject to off-site marketing or sales activities we must specifically approve) and you will not offer or sell any products at wholesale; and (5) you will discontinue selling and offering for sale any products or services that we at any time decide (in our sole judgment) to disapprove in writing.

You also agree that we are permitted to use the BAR & EATERY to conduct franchise offer and sales activity, training, and marketing/promotional activity, including, but not limited to, hosting discovery days at, conducting initial and ongoing training at, and conducting marketing or promotional activity at or from the BAR & EATERY. We will use reasonable efforts to ensure that any such activities we conduct will not disrupt the operation of the BAR & EATERY.

If we approve you to offer delivery and/or catering services in connection with the BAR & EATERY, you must make accommodations for delivery and/or catering services in compliance with our System Standards set forth in the Operations Manual or otherwise in writing by us, including without limitation, utilizing only the specified designated delivery and/or catering service providers we identify, making available the Menu Items identified as appropriate for delivery and/or catering (and only those designated Menu Items), and limiting the delivery and/or catering services to any delivery and/or catering area we specify to you in writing. You acknowledge and agree that any delivery and/or catering area we specify is not exclusive and we may engage, and/or allow other franchisees and third parties to engage, in any activities we desire within the delivery and/or catering area without any restrictions (including allowing other Beerhead Bar & Eatery franchisees and delivery and/or catering service providers to provide delivery and/or catering services in the delivery and/or catering area). You further acknowledge and agree that any delivery and/or catering area we specify is nothing more than the geographic boundaries in which you may deliver and/or cater those Menu Items approved for delivery and/or catering from the BAR & EATERY, and no other rights are granted to you whatsoever.

C. APPROVED PRODUCTS, DISTRIBUTORS AND SUPPLIERS.

We have developed or may develop standards and specifications for types, models and brands of required Operating Assets, Menu Items, and related products, materials and supplies. We reserve the right at any time and from time to time to approve specifications or suppliers and distributors of products and services that meet our reasonable standards and requirements. If we do so, you agree to purchase only such products and services meeting those specifications, and if

we require it, only from distributors and other suppliers we have approved, including or limited to ourselves or our affiliates.

We may limit the number of approved distributors or suppliers (collectively “suppliers”) with whom you may deal (including local restaurants or delivery and/or catering services that may deliver and/or cater third party food items to customers at the BAR & EATERY), designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service.

We and our affiliates may mark up and profit on the sale of goods and services to you and/or receive payments, rebates, or other material consideration from suppliers on account of such suppliers’ dealings with you and other franchise owners, and may use any amounts so received without restriction and for any purpose we and our affiliates deem appropriate. We may concentrate purchases with one or more suppliers or distributors to obtain lower prices or the best advertising support or services. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier or distributor at any time and from time to time.

If you would like to purchase any items from any unapproved supplier or distributor, you must submit to us a written request for approval of the proposed supplier or distributor. We have the right to inspect the proposed supplier’s or distributor’s facilities, and to require product samples from the proposed supplier or distributor to be delivered at our option either directly to us or to any independent, certified laboratory which we designate for testing. Either you or the proposed supplier or distributor must pay us a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. We have no obligation to approve any new supplier, product, or service you propose. We reserve the right to periodically re-inspect the facilities and products of any approved supplier or distributor and to revoke our approval if the supplier or distributor does not continue to meet any of our criteria.

You must use only the recipes, techniques and products which meet our current requirements and specifications in the preparation of any food items that we require as part of the Menu Items served and sold by your BAR & EATERY. You may only use those containers, cartons, bags, boxes, napkins, and other paper goods and packaging with our Marks or other design specifications which meet our current requirements and quality standards for Beerhead Bar & Eateries. We and our affiliates may develop specially formulated and prepared proprietary products for use in the operation of Beerhead Bar & Eateries. We reserve the right to require you to purchase any proprietary products we or our affiliates develop from us or a designated third party supplier.

D. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the BAR & EATERY and must operate the BAR & EATERY in full

compliance with all applicable laws, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The BAR & EATERY must in all dealings with its customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business and the goodwill associated with the Marks and other Beerhead Bar & Eateries. You must notify us 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 your operation or financial condition or that of the BAR & EATERY and of any notice of violation of any law, ordinance, or regulation relating to the BAR & EATERY.

E. MANAGEMENT OF THE BAR & EATERY/CONFLICTING INTERESTS.

The BAR & EATERY must at all times be under the full-time direct, on-premises management of you (or your Managing Owner) or the General Manager. You (or your Managing Owner) and the General Manager are responsible for conducting day-to-day business activities at the BAR & EATERY. We reserve the right to approve or disapprove of any General Manager you appoint. If we disapprove of any General Manager you propose, you may promptly appoint a replacement General Manager satisfactory to us. If your relationship with the General Manager terminates for any reason, then you may promptly appoint a replacement General Manager that meets our approval. Even if you appoint the General Manager for day-to-day operations, you (or your Managing Owner) must remain active in supervising the BAR & EATERY's ongoing business activities. If you (or your Managing Owner) own more than one Beerhead Bar & Eatery, then each such Beerhead Bar & Eatery must be under the direct on-premises management of a General Manager we have approved and the supervision of you (or your Managing Owner).

You (or your Managing Owner) must keep us informed at all times of the identity of the General Manager, and ensure that such personnel are competent and proficient in their duties. You (or your Managing Owner) are solely responsible for all employment decisions for the BAR & EATERY, including hiring, firing, remuneration, personnel policies, training, benefits, and maintaining supervision and discipline, regardless of whether you received advice from us on any of these subjects.

F. INSURANCE.

During the Term you must maintain the following categories of insurance coverage in force at your sole expense, all containing the minimum liability coverage we prescribe at any time and from time to time in the Operations Manual (unless otherwise indicated below):

- (1) Broad form comprehensive public liability, general liability, product liability, and contractual liability insurance against claims for bodily and personal injury,

death and property damage caused by or occurring in connection with the BAR & EATERY's operation;

(2) All risk or special form coverage on your Premises, including boiler and machinery coverage extending to all improvements and alterations, trade fixture, and business personal property having adequate limits to replace all that is damaged as caused by, or occurring in connection with, the BAR & EATERY's operation;

(3) Business interruption insurance to cover the rent of the Premises, previous profit margins, maintenance of competent personnel and other fixed expenses for the duration of the interruption to your BAR & EATERY's operation;

(4) If any vehicle is used in connection with the operation of the BAR & EATERY, motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the BAR & EATERY's operation;

(5) Liquor liability insurance for against claims for bodily injury or death to persons;

(6) Worker's compensation and employer's liability insurance (in amounts authorized by statute), unemployment insurance and state disability insurance (as required by governing law) for your employees;

(7) In connection with any construction, refurbishment, and/or remodeling of the BAR & EATERY, builder's and/or contractors insurance (as applicable), lien insurance, and performance and completion bonds in forms and amounts acceptable to us;

(8) Insurance coverage of such type, nature and scope sufficient to satisfy your indemnification obligations under Subsection 16.D below; and

(9) Any additional insurance required by your lessor or master lessor.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance and employment practices liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Required coverage shall include insurers' waiver of subrogation against us and you shall waive rights of recovery against us.

These insurance policies must name us, any affiliates we designate, and the Indemnified Parties (as defined in Subsection 16.D below) as additional named insureds for claims arising from the BAR & EATERY's operation and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. These insurance policies must be primary to and without right of contribution from any other insurance policy purchased by us or

any other Indemnified Party; must not limit or reduce coverage for you if there is a claim by us or any one or more of the other Indemnified Parties; and must extend to and provide indemnity for all of your indemnification obligations to us and the other Indemnified Parties under this Agreement. You agree not to reduce the policy limits, restrict coverage, cancel or otherwise alter or amend your insurance policies without our prior written consent. If there is a claim by us or any one or more of the other Indemnified Parties against you, you must, upon our request, assign to us all rights which you then have or thereafter may have with respect to the claim against the insurer(s) providing the coverages described above.

You must provide us with copies of your Certificates of Insurance or other evidence we require evidencing the required coverages no later than ten (10) days before you commence operations at your BAR & EATERY. You must furnish us, on an annual basis, copies of your Certificates of Insurance or other evidence we require of your maintaining this insurance coverage and paying premiums. You agree to renew all policies and documents, and to furnish us copies of renewal Certificates of Insurance or other evidence we require of your maintaining this insurance coverage and paying premiums prior to the expiration date of the policy.

If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the BAR & EATERY on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining such insurance.

G. **PRICING.**

We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered by your BAR & EATERY; recommending retail prices; advertising specific retail prices for some or all products or services sold at your BAR & EATERY; to engage in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your BAR & EATERY may charge the public for the products and services it offers. We may engage in any such activity either periodically or throughout the Term. Further, we may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge that the prices we prescribe or suggest may or may not optimize the revenues or profitability of your BAR & EATERY and you irrevocably waive any and all claims arising from the establishment or suggestion of your BAR & EATERY's retail prices.

H. **DISCOUNTS, GIVEAWAYS AND OTHER PROMOTIONS.**

You acknowledge and agree that periodic discounts, giveaways and other promotions are an integral part of the System. Therefore, you agree to offer and participate in such discounts, giveaways and other promotions at your sole cost and expense, in accordance with our

specifications. You further agree to honor the discounts, giveaways and other promotions offered by other Beerhead Bar & Eatery franchise owners under any such program we establish, as long as such compliance does not contravene any applicable law, rule or regulation.

I. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge and agree that operating and maintaining the BAR & EATERY according to System Standards are essential to preserve the goodwill of the Marks and all Beerhead Bar & Eateries. Therefore, you agree at all times to operate and maintain the BAR & EATERY according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard, as originally issued or subsequently modified, is not in the System's or the BAR & EATERY's best interests. Although we retain the right to establish and periodically modify System Standards that you have agreed to maintain, you retain the right to and responsibility for the day-to-day management and operation of the BAR & EATERY and implementing and maintaining System Standards at the BAR & EATERY.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Subsections 8.A through 8.H above:

- (1) purchase, storage, preparation, handling, and packaging procedures and techniques for Menu Items and other products and services; and inventory requirements for products and supplies so that the BAR & EATERY may operate at full capacity;
- (2) terms and conditions of the sale and delivery of, and terms and methods of payment for, products and services that you obtain from us and affiliated and unaffiliated suppliers; and our and our affiliates' right not to sell you any products or to provide you with services, or to do so only on a "cash-on-delivery" or other basis, if you are in default under any agreement with us;
- (3) sales, marketing, advertising, promotional and loyalty and rewards programs and materials and media, including social media Websites, used in these programs ("social media" includes personal blogs, common social networks like Facebook, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools);
- (4) use and display of the Marks at the BAR & EATERY and on napkins, boxes, bags, wrapping paper, labels, forms, paper and plastic products, and other supplies;
- (5) issuing and honoring gift certificates;
- (6) staffing levels for the BAR & EATERY; identifying the BAR & EATERY's personnel; and employee qualifications, training, dress, and appearance (although you have sole responsibility and authority concerning employee selection and

promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(7) days and hours of operation;

(8) participation in market research and testing and product and service development programs and preparation of reports and other relevant information we may request regarding the market research, as well as participation in, and dues assessed for, advisory councils;

(9) accepting credit and debit cards, other payment systems, and check verification services;

(10) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and giving us copies of tax returns and other operating and financial information concerning the BAR & EATERY;

(11) use of social media in connection with your BAR & EATERY's operation or otherwise referencing the System; and

(12) any other aspects of operating and maintaining the BAR & EATERY that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Beerhead Bar & Eateries.

You agree that you are obligated to comply with all System Standards we prescribe in the Operations Manual, or otherwise communicate to you in writing or another tangible form during the Term (for example, via System extranet or Website), as we periodically modify them.

J. MODIFICATION OF SYSTEM STANDARDS.

We periodically may modify System Standards, which may accommodate regional or local variations, and these modifications may obligate you to invest additional capital in the BAR & EATERY and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling the Premises or any other aspect of the BAR & EATERY, buying new Operating Assets, adding new Menu Items and services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

K. SALE OF ALCOHOLIC BEVERAGES.

As used in this Agreement, "alcoholic beverage" means any beverage which consists of or contains liquor or alcohol including, without limitation, beverages such as cocktails, beer, wine, sake, and spirits. Prior to opening the BAR & EATERY for business you must obtain, and at all times during the Term you must maintain, all licenses, permits, and other approvals required by any local, state or other government agency and the consent of your lessor (or master

lessor), if required under your Lease (or sublease), in order to offer and sell alcohol beverages at the BAR & EATERY. You will be solely responsible for compliance with all applicable laws, rules and regulations pertaining to the sale of alcoholic beverages at your BAR & EATERY.

You agree to indemnify and hold us and the Indemnified Parties harmless to the fullest extent permitted by law, from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, formal or informal inquiry or allegation (regardless of whether reduced to judgment) or any settlement which directly or indirectly arises out of, is based upon, results from or relates to the sale, service, consumption or use of alcoholic beverages at or from your BAR & EATERY pursuant to the terms of the indemnification requirements set forth in Subsection 16.D of this Agreement, including, without limitation, any host or dramshop liability. We may terminate this Agreement immediately upon notice to you and without opportunity to cure in the event of any violation of any government law, rule, regulation or requirement imposed on you or your BAR & EATERY by any local, state or other government agency relating to the sale, service or use of alcoholic beverages.

9. MARKETING.

A. GRAND OPENING ADVERTISING.

You agree to spend up to Ten Thousand Dollars (\$10,000) (in addition to any other sums as may be required by your lessor or the master lessor) to advertise and promote the BAR & EATERY during a grand opening period beginning one (1) week before the scheduled opening of the BAR & EATERY and ending thirty (30) days from the date the BAR & EATERY opens for business. You agree to comply with our guidelines for this grand opening advertising program.

B. ADVERTISING AND DEVELOPMENT FUND.

Recognizing the value of advertising and marketing to the goodwill and public image of Beerhead Bar & Eateries, we may establish Advertising and Development Fund (the "Fund") for the advertising, marketing, and public relations programs and materials we deem appropriate. You agree to contribute to the Fund the amounts we require as set forth in Subsection 3.C above.

We have the right to collect for deposit into the Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Beerhead Bar & Eateries and with whom we have agreed that we will so deposit these allowances. (These payments are different from those which are not designated by suppliers to be used exclusively for advertising or similar purposes, and which we and our affiliates therefore may use for any purposes we and they deem appropriate, as provided in Subsection 8.C above.)

We may designate a separate entity as we deem appropriate in our sole discretion to operate and administer the Fund. Any such entity will have all of the rights and duties as specified in this Section. We will direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Fund may pay for preparing and producing video, audio, and

written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies; purchasing and maintaining a domain name and email address accounts; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities.

The Fund may periodically give you samples of advertising, marketing, and promotional formats and materials at no cost. We will sell you multiple copies of these materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

We will account for the Fund separately from our other funds and not use the Fund for any of our general operating expenses. However, we may use the Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for Fund contributions.

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

We will prepare an annual unaudited statement of Fund collections and expenses and give you the statement upon written request. We reserve the right, in our sole judgment, to have the Fund audited annually at the Fund's expense by an independent certified public accountant. We may incorporate the Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

We intend the Fund to maximize recognition of the Marks and patronage of Beerhead Bar & Eateries. Although we will try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Beerhead Bar & Eateries, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Beerhead Bar & Eateries operating in that geographic area or that any Beerhead Bar & Eatery benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Fund contributions at the Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Fund. Except as expressly provided in this Subsection, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Fund.

We may at any time defer or reduce contributions of a Beerhead Bar & Eatery franchise owner and, upon thirty (30) days' prior written notice to you, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminate the Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Fund contributions during the preceding twelve (12) month period.

C. **BY YOU.**

You agree to list and advertise the BAR & EATERY in at least one (1) recommended classified telephone directory distributed within the BAR & EATERY's market area (in the business classifications we prescribe at any time and from time to time) and to use an approved form of classified telephone directory advertisement. If other Beerhead Bar & Eateries are located within the directory's distribution area, we may require you to participate in a collective telephone directory advertisement with those other Beerhead Bar & Eateries and to pay your share of that collective advertisement.

In addition to your grand opening obligation in Subsection 9.A above and your Fund contribution obligations in Subsection 9.B above, you agree to spend, at least two percent (2%) of the BAR & EATERY's monthly Gross Sales to advertise and promote your BAR & EATERY. These amounts may cover, among other things, the costs of yellow pages advertising and outbound marketing efforts in your BAR & EATERY's local area. Within thirty (30) days after the end of each month, you agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising and promotion during the preceding month.

Your local advertising and promotion must follow our guidelines. All advertising and promotional materials that you develop for your BAR & EATERY must contain notices of our Website's domain name in the manner we designate. You may not develop, maintain, or authorize any Website that mentions or describes you or the BAR & EATERY or displays any of the Marks without our prior written approval. You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe at any time and from time to time.

Before you use them, you agree to send us or our designated agency for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously disapproved including, but not limited to, press releases and interviews for publication in any media. If you do not receive written approval within ten (10) days after we or our designated agency receives the materials, they are deemed to be disapproved. You may not

use any advertising, promotional, or marketing materials that we have not approved or that we have (or were deemed) disapproved.

D. COOPERATIVE ADVERTISING PROGRAMS.

We may designate an advertising coverage area (“ACA”) — local or regional — in which two (2) or more Beerhead Bar & Eateries are located in order to establish a cooperative advertising program (“Cooperative Program”) for that ACA. An ACA is the area covered by the particular advertising medium recognized in the industry. All franchise owners in the ACA will be required to participate. Each Beerhead Bar & Eatery operating in the ACA will have one vote, including Beerhead Bar & Eateries operated by us or our affiliates.

Each Cooperative Program will be organized and governed in a form and manner, and begin operating on a date, that we determine in advance. Each Cooperative Program’s purpose is, with our approval, to administer advertising programs and develop promotional materials for the area the Cooperative Program covers. If we establish a Cooperative Program for the geographic area in which the BAR & EATERY is located, you must sign the documents we require to become a member of the Cooperative Program and participate in the Cooperative Program as those documents require.

If a Cooperative Program is established for your ACA, you will be required to contribute up to two percent (2%) of your BAR & EATERY’s Gross Sales to the Cooperative Program weekly, monthly, or as otherwise specified by fifty percent (50%) or more of the Beerhead Bar & Eateries operating in the ACA. You will not be required to contribute more than two percent (2%) of your BAR & EATERY’s Gross Sales to the Cooperative Program unless sixty-seven percent (67%) or more of the Beerhead Bar & Eateries operating in the ACA, including any Beerhead Bar & Eateries operated by us or our affiliates, vote to increase the contributions of all Beerhead Bar & Eateries operating in the ACA in excess of the two percent (2%). Any amounts you contribute to a Cooperative Program will count toward the percentage of Gross Sales you are required to spend under Subsection 9.C to promote the BAR & EATERY.

You agree to send us and the Cooperative Program any reports that we require. The Cooperative Program and its members may not use any advertising or promotional plans or materials without our prior written consent.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe at any time and from time to time. We may require you to use a Computer System to maintain certain sales data and other information and to report such information to us via a website or other means. You agree to give us in the manner and format that we prescribe at any time and from time to time:

- (a) on or before the tenth (10th) day of each month, a report on the BAR & EATERY’s Gross Sales during the preceding month;

(b) within thirty (30) days after the end of each calendar quarter, the operating statements, financial statements, statistical reports, purchase records, and other information we request regarding you and the BAR & EATERY covering the previous calendar quarter and the fiscal year to date, and you must certify these statements are true and correct;

(c) within ninety (90) days following the end of each fiscal year during the Term, annual profit and loss and source and use of funds statements and a balance sheet for the BAR & EATERY as of the end of the prior calendar year;

(d) within thirty (30) days following your filing of tax returns for the BAR & EATERY, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the BAR & EATERY and the Franchise.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to the BAR & EATERY's operation.

You agree to preserve and maintain all records in a secure location at the BAR & EATERY for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the Term.

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT THE BAR & EATERY.

To determine whether you and the BAR & EATERY are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you: (1) inspect the BAR & EATERY; (2) photograph the BAR & EATERY and observe and videotape the BAR & EATERY's operation for consecutive or intermittent periods we deem necessary; (3) remove samples of any products and supplies; (4) interview the BAR & EATERY's personnel and customers; and (5) inspect and copy any books, records, and documents relating to the BAR & EATERY's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with the BAR & EATERY's operation. You acknowledge that any evaluation or inspection that we or our designated agents or representatives conduct is conducted in order to protect our interests in the System and Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the BAR & EATERY and you agree to never contend otherwise.

B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your (if you are an Entity) and the BAR & EATERY's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any audit. If any audit discloses an understatement of the BAR & EATERY's Gross Sales, you agree to immediately pay us the additional amount due as shown by the audit, plus our service charges and interest (to be calculated as set forth in Subsection 3.E above) on the understated amounts from the date originally due until the date of payment. Furthermore, if an audit is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our audit reveals a Royalty or Fund contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

If we conduct an audit which reveals a Royalty or Fund contribution understatement exceeding five percent (5%) of the amount that you actually reported to us within any portion or through the entire period of examination, you agree to immediately pay us the additional amount due as shown by the examination plus interest (to be calculated as set forth in Subsection 3.E above). You also agree to immediately reimburse us for the costs of an audit for the entire period of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. Such understatement shall be a material breach of this Agreement and, in addition to our other remedies and rights under this Agreement and applicable law, we shall have the right to terminate this Agreement immediately upon notice to you, without opportunity to cure.

12. TRANSFER.

A. BY US.

You acknowledge that we maintain a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, director, officer, member or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement or any interest therein and any other agreement to a third party without restriction or notice to you. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any performance or other obligations under this Agreement.

B. BY YOU.

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your owners) and that we have granted you the

Franchise in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the BAR & EATERY (or any right to receive all or a portion of the BAR & EATERY's profits or losses or capital appreciation related to the BAR & EATERY); (iii) all or substantially all of the assets of the BAR & EATERY; (iv) any ownership interest in you (regardless of its size); or (v) any ownership interest in any of your owners (if such owners are legal entities). A transfer of the BAR & EATERY's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, the BAR & EATERY or all or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;
- (e) if you, one of your owners, or an owner of one of your owners dies, a transfer of an interest in you, this Agreement, the BAR & EATERY or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or
- (f) pledge of this Agreement (to someone other than us) or of an ownership interest in you or your owners as security, foreclosure upon the BAR & EATERY, or your transfer, surrender, or loss of the BAR & EATERY's possession, control, or management. You may grant a security interest (including a purchase money security interest) in the BAR & EATERY's assets (not including this Agreement) to a lender that finances your acquisition, development, and/or operation of the BAR & EATERY without having to obtain our prior written approval as long as you give us ten (10) days' prior written notice.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

If you (and your owners) are fully complying with this Agreement, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Subsection.

If you are an entity, your owners may transfer a non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) if: (i) the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet our then applicable standards for Beerhead Bar & Eatery franchise owners (including no ownership interest in or performance of services for a Competitive Business); (ii) you give us prior written notice of the transfer and later provide us final documentation of the consummated transfer; and (iii) you reimburse us, upon our demand at any time, for any costs we incur in connection with the proposed transfer (regardless of whether the proposed transfer actually transpires).

For any other proposed transfer (including a transfer of this Agreement, a transfer of a controlling ownership interest in you or one of your owners, or a transfer that is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners), all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) the transferee has sufficient business experience, aptitude, and financial resources to operate the BAR & EATERY;

(2) you have paid all Royalties, Fund and Cooperative Program contributions, and other amounts owed to us, our affiliates, and third party vendors; have submitted all required reports and statements; and have not violated any provision of this Agreement, the Lease, or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee (or its managing owner) satisfactorily completes our training program;

(5) your lessor consents in writing to the transfer of the Lease or sublease of the Premises to the transferee (or, if we are subleasing the Premises to you under a sublease, the master lessor consents in writing to the transfer of the sublease to the transferee and the transferee agrees in writing to assume your obligations under the sublease);

(6) any applicable agency or host or authority with jurisdiction over the Premises (such as an airport or an educational institution, if any) approves the transfer of this Agreement to the transferee;

(7) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our

then current form of franchise agreement and related documents (including, without limitation, our then current form of Nondisclosure and Non-Competition Agreement and our then current form of Guaranty and Assumption of Obligations, if applicable), any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Fund and Cooperative Program contributions, provided, however, that the execution of the new franchise agreement will terminate this Agreement (except for your guarantees, the post-termination obligations under this Agreement, and all other rights and obligations that survive termination or expiration of this Agreement), and the term of the new franchise agreement signed will expire on the expiration of this Agreement, unless we and the transferee otherwise agree in writing;

(8) you or the transferee pays us a transfer fee equal to fifty percent (50%) of the amount of our then-current initial franchise fee due for new Beerhead Bar & Eateries;

(9) you (and your transferring owners) sign our then-current form of general release of any and all claims against us and our shareholders, officers, directors, members, employees, and agents;

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of the BAR & EATERY;

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

(12) (a) you have corrected any existing deficiencies of the BAR & EATERY of which we have notified you on a punchlist or in other communications, and/or (b) the transferee agrees (if the transfer is of this Agreement) to upgrade, remodel, and refurbish the BAR & EATERY in accordance with our then current requirements and specifications for Beerhead Bar & Eateries within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);

(13) you and your transferring owners (and your and your owners' spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Subsection 15.D below; and

(14) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Beerhead Bar & Eateries you own and operate) identify yourself or themselves or any business as a current or former Beerhead Bar & Eatery or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Beerhead Bar & Eatery in any manner or for any purpose; or

utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

We may review all information regarding the BAR & EATERY that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding the BAR & EATERY. In addition, you agree to reimburse us, upon our demand at any time before or after the intended effective date of the proposed transfer, for any costs we incur in connection with any proposed transfer that is subject to the immediately preceding conditions (1) through (14), regardless of whether the proposed transfer actually transpires.

D. TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY.

Despite Subsection C above, if you are fully complying with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than the BAR & EATERY and, if applicable, other Beerhead Bar & Eateries, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the BAR & EATERY's assets are owned, and the BAR & EATERY's business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to the conditions of Subsection C above that otherwise apply to non-controlling transfers. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

E. YOUR DEATH OR DISABILITY.

(1) **Transfer Upon Death or Disability.** Upon your or your Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Managing Owner's ownership interest in you, to a third party (which may be your or the Managing Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12. A failure to transfer your interest in this Agreement or the Managing Owner's ownership interest in you within this time period is a breach of this Agreement.

The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Managing Owner from supervising the BAR & EATERY's management and operation.

(2) **Operation Upon Death or Disability.** Upon your or the Managing Owner's death or disability, your or the Managing Owner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not

to exceed fifteen (15) days from the date of death or disability, appoint a manager. The manager must complete our standard training program at your expense. A new Managing Owner acceptable to us also must be appointed for the BAR & EATERY, and that new Managing Owner must complete our standard training program, within sixty (60) days after the date of death or disability.

If, in our judgment, the BAR & EATERY is not being managed properly any time after your or the Managing Owner's death or disability, we may, but need not, assume the BAR & EATERY's management (or appoint a third party to assume its management). All funds from the BAR & EATERY's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. We may charge you (in addition to the Royalty, Fund contributions, and other amounts due under this Agreement) Three Hundred Dollars (\$300) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, if we (or a third party) assume the BAR & EATERY's management under this subparagraph. We (or a third party) have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the BAR & EATERY incurs, or to any of your creditors for any products, other assets, or services the BAR & EATERY purchases, while we (or a third party) manage it.

F. **EFFECT OF CONSENT TO TRANSFER.**

Our consent to a transfer of this Agreement and the BAR & EATERY, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the BAR & EATERY's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

G. **OUR RIGHT OF FIRST REFUSAL.**

If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and the BAR & EATERY, or an ownership interest in you (except to or among your current owners, which is not subject to this Subsection), in a transaction that otherwise would be allowed under Subsections B and C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and the BAR & EATERY. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Subsections B and C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(1) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity);

(2) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

If we exercise our right of first refusal, you and your selling owner(s) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Subsection 15.D below. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Subsection.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Subsections B and C above. This means that, even if we do not exercise our right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Subsections B and C above, you (or your owners) may not move forward with the transfer at all.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

13. EXPIRATION OF THIS AGREEMENT.

A. YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.

If you meet certain conditions, then you will have the option to acquire two (2) additional consecutive successor Renewal Terms. Each of the Renewal Terms will be five (5) years in duration. The qualifications and conditions for the first Renewal Term are described below. The qualifications and conditions for the second Renewal Term will be described in the form of franchise agreement signed upon the expiration of this Agreement.

When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement during the Term; and

(2) if you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Subsection 13.B below) and on the date on which the Renewal Term of the successor franchise would commence, in full compliance with this Agreement and all System Standards; and

(3) provided that (a) you maintain possession of and agree (regardless of cost) to remodel and/or expand the BAR & EATERY, add or replace improvements and Operating Assets, and otherwise modify the BAR & EATERY as we require to comply with System Standards then applicable for new Beerhead Bar & Eateries, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for Beerhead Bar & Eateries,

then you have the option to acquire a Renewal Term of five (5) years commencing immediately upon the expiration of this Agreement if you comply with our terms and conditions of renewal under this Agreement. You agree to sign the form of franchise agreement we then use to grant franchises for Beerhead Bar & Eateries (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement (the "Successor Franchise Agreement"). You must pay us a renewal fee equal to twenty-five percent (25%) of the amount of our then-current initial franchise fee due for new Beerhead Bar & Eateries upon signing the Successor Franchise Agreement in connection with your purchase of a successor Franchise.

If you (and each of your owners) are not, both on the date you give us written notice of your election to acquire a successor franchise and on the date on which the Renewal Term commences, in full compliance with this Agreement and all System Standards, then you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during the Term under Subsection 14.B.

B. GRANT OF A SUCCESSOR FRANCHISE.

You agree to give us written notice of your election to acquire a successor franchise no more than two hundred twenty (220) days and no less than one hundred eighty (180) days before this Agreement expires. We agree to give you written notice of our decision (“Our Notice”):

- (1) to grant you a successor franchise;
- (2) to grant you a successor franchise on the condition that you correct existing deficiencies of the BAR & EATERY or in your operation of the BAR & EATERY; or
- (3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during the Term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise.

If applicable, Our Notice will:

- (a) describe the remodeling, expansion, improvements, and/or modifications required to bring the BAR & EATERY into compliance with then applicable System Standards for new Beerhead Bar & Eateries; and
- (b) state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

If Our Notice states that you must cure certain deficiencies of the BAR & EATERY or its operation as a condition to our granting you a successor franchise, we will give you written notice of our decision not to grant a successor franchise, based upon your failure to cure those deficiencies. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

C. AGREEMENTS/RELEASES.

If you satisfy all of the other conditions for a successor franchise, you and your owners agree to execute a Successor Franchise Agreement and any ancillary agreements we then customarily use in granting franchises for Beerhead Bar & Eateries (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign our then-current form of general release of any and all claims against us and our

affiliates, shareholders, officers, directors, members, employees, agents, successors, and assigns. We will consider your or your owners' failure to sign these agreements and releases and to deliver them to us for acceptance and execution within thirty (30) days after their delivery to you to be an election by you not to acquire a successor franchise.

14. TERMINATION OF AGREEMENT.

A. BY YOU.

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within thirty (30) days after you deliver to us written notice of the material failure or, if we cannot correct the failure within thirty (30) days, do not give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time (which may extend beyond that thirty (30) days), you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination. (The time period during which we may cure any alleged material failure to comply with this Agreement after your delivery of notice is called the "Cure Period.") However, if we send you written notice during the Cure Period indicating that either (1) we do not agree that we have materially failed to comply with this Agreement or (2) we have fully corrected the failure, then you may not terminate this Agreement. If you disagree with our position and still wish to terminate this Agreement, you must commence an arbitration proceeding seeking a declaration of your right to terminate this Agreement.

This Agreement will remain in full force and effect during the arbitration proceeding (unless we terminate it under Subsection 14.B below). If the arbitrator determines that we are materially failing to comply with this Agreement, or that we did not fully correct a material failure to comply, we will have an additional thirty (30) days following the arbitrator's ruling to correct the failure. If we fail to do so, then you may terminate this Agreement effective an additional thirty (30) days after you deliver to us written notice of termination.

Your termination of this Agreement other than according to this Subsection will be deemed a termination without cause and a breach of this Agreement.

B. BY US.

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating the BAR & EATERY;

(2) you do not locate, and submit for our approval a Lease or purchase document for, an acceptable site for the Premises within the time period prescribed in Section 2.B of this Agreement, or deliver a fully-signed copy of any signed Lease that

includes prescribed lease addendum provisions within seven (7) days after their execution;

(3) you do not open the BAR & EATERY for business within the time prescribed in Section 2.F of this Agreement;

(4) you (or your Managing Owner) and the General Manager do not satisfactorily complete the initial training program;

(5) you abandon or fail actively to operate the BAR & EATERY for three (3) or more consecutive business days, unless you close the BAR & EATERY for a purpose we approve or because of casualty or government order;

(6) you (or your owners) make or attempt to make any transfer in violation of Section 12;

(7) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest to, a felony, crime involving moral turpitude, or any other crime which we reasonably believe adversely affects the System's reputation or the goodwill associated with the Marks;

(8) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(9) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects the BAR & EATERY's reputation or the goodwill associated with the Marks;

(10) you, any of your owners, representatives, or employees make any illicit statements, including in an email to our employees, officers, or directors, or in any social media posts, or any other unlawful, threatening, abusive, libelous, defamatory, obscene, vulgar, pornographic, gambling-related, drug-related, alcohol-related, profane, racist, sexually explicit or indecent comments that in our opinion negatively affects us, our employees, our operations or otherwise affects the BAR & EATERY's reputation or the goodwill associated with the Marks;

(11) you make any representation or warranty on our behalf that has not been specifically authorized in writing by us;

(12) you lose the right to occupy the Premises and fail (a) to begin immediately to look for a substitute site or (b) to locate a substitute site, and to begin operating the BAR & EATERY from that substitute site, within the time period prescribed in Section 2.B of this Agreement;

(13) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(14) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate the BAR & EATERY in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours, after you receive notice from us or any other party;

(15) you interfere with our right to inspect the BAR & EATERY, or observe or videotape its operation, as provided in Section 11;

(16) you fail to pay us (or our affiliates) any amounts due and you do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(17) you fail to pay when due any federal or state income, service, sales, or other taxes due on the BAR & EATERY's operation, unless you are in good faith contesting your liability for these taxes;

(18) you understate the BAR & EATERY's Gross Sales three (3) times or more during the Term or by more than five percent (5%) on any one occasion;

(19) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

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

(21) you or any of your owners fail to comply with Section 19 of this Agreement, or your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities;

(22) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you; and

(23) you violate any government law, rule, regulation or requirement imposed on you or your BAR & EATERY by any local, state or other government agency relating to the sale, service or use of alcoholic beverages.

C. OUR ALTERNATE REMEDIES UPON YOUR DEFAULT.

In addition to, and without limiting, our other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to our right to terminate this Agreement under the preceding Subsection B, we may instead elect, at our sole option and upon delivering providing you written notice, to take any or all of the following actions without terminating this Agreement:

(1) temporarily or permanently reduce the size of the Territory, in which case the restrictions on us or our affiliates under Section 1 above will not apply in any geographic area removed from the preceding territorial boundaries;

(2) temporarily remove information concerning the BAR & EATERY from any Website or extranet operated for the network of Beerhead Bar & Eateries, and/or restrict your or the BAR & EATERY's participation in other programs or benefits offered on or through any such Website or extranet;

(3) suspend your and the BAR & EATERY's right to participate in any advertising, marketing, promotional, or public relations programs that we or the Fund provide, authorize, or administer; or

(4) assume, or appoint a third party to assume, management of the BAR & EATERY in the manner provided in Subsection 14.F below.

D. CROSS DEFAULT.

Any default or breach by you (or any of your owners), or your affiliate (or any of your owner's affiliates) of any other agreement with us or our affiliate will be considered an event of default under this Agreement, and any default or breach by you (or any of your owners) of this Agreement will be considered an event of default or breach by you under any and all agreements between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates). If the nature of the default under any other agreement would have been considered an event of default under this Agreement, then we or our affiliate will have the right to terminate all other agreements between us or our affiliate and you (or any of your owners), or your affiliate (or any of your owner's affiliates) in accordance with the termination provisions of this Agreement.

E. FAILURE TO CURE MAY BE DEEMED TERMINATION BY YOU.

Your failure to cure timely any breach by you of this Agreement about which we have provided you notice (and opportunity to cure, if applicable) pursuant to Subsection B above, including but not limited to your failure to pay overdue Royalties, Fund contributions, or any

other amounts due and owing to us or our affiliates under this Agreement, may be irrevocably deemed a unilateral rejection and termination by you of this Agreement and all related agreements between you and us or our affiliates, even if we ultimately issue a formal notice of such termination, and you shall never contend or complain otherwise.

F. ASSUMPTION OF MANAGEMENT.

We have the right (but not the obligation), under the circumstances described below, to enter the Premises and assume the BAR & EATERY's management (or to appoint a third party to assume its management) for any period of time we deem appropriate. If we (or a third party) assume the BAR & EATERY's management under subparagraphs (1) and (2) below, you agree to pay us (in addition to the Royalty, Fund contributions, and other amounts due under this Agreement) Five Hundred Dollars (\$500) per day, plus our (or the third party's) direct out-of-pocket costs and expenses, for up to sixty (60) days after we assume management.

If we (or a third party) assume the BAR & EATERY's management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the BAR & EATERY incurs, or to any of your creditors for any supplies, products, or other assets or services the BAR & EATERY purchases, while we (or the third party) manage it.

We (or a third party) may assume the BAR & EATERY's management under the following circumstances: (1) if you abandon or fail actively to operate the BAR & EATERY; (2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or (3) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the BAR & EATERY under Subsection 15.E below.

Any exercise of our rights under subparagraphs (1) or (2) above in this Subsection will not affect our right to terminate this Agreement under Subsection B above.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

A. PAYMENT OF AMOUNTS OWED TO US.

(1) You agree to pay us within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine the amounts due to us, the Royalties, Fund contributions, interest, and all other amounts owed to us (and our affiliates) which then are unpaid.

(2) If this Agreement is terminated before its Term expires pursuant to Subsections 14.B, 14.D, or 14.E above, then you acknowledge and confirm that we will suffer and incur substantial damages because this Agreement did not continue for the Term's full length. Accordingly, you agree to pay us for all damages, costs, expenses, attorneys' and experts' fees directly or indirectly related thereto, including, without

limitation, lost Royalties, lost Fund contributions, lost profits, loss of goodwill and damage to our Marks and reputation, lost opportunities, travel and personnel costs, expenses that we may incur in developing or finding another franchisee to develop a new Beerhead Bar & Eatery in the Territory, and any other lost payments or benefits we would have received for the balance of the Term after the effective date of termination (collectively, “Brand Damages”). You further acknowledge and agree that your obligation to pay Brand Damages resulting from early termination shall be in addition to (not in lieu of) your post-termination obligations to pay other amounts due as of the date of termination (as contemplated under the preceding Subsection (1) above) and to otherwise comply with the entirety of Section 14 hereof, and that the Brand Damages shall not be deemed a penalty for early termination but instead reasonable compensation to us for your failure to perform under this Agreement during the remainder of the Term.

(3) Your foregoing payment obligations arising under Subsections (1) and (2) above will give rise to, and remain until paid in full, a lien in our favor: (i) against any and all assets, property, furnishings, equipment, signs, fixtures and inventory owned by you or the BAR & EATERY at the time of termination or expiration; and (ii) against any payment obligation you may allege we have to you, any of your money we are holding, or any other amounts of yours which are otherwise in our possession on or after the effective date of termination or expiration. Our rights and your obligations under this Subsection shall survive termination or expiration of this Agreement until they are satisfied or later expire by their terms.

B. MARKS.

When this Agreement expires or is terminated:

(1) you may not directly or indirectly at any time or in any manner (except with other Beerhead Bar & Eateries you own and operate) identify yourself or any business as a current or former Beerhead Bar & Eatery or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Beerhead Bar & Eatery in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to discontinue the use of any Website and social media used in connection with the BAR & EATERY or otherwise referring to the Marks or Beerhead Bar & Eateries;

(3) you agree, at your expense, to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) you agree, at your expense, to deliver to us within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a Beerhead Bar & Eatery that

we request and allow us, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove these items from the BAR & EATERY;

(5) if we do not have or do not exercise an option to purchase the BAR & EATERY under Subsection E below, you agree promptly and at your own expense to make the alterations we specify in our Operations Manual (or otherwise) to distinguish the BAR & EATERY clearly from its former appearance and from other Beerhead Bar & Eateries in order to prevent public confusion;

(6) you agree to notify within five (5) days the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings and email addresses associated with any Mark; to authorize the transfer of these numbers and directory listings to us or at our direction; and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events; and

(7) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. **CONFIDENTIAL INFORMATION.**

You agree that, when this Agreement expires or is terminated, (1) you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise; (2) return to us all copies of the Operations Manual and any other confidential materials that we have provided you for your use during the Term; and (3) immediately deliver to us all training or other manuals furnished to you (including the Operations Manual and any supplements to the Operations Manual), computer software and database material, customer lists, records and files, documents, instructions, display items, advertising and promotional material, any and all materials, signs and related items which bear our Marks or slogans and insignias and designs, advertising contracts, forms and other materials or property of ours, and any copies of them in your possession which relate to the operation of the BAR & EATERY. You may retain no copy or record of any of these items, except for your copy of this Agreement, any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law. You agree that the foregoing items, materials, lists, files, software and other similar items will be considered to be our property for all purposes.

D. **COVENANT NOT TO COMPETE.**

(1) Upon

(a) our or your termination of this Agreement according to its terms and conditions,

(b) your termination of this Agreement without cause, or

(c) expiration of this Agreement (if we offer, but you elect not to acquire, a successor franchise, or if we do not offer you a successor franchise due to your failure to satisfy the conditions for a successor franchise set forth in Section 13),

you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration of this Agreement, whichever is later, neither you nor any of your owners will have any direct or indirect interest (e.g., through a spouse) as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (as defined in Section 7 above) located or operating:

(i) at the Premises;

(ii) within the Territory;

(iii) within a ten (10) mile radius of the Territory; or

(iv) within ten (10) miles of any other Beerhead Bar & Eatery in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Subsection begin to comply with this Subsection.

(2) The restrictions above in this Subsection also apply after transfers, as provided in Section 12.C(13) above. If any person restricted by this Subsection refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. The two (2) year period will be tolled, if applicable, for the period during which a restricted person is in breach of this Subsection and will resume when that person begins or resumes compliance. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Subsection will not deprive you of your personal goodwill or ability to earn a living.

E. **OUR RIGHT TO PURCHASE CERTAIN ASSETS OF THE BAR & EATERY.**

Upon either party's termination of this Agreement, or upon expiration of this Agreement without renewal, we shall have the right and option, but not the obligation, to purchase the equipment, furnishings, and accessories from the BAR & EATERY at a purchase price equal to its then current book value determined using the straight-line method of depreciation. If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect the equipment, furnishings, and accessories at any time during this thirty (30) day period. If we elect to purchase the equipment, furnishings, and accessories, we will be entitled to, and you must provide, all customary warranties and representations relating to the equipment, furnishings, and accessories to be purchased, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment, furnishings, and accessories and your good title to those items (including that you own each item free and clear of any liens and encumbrances), the validity of contracts and agreements, and the liabilities affecting the equipment, furnishings, and accessories, contingent or otherwise. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns. You shall deliver the equipment to us within fifteen (15) days of receipt of our written notice to you of our election to purchase.

Regardless of whether or not we exercise our right to purchase the equipment, furnishings, and accessories under this Subsection, we shall have the option, exercisable upon written notice to you within thirty (30) days after the date of termination or expiration of this Agreement, to repurchase some or all (at our option) of the Menu Items then owned by you. We have the unrestricted right to assign this option to purchase. The purchase price of all inventory (in full, unopened case-loads) will be as agreed upon by the parties, provided that the purchase price shall not exceed the prices paid by you for such Menu Items (less any freight and insurance charges). All purchase prices are freight-on-board ("F.O.B.") our premises. We may set off against the purchase price any and all amounts you then owe to us, if applicable.

F. **CONTINUING OBLIGATIONS.**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent,

joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, BAR & EATERY personnel, and others as the BAR & EATERY's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require at any time and from time to time.

None of your employees or other personnel will be considered to be our employees or personnel. Neither you nor any of your employees or personnel whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, provincial, or federal governmental agency. We will not have the power to hire or fire your employees or personnel. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or personnel for qualification to perform certain functions for the BAR & EATERY does not directly or indirectly vest in us the power to hire, fire or control any such employee. You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities and elements of the BAR & EATERY and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which we are required to comply with under this Agreement, whether set forth in the Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of the BAR & EATERY, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of the BAR & EATERY.

B. NO LIABILITY FOR ACTS OF OTHER PARTY.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the BAR & EATERY's operation or the business you conduct under this Agreement.

C. TAXES.

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

D. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the BAR & EATERY’s operation, employment matters in connection with the BAR & EATERY, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. You agree to give us and the Indemnified Parties written notice of any action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any of the Indemnified Parties within three (3) days of your actual or constructive knowledge of it. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into settlements or take any other remedial, corrective, or other actions. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorneys' fees, within ten (10) days of the date of each invoice delivered by the Indemnified Parties to you enumerating such costs, expenses and attorneys' fees.

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

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its or their losses and expenses, in order to maintain and recover from third parties fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph. Your or any of the other Indemnified Parties' undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnified Parties and to hold us and any of the Indemnified Parties harmless.

17. ENFORCEMENT.

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

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

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a Successor Franchise Agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Beerhead Bar & Eateries; the existence of franchise agreements for

other Beerhead Bar & Eateries which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Fund and Cooperative contributions due afterward.

C. COSTS AND ATTORNEYS' FEES.

If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees.

D. RIGHTS OF PARTIES ARE CUMULATIVE.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

E. MEDIATION.

Except as otherwise provided herein, if a dispute arises out of or relates to this Agreement, the breach hereof, the rights and obligations of the parties hereto, or the making, interpretation, or performance of either party under this Agreement, the parties agree first to try in good faith to settle the dispute by non-binding mediation administered by the American Arbitration Association in accordance with its Commercial Mediation Rules, before resorting to arbitration, litigation, or some other dispute resolution procedure. Such mediation shall take place before a sole mediator at a location we designate in the metropolitan area of West Palm Beach, Florida. All aspects of the mediation, including statements made and documents produced within the mediation, will be confidential in nature and will not be admissible in any subsequent arbitration or legal proceeding. The parties shall each bear all of their own costs of mediation; provided, however, the fees of the mediator shall be divided equally between you and us. If the matter is not settled by mediation within thirty (30) days of the commencement of the mediation, or such further period as the parties shall agree in writing, the matter shall be referred to either arbitration as described in Subsection 17.F below. The parties hereto agree that mediation shall not be required with respect to: (a) any claim or dispute involving any payment

obligation of us that is more than thirty (30) days past due; (b) any claim or dispute involving actual or threatened disclosure or misuse of our Confidential Information; (c) any claim or dispute involving the ownership, validity, or use of the Marks; (d) any claim or dispute involving the insurance or indemnification provisions of this Agreement; (e) any claim or dispute involving a non-curable default; (f) any claim or dispute involving your failure to comply with our System standards; or (g) any action by us to enforce the covenants set forth in Sections 7 or 15.D of this Agreement.

F. **ARBITRATION.**

Subject to the parties' obligation to mediate certain controversies, disputes and claims pursuant to Subsection 17.E above, we and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between you and us or your and our respective affiliates;
- (2) our relationship with you;
- (3) the scope and validity of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Subsection, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in the metropolitan area of West Palm Beach, Florida. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise in the remainder of this Section 17, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Mark generic or otherwise invalid or, except as expressly provided in Subsection 17.I below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Subsection 17.I below, any right to or claim for any punitive or exemplary damages against the other). All aspects of the arbitration, including statements made

and documents produced within the arbitration, will be confidential in nature and will not be admissible in any subsequent legal proceeding.

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Subsection 17.C.

We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Subsection or Subsection 17.A, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Subsection 17.F, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 17 (excluding this Subsection 17.F).

Except as expressly provided otherwise in the remainder of this Section 17, despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Subsection.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

G. **GOVERNING LAW.**

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF FLORIDA, WITHOUT

REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY FLORIDA LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SUBSECTION.

H. CONSENT TO JURISDICTION.

SUBJECT TO SUBSECTIONS 17.E AND F ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN WEST PALM BEACH, FLORIDA, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE BAR & EATERY IS LOCATED.

I. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SUBSECTION 16.D AND TO PAY US BRAND DAMAGES UNDER SUBSECTION 15.A, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

J. BINDING EFFECT.

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

K. LIMITATIONS OF CLAIMS.

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN EIGHTEEN (18) MONTHS FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

L. LIMITED LIABILITY FOR OUR RELATED PARTIES.

You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, owner, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement; (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on any alleged unlawful act or omission of ours.

M. COVENANT OF GOOD FAITH.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that the covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law will imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties hereto that is inherent in this Agreement) grants us the judgment to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests; (ii) we will use our judgment in exercising the judgment based on our assessment of our own interests and balancing those interests against the interests of our franchise owners generally, and specifically without considering your individual interests or the individual interests of any other particular franchise owner; (iii) we will have no liability to you for the exercise of our judgment in this manner, so long as the judgment is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation will substitute its judgment for our judgment so exercised.

N. CONSTRUCTION.

The preambles and exhibits are a part of this Agreement which, together with any addenda or riders signed at the same time as this Agreement, constitutes our and your entire agreement, and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you relating to the subject matter of this Agreement. There are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the BAR & EATERY (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Notwithstanding the foregoing,

nothing in this Agreement shall disclaim or require you to waive reliance on any representation made by us in our most recent franchise disclosure document (including exhibits and amendments) delivered to you or your representative.

Any policies that we adopt and implement at any time and from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in Subsections 16.D and 17.F, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. “Control” means the power to direct or cause the direction of management and policies. The words “include” and “including” are meant to be illustrative and not exhaustive and are deemed to be read in all cases as “including, without limitation” and/or “including but not limited to.”

If two or more persons are at any time the owners of the Franchise and the BAR & EATERY, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to “owner” mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and the BAR & EATERY or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or the BAR & EATERY and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a “controlling ownership interest” in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a “controlling ownership interest” is involved must be made as of both immediately before and immediately after the proposed transfer to see if a “controlling ownership interest” will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

“Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term “BAR & EATERY” includes all of the assets of the Beerhead Bar & Eatery you operate under this Agreement, including its revenue and the Lease.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

O. MULTIPLE FORMS OF AGREEMENT.

You acknowledge and agree that there may be more than one form of franchise agreement in effect between us and our various Beerhead Bar and Eatery franchise owners; those other agreements may contain provisions that may be materially different from the provisions contained in this Agreement; and you are not entitled to rely on any provision of any other agreement with other Beerhead Bar and Eatery franchise owners whether to establish course of dealing, waiver, or estoppel, or for any other purpose.

18. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

- (a) at the time delivered by hand;
- (b) at the time delivered via computer transmission and, in the case of the Royalty, Fund contributions, and other amounts due, at the time we actually receive payment via the EDTA;
- (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission;
- (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or
- (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice to us must be sent to the address specified on the first page of this Agreement, with a copy to the following:

Greenberg Traurig, LLP
77 West Wacker Drive, Suite 3100
Chicago, Illinois 60601
Attn: Alan R. Greenfield, Esq.

We may change these addresses for notice by giving you notice of the new address(es). Any notice that we send to you may be sent only to the one (1) person identified on **Exhibit A**, even if you have multiple owners, at the email or postal address specified on **Exhibit A**. You may change the person and/or address for notice only by giving us thirty (30) days' prior notice by any of the means specified in subparagraphs (a) through (e) above.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

19. COMPLIANCE WITH ANTI-TERRORISM AND OTHER LAWS.

You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with all applicable legislation, laws, regulations, rules, ordinances, administrative orders, decrees and policies of any court, arbiter, government, governmental agency, department, or similar organization that are in effect from time to time pertaining to: (a) the various anti-terrorism, economic sanctions, and anti-money laundering and narco-trafficking laws, regulations, orders, decrees and guidelines of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), (b) the USA PATRIOT Act (Title III of Pub. L. 107-56, signed into law October 26, 2001), as amended, (c) the provisions of United States Executive Order 13224, (d) the U.S. Prevention of Corruption Act 1988, (e) the U. S. Foreign Corrupt Practices Act, 15 U.S.C. Section 78dd-2, (e) relevant multilateral measures such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention Against Corruption, (f) bribery and anti-corruption laws, (g) the laws against money laundering, and (h) the laws against facilitating or supporting persons who conspire to commit these and other crimes against any person or government. You immediately shall notify us in writing if a potential violation of any of the foregoing legislation, laws, regulations, rules, ordinances, administrative orders, decrees and/or policies has occurred or is suspected to have occurred. You immediately shall provide us with copies of any communication to or from any such agency, government, or commission that relates to or affects this Agreement, the BAR & EATERY, or the Marks. Any failure to comply with this Section by you or your owners, or any blocking of your or your owners' assets under any of such laws, legislation, regulations, orders, decrees and/or policies shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 14.B (21) above.

20. ELECTRONIC MAIL.

You acknowledge and agree that exchanging information with us by e-mail is efficient and desirable for day-to-day communications and that we and you may utilize e-mail for such communications. You authorize the transmission of e-mail by us and our employees, vendors, and affiliates (“**Official Senders**”) to you during the Term.

You further agree that: (a) Official Senders are authorized to send e-mails to those of your employees as you may occasionally authorize for the purpose of communicating with us; (b) you will cause your officers, directors, and employees to give their consent to Official Senders’ transmission of e-mails to them; (c) you will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with you; and (d) you will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the Term.

The consent given in this Section 20 shall not apply to the provision of notices by either party under this Agreement pursuant to Section 18 using e-mail unless the parties otherwise agree in a written document manually signed by both parties.

21. ELECTRONIC SIGNATURES.

The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an “I Accept” or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

[Signatures on following page.]

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

BEERHEAD FC, LLC, a Florida limited liability company

By: _____
Greg Goodrich, Secretary

DATED*: _____
(*Effective Date of this Agreement)

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

EXHIBIT A

TO THE FRANCHISE AGREEMENT

**Effective Date: This Exhibit A is current and complete
as of _____, 20**

You and Your Owners

1. **Form of Owner.** (Choose (a) or (b))

(a) **Individual Proprietorship.** List individual(s):

(b) **Corporation, Limited Liability Company, or Partnership.** (CIRCLE ONE) You were incorporated or formed on _____, under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

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

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

	<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
(b)	_____	_____
(c)	_____	_____
(d)	_____	_____

3. **Name and Address of Person to Receive Notice for Franchise Owner.**

- (a) Name: _____
- (b) Postal Address: _____

- (c) E-mail Address: _____

4. **Identification of Managing Owner.** Your Managing Owner as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Managing Owner without prior written approval.

[Signatures on following page.]

BEERHEAD FC, LLC, a Florida limited liability company

By: _____
Greg Goodrich, Secretary

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

EXHIBIT B
TO THE FRANCHISE AGREEMENT
THE PREMISES AND TERRITORY

1. The Premises of the BAR & EATERY will be located at:

2. The Territory shall be:

[Signatures on following page.]

BEERHEAD FC, LLC, a Florida limited liability company

By: _____
Greg Goodrich, Secretary

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

EXHIBIT C
TO THE FRANCHISE AGREEMENT
FRANCHISE ADDENDUM TO LEASE AGREEMENT

THIS FRANCHISE ADDENDUM TO LEASE AGREEMENT (this “Addendum”) is entered into this _____ day of _____, 20__, by and between _____, a(n) _____ (“Landlord”) and _____, a(n) _____ (“Tenant”) for the benefit of **BEERHEAD FC, LLC**, a Florida limited liability company (“Franchisor”).

WHEREAS, Tenant and Franchisor have executed a Beerhead FC, LLC Franchise Agreement (the “Franchise Agreement”), pursuant to which Franchisor has granted Tenant the right to establish and operate a “Beerhead”-branded bar & eatery at the following location: _____ (the “Premises”);

WHEREAS, Tenant and Landlord are entering into a lease agreement (the “Lease”), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor’s rights, and Landlord has agreed to such terms.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the parties hereby acknowledge, Landlord and Tenant agree as follows:

1. Landlord agrees to: (a) furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within fifteen (15) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor’s request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: Beerhead FC, LLC, 319 Belvedere Road #5, West Palm Beach, Florida 33405, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

2. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant and/or another lessee under the Lease, then Franchisor may, at its option, succeed to Tenant’s and/or such other lessee’s interests under the Lease and shall be recognized by Landlord as the lessee or sublessee thereunder for the remaining term of the Lease.

3. Landlord agrees that the expiration of the Franchise Agreement (unless Tenant enters into a renewal Franchise Agreement with Franchisor) or a termination of the Franchise Agreement prior to expiration shall constitute a default under the Lease, giving Franchisor the

right, but not the obligation, to cure such default by succeeding to Tenant's and/or any other lessee's interests as the new lessee or sublessee under the Lease.

4. Landlord agrees that upon the termination or expiration of the Lease, Franchisor shall have the first right of refusal to lease the Premises as the new lessee or sublessee.

5. Landlord agrees that Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect its franchise system, trademarks, trade names, trade dress and other intellectual property without being guilty of trespass or any other tort or crime.

6. Landlord agrees that upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right to enter the Premises and remove any trade fixtures, interior or exterior signs or other items bearing its trademarks. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

7. Landlord agrees that, if Franchisor succeeds to Tenant's and/or any other lessee's interests under the Lease for any reason, Franchisor shall have the right to further assign the lease or to sublease the Premises to either an entity owned or controlled by Franchisor, or to another franchisee of Franchisor upon obtaining Landlord's written consent, which consent may not be unreasonably withheld, conditioned or delayed by Landlord. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

8. Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Addendum, Franchisor shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

9. Landlord and Tenant expressly agree that Franchisor is an intended third party beneficiary of the terms of this Addendum. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises its right to assume the Lease under this Addendum.

10. In the event of any inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum control. All of the terms of this Addendum, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns. The provisions of this Addendum may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Addendum that makes specific reference to this Addendum and which must be approved in writing by Franchisor. This Addendum may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

LANDLORD:

_____,
a _____

By: _____
Print Name: _____
Title: _____

TENANT:

_____,
a _____

By: _____
Print Name: _____
Title: _____

EXHIBIT D

NONDISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NONDISCLOSURE AND NON-COMPETITION AGREEMENT (this “Agreement”) is made as of the ____ day of _____, 20__, is executed by _____ (“Individual,” “me,” or “I”) for the benefit of **BEERHEAD FC, LLC**, a Florida limited liability company (“Company”), and for _____, a/an _____ (“Franchisee”).

Franchisee is a franchisee of Company pursuant to a franchise agreement entered into by those parties concerning a bar & eatery operating, or to be operated, under the “Beerhead” name at _____ (the “Franchise Agreement”). The franchised business Company authorizes Franchisee to operate under the Franchise Agreement is known as the “Bar & Eatery,” which Bar & Eatery is one among all pubs that Company owns, operates, or franchises under the “Beerhead” name. I agree that, unless otherwise specified, all capitalized terms in this Agreement have those meanings ascribed to them in the Franchise Agreement.

I agree that during the term of my employment by, ownership participation in, association with or service to Franchisee, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity, Company’s proprietary and confidential information relating to the development and operation of Beerhead Bar & Eateries, including but not limited to the following concerning Beerhead Bar & Eateries: (1) site selection criteria and plans and specifications for the development of businesses; (2) sales, marketing and advertising programs and techniques; (3) identity of suppliers, and knowledge of specifications and pricing for food products, materials, supplies and equipment that Company authorizes; (4) knowledge of operating results and financial performance of businesses in the network, other than those franchised businesses that Franchisee owns; (5) methods of inventory control, storage, product handling, training and management; (6) recipes and methods of preparation and presentation of any food items that the Company authorizes to be served and sold at the Bar & Eatery; (7) computer systems and software programs; and (8) any and all other information Company provides to me, Franchisee, Franchisee’s Owners or Affiliates that is designated orally or in writing as proprietary or confidential, or by its nature would reasonably be understood to be proprietary or confidential, regardless of whether such information is specifically designated as proprietary or confidential (collectively, all information referenced above, including examples (1) through (8), is known as the “Confidential Information”).

Furthermore, any and all information, knowledge, know-how, techniques and information which the entities mentioned above (or their officers) designate as confidential is considered, and hereby acknowledged by me, to be Confidential Information for the purposes of this Agreement, except information which I can demonstrate came to my attention before disclosure or which had become or becomes a part of the public domain through publication or communication by others

(unless the publication or communication violates a similar confidentiality agreement), but in no event through any act of mine.

I specifically understand that, without limitation, all the above items, concepts, and/or examples contained in the preceding paragraph constitute Confidential Information of Company, and I will not divert any business to competitors of Franchisee and/or Company. I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or database, nor otherwise make the them available to any unauthorized person.

I further agree that, during the term of my employment/service/association or ownership participation, I will not, directly or indirectly, engage or participate in any Competitive Business (defined below in this paragraph), any of which such prohibited behavior I understand and hereby explicitly acknowledge would or could be injurious to, or (in Company's sole judgment) have an adverse effect upon, Company's protectable interests in the Confidential Information, the "Beerhead" trademark or related Marks, or the goodwill and/or reputation of Beerhead Bar & Eateries generally. I agree that I am prohibited from engaging in any Competitive Business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant. For purposes of this Agreement, a "Competitive Business" means any business that: (i) operates as a restaurant, bar, pub, brewery or other food and beverage service business which derives more than forty percent (40%) of its revenue from selling beer, premium spirits, and other alcoholic beverages and related products; or (ii) grants franchises or licenses to others to operate the type of business specified in the preceding subparagraph (i) (other than a Beerhead Bar & Eatery operated under a franchise agreement with Company). Despite the foregoing definition of a Competitive Business, nothing under this Agreement or the Franchise Agreement will prevent Individual from owning for investment purposes less than two percent (2%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange, and so long as neither Individual nor Franchisee controls the company in question.

Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree:

- (i) to return immediately to Company or Franchisee, as the case may be, all Confidential Information, and any material(s) containing a subset thereof, in my possession that was utilized, or to which I had access, during my employment, association, service or ownership participation;
- (ii) to refrain, beginning upon such expiration or termination and forever thereafter, from any and all contacts with customers of Beerhead Bar & Eateries for any purpose whatsoever; and
- (iii) for a period of two (2) years, starting on the effective date of termination or expiration of my employment/service/association or ownership participation, to refrain from directly or indirectly (such as through any one or more of my spouse, legally-recognized domestic partner, parents, children or sibling(s) (collectively,

“Immediate Family”)) owning a legal or beneficial interest in, or rendering services or giving advice to: (a) any Competitive Business operating at the Premises or within a ten (10)-mile radius of the Premises; (b) any Competitive Business operating within ten (10) miles of any Beerhead Bar & Eatery in operation or under construction on the effective date of termination or expiration of my employment/service/association/ ownership participation; or (c) any entity which grants franchises, licenses or other interests to others to operate any Competitive Business.

I acknowledge and understand that the provisions of this Agreement, including my representations, covenants, and warranties (as applicable) given hereunder, are necessary and integral to this Agreement and to Company’s and Franchisee’s interests under the Franchise Agreement, and are intended to:

- (i) preclude not only direct competition, but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor;
- (ii) bind any person or entity having any legal or beneficial interest in me, or traceable to, down or through me, including (without limitation) any of member of my Immediate Family, any direct or indirect beneficiary, any partner (general or limited) or proprietor of mine, and any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me; and
- (iii) identify for me, toward the goal of preserving through this Agreement, Company’s protectable legal interests in the System, customers of Beerhead Bar & Eateries, the Confidential Information, and the goodwill associated with the Marks.

I also expressly acknowledge my possession of skills and abilities of a general nature, and the opportunity for exploiting such skills in other ways than the operation or involvement in the activities of a Beerhead Bar & Eatery or a Competitive Business, so that enforcement of my covenants made in this Agreement will not deprive me of my personal goodwill or ability to earn a living after the effective date of expiration or termination of my relationship with Franchisee, the Bar & Eatery, or Beerhead Bar & Eateries generally. If I fail or refuse to abide by any of my foregoing obligations or promises made under this Agreement, and Company or Franchisee obtains enforcement in a judicial or arbitration proceeding, then my obligations and responsibilities specified under the breached covenant will be tolled during the period(s) of time that the covenant is breached and/or Company or Franchisee seeks to enforce it, and will continue for two (2) years starting from the effective date of the order enforcing the covenant.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Company and Franchisee, for which no adequate remedy at law will be available. Accordingly, I hereby consent to

Non-disclosure and Non-competition Agreement

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the entry of an injunction procured by Company or Franchisee (or both), in any appropriate jurisdiction and venue (notwithstanding other references to resolution of actions exclusively in Company's home prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of Confidential Information under this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Company's Confidential Information. Further, I expressly agree that any claims I may have against Company will not constitute a defense to Company's enforcement of the covenants not to compete under this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Company in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all, or any portion of, this covenant not to use Confidential Information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Franchisee and/or Company is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Franchisee or Company on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Florida without recourse to Florida (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of the State of Florida, and if the Bar & Eatery is located outside of the State of Florida and the provision would be enforceable under the laws of the state in which the Bar & Eatery is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of Florida or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement, any breach of this Agreement, and any and all relations and/or disputes between myself on the one hand, and Franchisee or Company on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the state or federal court of competent jurisdiction in West Palm Beach, Florida. I agree that any dispute as to the aforementioned venue will be submitted to and resolved exclusively by such aforementioned court. Nonetheless, I agree that Franchisee or Company may enforce this Agreement and any awards in the courts of the state or states in which I am domiciled or the Bar & Eatery is located.

I IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY ME,

Non-disclosure and Non-competition Agreement

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FRANCHISEE OR COMPANY. I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, as of the day and year first written above.

ATTESTED TO BY FRANCHISEE:

INDIVIDUAL:

a/an _____

(Print Name)

By: _____

(Name of Franchisee's Officer)

(Signature)

Signed: _____

(Signature of Franchisee's Officer)

(Date)

(Date)

EXHIBIT E
ELECTRONIC TRANSFER AUTHORIZATION FORM

ELECTRONIC PAYMENT AUTHORIZATION AGREEMENT
(ACH CREDITS AND DEBITS)

I hereby authorize Beerhead FC, LLC (“FRANCHISOR”), to initiate debit and credit entries and to initiate, if necessary, adjustments for any debit or credit entries in error to _____ (“FRANCHISEE”) Checking (please attach voided check) or Savings account (select one) indicated below at the depository named below, (“DEPOSITORY”), to debit and/or credit the same to such account.

Depository Name: _____

Depository Branch: _____

Depository Address: _____

City _____ State _____ Zip _____

Routing Number: _____

Account Name: _____

Account Number: _____

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that this authorization is to remain in full force and effect until terminated by FRANCHISEE pursuant to a written notice to FRANCHISOR in such time and in such manner as to afford FRANCHISOR and DEPOSITORY a reasonable opportunity to act on it, but in no event less than thirty (30) days in advance thereof. FRANCHISEE consents for the DEPOSITORY to provide FRANCHISOR with a bank account statement and deposit detail, at any time and from time to time, for any and all accounts described above.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this authorization has been executed on _____,
20__ at _____.

FRANCHISEE:

By: _____

Title: _____

Phone No.: _____

[ATTACH VOIDED CHECK HERE]

Electronic Transfer Authorization Form

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GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20__

By (list each guarantor):

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "Agreement") on this date by BEERHEAD FC, LLC ("us," "we," or "our"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ ("Franchisee") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, transfer, and arbitration requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may at any time and from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as we have any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and

Guaranty

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notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we shall be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur.

Subject to the arbitration obligations and the provisions below, each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between us and the undersigned, must be commenced in the state or federal court of competent jurisdiction in West Palm Beach, Florida, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that we may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

Signatures Of Each Guarantor	Percentage Of Ownership In Franchisee
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

EXHIBIT D TO FDD

DEVELOPMENT AGREEMENT RIDER TO FRANCHISE AGREEMENT

**DEVELOPMENT AGREEMENT RIDER
TO BEERHEAD FC, LLC
FRANCHISE AGREEMENT**

1. **Background.** This Development Agreement Rider (this “**Development Agreement**”) is made between **BEERHEAD FC, LLC**, a Florida limited liability company (“we,” “us,” or “our”) and (“you” or “your”).

_____ This Development Agreement is attached to, and intended to be a part of, that certain Franchise Agreement that we and you have signed concurrently with signing this Development Agreement (the “**Franchise Agreement**”) for the operation of the Beerhead Bar & Eatery located at _____ (the “**BAR & EATERY**”). We and you are signing this Development Agreement because you want the right to develop additional Beerhead Bar & Eateries (besides the BAR & EATERY covered by the Franchise Agreement) within a certain geographic area over a certain time period, and we are willing to grant you those development rights if you comply with this Development Agreement. Capitalized terms not defined herein shall have the meanings defined in the Franchise Agreement.

2. **Grant of Development Rights.** Subject to your strict compliance with this Development Agreement, we grant you the right to develop ____ () new Beerhead Bar & Eateries (including the BAR & EATERY covered by the Franchise Agreement), according to the mandatory development schedule described in Exhibit A to this Development Agreement (the “**Schedule**”), within the following geographic area (the “**Area**”): _____

_____.

If you (and, to the extent applicable and with our approval, your affiliated entities) are fully complying with all of your obligations under this Development Agreement, and are fully complying with all of your obligations under the Franchise Agreement and all other franchise agreements then in effect between us and you (and, to the extent applicable and with our approval, your affiliated entities) for the development and operation of Beerhead Bar & Eateries, then during this Development Agreement’s term only, we (and our affiliates) may not establish or operate (except to the extent that we already operate Beerhead Bar & Eateries in the Area), or grant to others the right to establish or operate, a Beerhead Bar & Eatery the physical premises of which are located within the Area.

Except for the Beerhead Bar & Eatery location restriction above, there are no restrictions that this Development Agreement imposes on our (and our affiliates’) activities within the Area during this Development Agreement’s term. You acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Area, including, without limitation, those rights we reserve in the Franchise Agreement. After this Development Agreement expires or is terminated (regardless of the reason for termination), we and our affiliates have the right to establish and operate, and grant to others the right to establish and operate, Beerhead Bar & Eateries the physical premises of which are located within the Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Area without any restrictions whatsoever.

YOU ACKNOWLEDGE AND AGREE THAT TIME IS OF THE ESSENCE UNDER THIS DEVELOPMENT AGREEMENT AND THAT YOUR RIGHTS UNDER THIS DEVELOPMENT AGREEMENT ARE SUBJECT TO TERMINATION (WITHOUT ANY CURE OPPORTUNITY) IF YOU DO NOT COMPLY STRICTLY WITH THE DEVELOPMENT OBLIGATIONS PROVIDED IN THE SCHEDULE. WE MAY ENFORCE THIS DEVELOPMENT AGREEMENT STRICTLY.

3. **Development Obligations.** To maintain your rights under this Development Agreement, you (and/or affiliated entities we approve) must, by the dates specified in the Schedule, sign franchise agreements for and have open and operating the agreed-upon number of Beerhead Bar & Eateries in the Area. You (and/or the approved affiliated entity) will operate each Beerhead Bar & Eatery under a separate franchise agreement with us. The franchise agreement (and related documents, including Owner's Guaranty and Assumption of Obligations) that you (and your owners) sign for each additional Beerhead Bar & Eatery will be our then current form of franchise agreement (and related documents), any and all of the terms of which may differ materially from any and all of the terms contained in the Franchise Agreement (and related documents). However, despite any contrary provision contained in the newly-signed franchise agreements, your additional Beerhead Bar & Eateries must be open and operating by the dates specified in the Schedule. To retain your rights under this Development Agreement, each of your Beerhead Bar & Eateries must operate continuously throughout this Development Agreement's term in full compliance with its franchise agreement.

4. **Subfranchising Rights.** This Development Agreement does not give you any right to franchise, license, subfranchise, or sublicense others to operate Beerhead Bar & Eateries. Only you (and/or affiliated entities we approve) may develop, open, and operate Beerhead Bar & Eateries pursuant to this Development Agreement. This Development Agreement also does not give you (or your affiliated entities) any independent right to use the "Beerhead®" trademark or our other trademarks and commercial symbols. The right to use our trademarks and commercial symbols is granted only under a franchise agreement signed directly with us. This Development Agreement only grants you potential development rights if you comply with its terms.

5. **Development Fees.** As consideration for the development rights we grant you in this Development Agreement, you must pay us, at the same time you sign this Development Agreement, a total of _____ Dollars (\$_____) (the "**Development Fee**"), which equals (a) the Forty-Five Thousand Dollar (\$45,000) initial franchise fee due under the Franchise Agreement, plus (b) a deposit of [**OPTION A:** Twenty-Two Thousand Five Hundred Dollars (\$22,500) for the second Beerhead Bar & Eatery you agree to develop under the Schedule and each additional Beerhead Bar & Eatery you agree to develop under the Schedule] [**OPTION B:** Twenty Thousand Dollars (\$20,000) for the second Beerhead Bar & Eatery you agree to develop under the Schedule, plus (c) a deposit of Seventeen Thousand Five Hundred Dollars (\$17,500) for the third Beerhead Bar & Eatery and each additional Beerhead Bar & Eatery you agree to develop under the Schedule]. Our initial franchise fee for [**OPTION 1:** the Beerhead Bar & Eateries you develop pursuant to this Development Agreement is Forty-Five Thousand Dollars (\$45,000)] [**OPTION 2:** the first Beerhead Bar & Eatery you develop pursuant to this Development Agreement is Forty-Five Thousand Dollars (\$45,000), the initial franchise fee for the second Beerhead Bar & Eatery you develop pursuant to this Development Agreement is Forty Thousand Dollars (\$40,000), and the initial franchise fee for

the third Beerhead Bar & Eatery and each additional Beerhead Bar & Eatery you develop pursuant to this Development Agreement is Thirty-Five Thousand Dollars (\$35,000)].

The Development Fee is consideration for the rights we grant you in this Development Agreement and for reserving the Area for you to the exclusion of others, is fully earned by us when we and you sign this Development Agreement, and is not refundable under any circumstances, even if you do not comply or attempt to comply with the Schedule and we then terminate this Development Agreement for that reason.

While the Development Fee is not refundable under any circumstances, when you (or your approved affiliated entity) sign the franchise agreement for each additional Beerhead Bar & Eatery to be developed, we will apply [OPTION A: Twenty-Two Thousand Five Hundred Dollars (\$22,500) of the Development Fee towards the initial franchise fee due for that Beerhead Bar & Eatery (leaving a balance due of Twenty-Two Thousand Five Hundred Dollars (\$22,500))] [OPTION B: Twenty Thousand Dollars (\$20,000) of the Development Fee, if the franchise agreement is for the second Beerhead Bar & Eatery you develop pursuant to this Development Agreement, or Seventeen Thousand Five Hundred Dollars (\$17,500) of the Development Fee, if the franchise agreement is for the third or any additional Beerhead Bar & Eatery you develop pursuant to this Development Agreement, towards the initial franchise fee due for that Beerhead Bar & Eatery (leaving a balance due of Twenty Thousand Dollars (\$20,000) or Seventeen Thousand Five Hundred Dollars (\$17,500), whichever is applicable)].

6. **Grant of Franchises.** You must submit to us a separate application for each Beerhead Bar & Eatery you wish to develop pursuant to this Development Agreement. You agree to give us all information and materials we request in order to assess each proposed site. We will supply you with our site selection criteria and may put you in contact with a commercial real estate broker in the Area; however, we will not conduct site selection activities for you. In granting you the development rights under this Development Agreement, we are relying on your knowledge of the real estate market and your ability to locate and access sites. We will not unreasonably withhold acceptance of any proposed site if the site meets our then current site criteria. However, we have the absolute right not to accept any site not meeting these criteria. If we accept a proposed site, you agree, within the time period we specify (but no later than the date specified in the Schedule), to sign a separate franchise agreement (and related documents) for the Beerhead Bar & Eatery and to pay us the remaining portion of the initial franchise fee due, if any. If you do not do so, or cannot obtain lawful possession of the proposed site, we may withdraw our acceptance of the proposed site. After you (and your owners) sign the franchise agreement (and related documents, including Owner's Guaranty and Assumption of Obligations), its terms and conditions will control your development and operation of the Beerhead Bar & Eatery (except that the required opening date is governed exclusively by this Development Agreement).

In addition to our rights with respect to proposed Beerhead Bar & Eatery sites, we may delay your development of additional Beerhead Bar & Eateries pursuant to this Development Agreement for the time period we deem best if we believe, when you submit your application, that you are not yet operationally, managerially, or otherwise prepared, due to the particular amount of time that has elapsed since you developed and opened your most recent Beerhead Bar & Eatery, to develop, open and/or operate the additional Beerhead Bar & Eateries in full compliance with our standards and specifications. We may delay additional development for the time period we deem best as long as the delay will not in our reasonable opinion cause you to

breach your development obligations under the Schedule (unless we are willing to extend the Schedule proportionately to account for the delay).

7. **Term.** This Development Agreement's term begins on the date we and you sign it and ends on the date when (a) the final Beerhead Bar & Eatery to be developed under the Schedule has opened (or, if earlier, must have opened) for business, or (b) this Development Agreement otherwise is terminated.

8. **Termination.** We may terminate this Development Agreement and your right to develop Beerhead Bar & Eateries within the Area at any time, effective upon delivery to you of written notice of termination: (a) if you fail to satisfy either your development obligations under the Schedule or any other obligation under this Development Agreement, which defaults you have no right to cure; or (b) if the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Beerhead Bar & Eatery, is terminated by us in compliance with its terms or by you (or your affiliated entity) for any (or no) reason; or (c) if we have delivered a formal written notice of default to you (or your affiliated entity) under the Franchise Agreement, or any other franchise agreement between us and you (or your affiliated entity) for a Beerhead Bar & Eatery, whether or not you (or your affiliated entity) cure that default and whether or not we subsequently terminate the Franchise Agreement or the other franchise agreement. No portion of the Development Fee is refundable upon a termination of this Development Agreement or under any other circumstances.

Upon the occurrence of any of the events above in this Section 8 during the term of this Development Agreement, we may, at our option, elect to terminate only the exclusivity of the Area (as provided under Section 2 above) instead of terminating this Development Agreement entirely. This means that during the remainder of the term of this Development Agreement, we and our affiliates will have the right to establish and operate, and grant to others the right to establish and operate, Beerhead Bar & Eateries the physical premises of which are located within the Area and continue to engage, and grant to others the right to engage, in any activities that we (and they) desire within the Area without any restrictions whatsoever. However, such termination of the exclusivity shall be without prejudice to our right to terminate this Development Agreement at any time thereafter for the same default or any other defaults under this Development Agreement.

A termination of this Development Agreement is not deemed to be the termination of any franchise rights (even though this Development Agreement is attached to the Franchise Agreement) because this Development Agreement grants you no separate franchise rights. Franchise rights arise only under franchise agreements signed directly with us. A termination of this Development Agreement does not affect any franchise rights granted under any then-effective individual franchise agreements.

9. **Assignment.** Your development rights under this Development Agreement are not assignable at all. This means that we will not under any circumstances allow the development rights to be transferred. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of the Franchise Agreement, any change in your ownership (whether or not it is a controlling ownership interest), any change in your owners' ownership (if such owners are legal entities and whether or not it is a controlling ownership interest), a transfer of this Development Agreement separate and apart from the Franchise Agreement, or any other event attempting to assign the development rights.

10. **Incorporation of Other Terms.** Sections 16.A., 16.B., 16.D., 17.A. through 17.), 18, 19, and 21 of the Franchise Agreement, entitled “Independent Contractors,” “No Liability for Acts of Other Party,” “Indemnification,” “Severability and Substitution of Valid Provisions,” “Waiver of Obligations,” “Costs and Attorneys’ Fees,” “Rights of Parties Are Cumulative,” “Mediation,” “Arbitration,” “Governing Law,” “Consent to Jurisdiction,” “Waiver of Punitive Damages and Jury Trial,” “Binding Effect,” “Limitation of Claims,” “Limited Liability for Our Related Parties,” “Covenant of Good Faith,” “Construction,” “Multiple Forms of Agreement,” “Notices and Payments” “Compliance with Anti-Terrorism Laws,” and “Electronic Signatures,” respectively, are incorporated by reference in this Development Agreement and will govern all aspects of this Development Agreement and our and your relationship as if fully restated within the text of this Development Agreement.

11. **Rider to Control.** Except as provided in this Development Agreement, the Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Franchise Agreement and this Development Agreement, the terms of this Development Agreement will control.

Dated this _____ day of _____, 20__.

BEERHEAD FC, LLC	FRANCHISEE
By: _____	_____ [Name]
Title: _____	By: _____
Date: _____	Title: _____
	Date: _____

EXHIBIT A
TO DEVELOPMENT AGREEMENT RIDER

You agree to develop and open ____ () new Beerhead Bar & Eateries in the Area, including the BAR & EATERY that is the subject of the Franchise Agreement, according to the following Schedule:

Beerhead Bar & Eatery Number	Date by which Franchise Agreement Must be Signed	Date by which Lease Must be Signed	Date by which Beerhead Bar & Eatery Must be Opened	Cumulative Number of Beerhead Bar & Eateries to Be Open and Operating in the Area No Later than the Opening Dates (in previous column)
1	Concurrently with this Development Agreement	120 days after completion of the initial training program	365 days from date of Development Agreement Rider (the “ First Deadline ”)	1
2				2
3				3
4				4
5				5

*If you open the first Beerhead Bar & Eatery before the First Deadline, the deadlines for opening the subsequent Beerhead Bar & Eateries will remain the specified number of months after the First Deadline (rather than the specified number of months from the preceding Beerhead Bar & Eatery’s actual opening date).

<p>BEERHEAD FC, LLC</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>FRANCHISEE</p> <p>_____</p> <p>[Name]</p> <p>By: _____</p> <p>Title: _____</p> <p>Date: _____</p>
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EXHIBIT E TO FDD

STATE RIDER ADDENDA TO FRANCHISE AGREEMENT

**RIDER TO THE BEERHEAD FC, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between **BEERHEAD FC, LLC**, a Florida limited liability company located 319 Belvedere Road #5, West Palm Beach, Florida 33405 (“**we,**” “**us,**” “**our,**” or “**Franchisor**”), and _____, whose principal business address is _____ (“**you,**” “**your,**” or “**Franchisee**”).

1. **Background.** We and you are parties to that certain Franchise Agreement that has been signed at the same time as the signing of this Rider (the “**Franchise Agreement**”). This Rider is part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the BAR & EATERY that you will operate under the Franchise Agreement was made in the State of Illinois and the franchised business will be located in Illinois, and/or (b) you are a resident of Illinois.

2. The following language is added to the end of the Franchise Agreement:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of initial franchise and development fees will be deferred until we have met our initial obligations, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

BEERHEAD FC, LLC, a Florida limited liability company

By: _____
Greg Goodrich, Secretary

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

**RIDER TO THE BEERHEAD FC, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider (the “**Rider**”) is made and entered into as of the Effective Date as stated in the Franchise Agreement (defined below), by and between **BEERHEAD FC, LLC**, a Florida limited liability company located at 319 Belvedere Road #5, West Palm Beach, Florida 33405 (“**we,**” “**us,**” “**our,**” or “**Franchisor**”), and _____, whose principal business address is _____ (“**you,**” “**your,**” or “**Franchisee**”).

1. **Background.** We and you are parties to that certain Franchise Agreement that has been signed concurrently with the signing of this Rider (the “**Franchise Agreement**”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer or sale of the franchise for the BAR & EATERY that you will operate under the Franchise Agreement was made in the State of New York, and/or (b) you are a resident of New York and will operate the BAR & EATERY in New York.

2. **Releases.** The following language is added to the end of Sections 4.A.(4), 12.C.(8), 13.C, and the first paragraph of Section 15.E of the Franchise Agreement:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. **Transfer by Us.** The following language is added to the end of Section 12.A of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

4. **Termination by You.** The following language is added to the end of Section 14.A of the Franchise Agreement:

The franchisee may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **Governing Law and Consent to Jurisdiction.** The following language is added to the end of Sections 17.G and 17.H of the Franchise Agreement:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

6. **Limitation of Claims.** The following language is added to the end of Section 17.K of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, all rights 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 provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

7. **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider effective on the Effective Date shown below.

BEERHEAD FC, LLC, a Florida limited liability company

By: _____
Greg Goodrich, Secretary

DATED: _____

FRANCHISE OWNER

(IF YOU ARE TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Print Name of Franchisee Entity]

By: _____
[signature of person signing on behalf of entity]

Title of Signator: _____

DATED: _____

(IF YOU ARE TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[signature of individual franchisee]

Print Name: _____

DATED: _____

[signature of individual franchisee]

Print Name: _____

DATED: _____

EXHIBIT F TO FDD
FINANCIAL STATEMENTS

BEERHEAD FC, LLC

Financial Statements

December 31, 2021 and 2020

BEERHEAD FC, LLC

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December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Members
Beerhead FC, LLC
West Palm Beach, Florida

Opinion

We have audited the accompanying financial statements of Beerhead FC, LLC (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' equity (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beerhead FC, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Beerhead FC, 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP

Melville, New York

April 11, 2022

BEERHEAD FC, LLC

Balance Sheets

	<i>December 31,</i>	
	<i>2021</i>	<i>2020</i>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 353,412	\$ 116,330
Accounts receivable	11,143	10,638
Prepaid expenses and other current assets	52,807	32,999
Deferred commissions	3,983	3,775
Due from related parties	-	2,389
	421,345	166,131
Other Assets		
Deferred commissions - net of current portion	86,846	91,039
Security deposit	93	93
	\$ 508,284	\$ 257,263
LIABILITIES AND MEMBERS' EQUITY (DEFICIENCY)		
Current Liabilities		
Accounts payable	\$ 20,683	\$ 15,659
Accrued expenses and other current liabilities	10,546	23,705
Due to members	-	4,000
Due to related parties	12,044	-
Deferred revenue	26,876	24,500
Paycheck Protection Program loan, short-term	62,147	-
Economic injury disaster loan, short-term	77	-
	132,373	67,864
Other Liabilities		
Paycheck Protection Program loan, net of short-term	5,340	48,200
Economic injury disaster loan, net of short-term	3,988	3,800
Deferred revenue - net of current portion	346,304	331,083
	355,632	383,083
Members' Equity (Deficiency)		
	20,279	(193,684)
	\$ 508,284	\$ 257,263

BEERHEAD FC, LLC

Statements of Operations

	<i>For the Years Ended December 31,</i>	
	<i>2021</i>	<i>2020</i>
Revenue		
Franchise fees	\$ 24,903	\$ 49,250
Royalty fees	326,858	188,832
Advertising and development fund fees	112,273	-
Miscellaneous	889	3,176
	<u>464,923</u>	<u>241,258</u>
Selling, General, and Administrative Expenses		
Advertising and development fund	112,273	-
Professional fees	60,074	36,476
Office	59,063	49,308
Travel	36,899	15,088
Advertising and promotion	27,457	120,275
Insurance	10,899	9,254
Rent	7,876	18,064
Training	7,667	835
Commissions	3,985	3,379
Bank charges	1,114	-
Licenses, permits, and filing fees	714	739
Payroll and related expenses	-	53,991
Consulting	-	4,500
Dues and subscriptions	-	1,742
Bad debts	-	1,343
	<u>328,021</u>	<u>314,994</u>
Income (Loss) Before Other Income	<u>136,902</u>	<u>(73,736)</u>
Other Income (Expense)		
Interest	(379)	-
Paycheck Protection Program forgiveness	48,200	-
Employee retention credits	33,490	-
Economic injury disaster grant	-	4,000
	<u>81,311</u>	<u>4,000</u>
Net Income (Loss)	<u>\$ 218,213</u>	<u>\$ (69,736)</u>

See notes to financial statements.

BEERHEAD FC, LLC

Statements of Changes in Members' Equity (Deficiency)

For the Years Ended December 31, 2021 and 2020

Members' (Deficiency) - January 1, 2020	\$ (119,948)
Net (loss)	(69,736)
Distributions to members	<u>(4,000)</u>
Members' (Deficiency) - December 31, 2020	(193,684)
Net income	218,213
Distributions to members	<u>(4,250)</u>
Members' Equity - December 31, 2021	<u>\$ 20,279</u>

BEERHEAD FC, LLC

Statements of Cash Flows

	<i>For the Years Ended December 31,</i>	
	<i>2021</i>	<i>2020</i>
Cash Flows from Operating Activities		
Net income (loss)	\$ 218,213	\$ (69,736)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Paycheck Protection Program forgiveness	(48,200)	-
Bad debts	-	1,343
Changes in operating assets and liabilities:		
<i>(Increase) decrease in:</i>		
Accounts receivable	(505)	8,287
Prepaid expenses and other current assets	(19,808)	(20,818)
Deferred commissions	3,985	3,379
<i>Increase (decrease) in:</i>		
Accounts payable	5,024	(10,796)
Accrued expenses and other current liabilities	(12,894)	12,506
Deferred revenue	17,597	(9,250)
	<u>163,412</u>	<u>(85,085)</u>
Cash Flows from Investing Activities		
Proceeds from (advances to) related parties	14,433	6,221
Refund (payment) of security deposit	-	16
	<u>14,433</u>	<u>6,237</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program Loan	67,487	48,200
Proceeds from economic injury disaster loan	-	3,800
Distributions to members	(8,250)	-
	<u>59,237</u>	<u>52,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	237,082	(26,848)
Cash and Cash Equivalents - beginning	116,330	143,178
Cash and Cash Equivalents - end	\$ 353,412	\$ 116,330
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	\$ 114	\$ -
Accrual of distributions to members	\$ -	\$ 4,000

See notes to financial statements.

BEERHEAD FC, LLC

Notes to Financial Statements

December 31, 2021 and 2020

1 - ORGANIZATION AND NATURE OF BUSINESS

Beerhead FC, LLC (the "Company"), a limited liability company, was formed on August 1, 2014 in the State of Florida. On April 3, 2018, the Company changed its name from TBM Franchise Co., LLC. The Company was formed to grant the rights to own and operate a Beerhead Bar & Eatery franchise, which offer microbrews, craft, flavored, organic, gluten-free, seasonal, and other specialty beers, wines, and other alcoholic beverage products and services, along with certain food items, utilizing the proprietary system ("System"). The Company shall grant each franchisee a transferable right and license to use the System, which consists of the business formats, methods, procedures, signs, designs, layouts, standards, specifications, and marks developed by the Company, and to provide the approved services in accordance with the System. Through December 31, 2021, the Company has granted twelve franchises, two closed, and eight franchises have opened. Through December 31, 2020, the Company has granted eleven franchises, one closed, and seven franchises have opened. In addition, the Company's managing member operates one retail business under the "The Beer Market" trademark for both of the years ended December 31, 2021 and 2020.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Basis of Accounting** - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").
- b. **Cash Equivalents** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.
- c. **Revenue Recognition** - Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Franchise Fee Revenue - Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 over the life of the franchise agreement, typically ten years. Related direct franchise sales costs are deferred until revenue is recognized.

Royalty Fee Revenue - Royalty fee income is recognized weekly based on gross sales, as defined in the franchise agreement.

Advertising and Development Fund - The Company administers a system-wide advertising and development fund (the "Fund") for the benefit of the franchisees. Under the Company's franchise agreements, contributions received from franchisees are designated to the Fund where it must be spent on advertising, product development, marketing, and other activities to promote the franchisees. For the

year ended December 31, 2021, the Company collected and spent approximately \$112,000 through the Fund.

- d. **Estimates** - The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.
- e. **Accounts Receivable** - Accounts receivable are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due accounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience. No allowances for uncollectible accounts were deemed necessary at December 31, 2021 and 2020.
- f. **Advertising and Promotion** - Advertising and promotion costs are expensed as incurred.
- g. **Income Taxes** - The Company, which has been classified as a partnership for federal income tax purposes, is not subject to federal and state income taxes and, accordingly, makes no provision for income taxes in its financial statements. The Company's taxable income or loss is reportable by its members.

The Company files federal and Florida state income tax returns.

The Company did not have material unrecognized tax benefits as of December 31, 2021 and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of *other expense*.

- h. **Paycheck Protection Program Loan** - The Company has chosen to account for its Paycheck Protection Program ("PPP") Loan under FASB ASC 470 Debt. Repayment amounts due within one year, if any, are recorded as current liabilities and the remaining amounts due in more than one year as long-term liabilities. In accordance with ASC 835, Interest, no imputed interest is recorded as the below market interest rate applied to this loan is governmentally prescribed. If the Company is successful in receiving forgiveness for those portions of the loan used for qualifying expenses, those amounts will be recorded as a gain upon extinguishment as noted in ASC 401, Liabilities. (See Note 3).

3 - PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Company obtained funding through the Small Business Administration ("SBA") PPP for \$48,200. The loan may be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities, with at least 60% being used for payroll. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Loan payments will also be deferred for ten months. No collateral or personal guarantees were required for the loan. This loan has an interest rate of 1.00% and a maturity of 2 years. This loan was forgiven in full on June 23, 2021.

In response to the *Economic Aid Act*, the Company received additional funding ("second draw") of \$67,487 in February 2021. The second draw will be recorded as an increase in the existing PPP loan balance and is subject to similar terms. In addition, the second draw is eligible for forgiveness if the funds are used in the same manner as the first PPP loan. In March 2021, the Company applied for forgiveness of \$59,592. Future minimum payments of the amount ineligible for forgiveness is as follows:

*For the Years Ending
December 31,*

2022	\$ 2,555
2023	3,999
2024	<u>1,341</u>
	<u>\$ 7,895</u>

4 - ECONOMIC INJURY DISASTER LOAN

In July 2020, the Company obtained an Economic Injury Disaster Loan (“EIDL”) for \$3,800 through the SBA. The loan has a fixed rate of 3.75% over a term of 30 years. There are no pre-payment penalties or fees. The EIDL is not forgivable. The first payment is deferred 30 months from the date of the loan note, and interest accrues during the deferral period. The proceeds of the loan must be used for working capital and normal operating expenses. The balance at December 31, 2021 for the EIDL, including accrued interest of \$265, was \$4,065. Future minimum payments are as follows:

*For the Years Ending
December 31,*

2022	\$ 77
2023	80
2024	83
2025	86
2026	89
Thereafter	<u>3,650</u>
	<u>\$ 4,065</u>

5 - CONCENTRATION OF CREDIT RISK

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company places its cash with high quality credit institutions. Cash in banks is insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2021, the Company’s cash balance exceeded federally insured limits by approximately \$104,000.

6 - RELATED PARTY TRANSACTIONS

The Company has been licensed the rights to use and to sublicense the Beerhead trademark, owned by its managing member, to franchisees. No license fees were paid in 2021 or 2020.

The Company has been advanced funds from various related parties. Amounts due to related parties is approximately \$12,000 at December 31, 2021. These loans are noninterest bearing and due on demand. At December 31, 2020, the Company had advanced funds to various related parties totaling approximately \$2,400. These loans were noninterest bearing and due on demand. At December 31, 2020, the Company had an amount due to members for distributions payable of \$4,000. These distributions were paid during the year ended December 31, 2021.

7 - COMMITMENTS AND CONTINGENCIES

The Company had a lease for office space in West Palm Beach, Florida. The lease expired December 31, 2020. During the year ended December 31, 2021, the office was rented on a month-to-month basis. The landlord applied rent concessions for the months April through August, October and December 2020 totaling \$10,550 during the year ended December 31, 2021. On February 1, 2022, the lease was renewed, effective January 1, 2022, for a two-year term. Minimum future rent payments are as follows:

<i>For the Years Ending December 31,</i>	
<hr/>	
2022	\$ 21,000
2023	<u>21,000</u>
	<u>\$ 42,000</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$7,876 and \$18,064, respectively.

The Company entered into an agreement with an unrelated consulting company ("Consultant") to market and sell franchises. The Company is obligated to pay the Consultant a fee, as defined, upon execution of the sale of a franchise.

8 - EMPLOYEE RETENTION CREDIT

The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees. During the year ended December 31, 2021, the Company received a total of \$33,490 in employee retention credits. These credits are reported as other income on the statements of operations. At December 31, 2021, \$22,213 of these amounts are included in prepaid expenses and other current assets. The Company expects to receive these amounts during 2022.

9 - COVID-19 PANDEMIC

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of the pandemic are uncertain. Potential implications could include but are not limited to adverse effects on the Company's financial performance, its labor force, delay and/or impedance of financial growth, and business interruption. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

10 - SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through April 11, 2022, the date the financial statements were available to be issued.

BEERHEAD FC, LLC

Financial Statements

December 31, 2020 and 2019

BEERHEAD FC, LLC

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December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Members
Beerhead FC, LLC
West Palm Beach, Florida

We have audited the accompanying financial statements of Beerhead FC, LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in members' equity (deficiency), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beerhead FC, LLC, as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP

Melville, New York
April 8, 2021

BEERHEAD FC, LLC

Balance Sheets

	<i>December 31,</i>	
	<i>2020</i>	<i>2019</i>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 116,330	\$ 143,178
Accounts receivable	10,638	20,268
Prepaid expenses and other current assets	32,999	12,181
Deferred commissions	3,775	2,983
Due from related parties	<u>2,389</u>	<u>8,610</u>
	166,131	187,220
Other Assets		
Deferred commissions - net of current portion	91,039	95,210
Security deposit	<u>93</u>	<u>109</u>
	<u>\$ 257,263</u>	<u>\$ 282,539</u>
LIABILITIES AND MEMBERS' (DEFICIENCY)		
Current Liabilities		
Accounts payable	\$ 15,659	\$ 26,455
Accrued expenses and other current liabilities	23,705	11,199
Due to members	4,000	-
Deferred revenue	<u>24,500</u>	<u>25,000</u>
	<u>67,864</u>	<u>62,654</u>
Other Liabilities		
PPP loan	48,200	-
Economic injury disaster loan	3,800	-
Deferred revenue - net of current portion	<u>331,083</u>	<u>339,833</u>
	<u>383,083</u>	<u>339,833</u>
Members' (Deficiency)	<u>(193,684)</u>	<u>(119,948)</u>
	<u>\$ 257,263</u>	<u>\$ 282,539</u>

See notes to financial statements.

BEERHEAD FC, LLC

Statements of Operations

	<i>For the Years Ended</i>	
	<i>December 31,</i>	
	<i>2020</i>	<i>2019</i>
Revenue		
Franchise fees	\$ 49,250	\$ 22,000
Royalty fees	188,832	356,815
Miscellaneous	<u>3,176</u>	<u>1,278</u>
	<u>241,258</u>	<u>380,093</u>
Selling, General, and Administrative Expenses		
Payroll and related expenses	53,991	150,021
Office	49,308	106,194
Advertising and promotion	120,275	96,440
Travel	15,088	44,533
Professional fees	36,476	34,778
Consulting	4,500	20,250
Rent	18,064	15,958
Franchise expense	-	7,814
Insurance	9,254	6,659
Bad debts	1,343	3,401
Commissions	3,379	2,390
Dues and subscriptions	1,742	1,667
Training expenses	835	1,664
Licenses, permits, and filing fees	<u>739</u>	<u>1,064</u>
	<u>314,994</u>	<u>492,833</u>
(Loss) Before Other Income	(73,736)	(112,740)
Other Income		
Economic injury disaster grant	<u>4,000</u>	<u>-</u>
Net (Loss)	\$ (69,736)	\$ (112,740)

See notes to financial statements.

BEERHEAD FC, LLC

Statements of Changes in Members' Equity (Deficiency)

For the Years Ended December 31, 2020 and 2019

Members' Equity - January 1, 2019	\$ 32,042
Net (loss)	(112,740)
Distributions to members	<u>(39,250)</u>
Members' (Deficiency) - December 31, 2019	(119,948)
Net (loss)	(69,736)
Distributions to members	<u>(4,000)</u>
Members' (Deficiency) - December 31, 2020	<u>\$ (193,684)</u>

BEERHEAD FC, LLC

Statements of Cash Flows

	<i>For the Years Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>
<i>Cash Flows from Operating Activities</i>		
Net (loss)	\$ (69,736)	\$ (112,740)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Bad debts	1,343	3,401
Changes in operating assets and liabilities:		
<i>(Increase) decrease in:</i>		
Accounts receivable	8,287	8,863
Prepaid expenses and other current assets	(20,818)	9,092
Deferred commissions	3,379	(23,610)
<i>Increase (decrease) in:</i>		
Accounts payable	(10,796)	16,378
Accrued expenses and other current liabilities	12,506	(508)
Deferred revenue	(9,250)	70,500
	<u>(85,085)</u>	<u>(28,624)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from (advances to) related parties	6,221	(14,120)
Refund (payment) of security deposit	16	(109)
	<u>6,237</u>	<u>(14,229)</u>
<i>Cash Flows from Financing Activities</i>		
Proceeds from PPP Loan	48,200	-
Proceeds from economic injury disaster loan	3,800	-
Distributions to members	-	(39,250)
	<u>52,000</u>	<u>(39,250)</u>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(26,848)	(82,103)
<i>Cash and Cash Equivalents - beginning</i>	143,178	225,281
<i>Cash and Cash Equivalents - end</i>	\$ 116,330	\$ 143,178
<i>Supplemental Disclosure of Cash Flow Information</i>		
Accrual of distributions to members	\$ 4,000	\$ -

BEERHEAD FC, LLC

Notes to Financial Statements

December 31, 2020 and 2019

1 - ORGANIZATION AND NATURE OF BUSINESS

Beerhead FC, LLC (the "Company"), a limited liability company, was formed on August 1, 2014 in the State of Florida. On April 3, 2018, the Company changed its name from TBM Franchise Co., LLC. The Company was formed to grant the rights to own and operate a Beerhead Bar & Eatery franchise, which offer microbrews, craft, flavored, organic, gluten-free, seasonal, and other specialty beers, wines, and other alcoholic beverage products and services, along with certain food items, utilizing the proprietary system ("System"). The Company shall grant each franchisee a transferable right and license to use the System, which consists of the business formats, methods, procedures, signs, designs, layouts, standards, specifications, and marks developed by the Company, and to provide the approved services in accordance with the System. Through December 31, 2020, the Company has granted eleven franchises, one closed, and seven franchises have opened. Through December 31, 2019, the Company has granted ten franchises and seven franchises have opened. In addition, the Company's managing member operates one retail business under the "The Beer Market" trademark for both of the years ended December 31, 2020 and 2019.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Cash Equivalents** - Cash equivalents, if any, consist of liquid investments with maturities of three months or less at the time of purchase.

b. **Revenue Recognition** -

The Company adopted Accounting Standards Codification ("ASC") 606 - Revenue from Contracts with Customers ("ASC 606") as of January 1, 2019 using the full retrospective method. This method allows the Company to apply ASC 606 to new contracts entered into after December 31, 2018.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied, and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

Franchise Fee Revenue - Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 over the life of the franchise agreement, typically ten years. Related direct franchise sales costs are deferred until revenue is recognized.

Royalty Fee Revenue - Royalty fee income is recognized weekly based on gross sales, as defined in the franchise agreement.

- c. **Estimates** - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.
- d. **Accounts Receivable** - Accounts receivable are recorded at their estimated realizable value after reduction for an allowance for estimated uncollectible accounts. The allowance for uncollectible accounts is determined primarily through specific identification and evaluation of significant past due accounts, supplemented by an estimate applied to the remaining balance of past due accounts, which is based on historical experience. No allowances for uncollectible accounts were deemed necessary at December 31, 2020 and 2019.
- e. **Start-Up Costs** - Start-up costs are expensed as incurred.
- f. **Advertising and Promotion** - Advertising and promotion costs are expensed as incurred.
- g. **Income Taxes** - The Company, which has been classified as a partnership for federal income tax purposes, is not subject to federal and state income taxes and, accordingly, makes no provision for income taxes in its financial statements. The Company’s taxable income or loss is reportable by its members.

The Company is subject to federal and Florida State income taxes.

The Company did not have material unrecognized tax benefits as of December 31, 2020 and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of *other expense*.

- h. **Paycheck Protection Program Loan (PPP)** - The Company has chosen to account for its PPP Loan under FASB ASC 470 Debt. Repayment amounts due within one year, if any, are recorded as current liabilities and the remaining amounts due in more than one year as long-term liabilities. In accordance with ASC 835, Interest, no imputed interest is recorded as the below market interest rate applied to this loan is governmentally prescribed. If the Company is successful in receiving forgiveness for those portions of the loan used for qualifying expenses, those amounts will be recorded as a gain upon extinguishment as noted in ASC 401, Liabilities. (See Note 3).
- i. **Reclassifications** - Certain amounts for 2019 have been reclassified to conform with the current year’s presentation. Such changes had no effect on previously reported net income.

3 - PAYCHECK PROTECTION PROGRAM LOAN (PPP)

In May 2020, the Company obtained funding through the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) for \$48,200. The loan may be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities, with at least 60% being used for payroll. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Loan payments will also be deferred for ten months. No collateral or personal guarantees were required for the loan. This loan has an interest rate of 1.00% and a maturity of 2 years.

In response to the *Economic Aid Act*, the Company received additional funding (“second draw”) of \$67,487 in February 2021. The second draw will be recorded as an increase in the existing PPP loan balance and is subject to similar terms. In addition, the second draw is eligible for forgiveness if the funds are used in the same manner as the first PPP loan.

4 - ECONOMIC INJURY DISASTER LOAN

In July 2020, the Company obtained an Economic Injury Disaster Loan (“EIDL”) for \$3,800 through the SBA. The loan has a fixed rate of 3.75% over a term of 30 years. There are no pre-payment penalties or fees. The EIDL is not forgivable. The first payment is deferred one year and interest accrues during the deferral period. The proceeds of the loan must be used for working capital and normal operating expenses.

As part of the EIDL, the Company received an EIDL advance of \$4,000. This amount was based on the number of employees listed on the Company’s EIDL application, \$1,000 per employee. The EIDL advance does not have to be repaid, and therefore has been classified as “other income” on the statements of operations.

5 - CONCENTRATION OF CREDIT RISK

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company places its cash with high quality credit institutions. Cash in banks is insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (“FDIC”). At December 31, 2020, there was no balance in excess of the FDIC insurance limit.

6 - RELATED PARTY TRANSACTIONS

The Company has been licensed the rights to use and to sublicense the Beerhead trademark, owned by its managing member, to franchisees. No license fees were paid in 2020 or 2019.

The managing member has ownership interest in two of the eleven franchises granted through December 31, 2020.

The Company has advanced funds to various related parties. Amounts due from related parties is approximately \$2,400 and \$8,600 at December 31, 2020 and 2019, respectively. These loans are noninterest bearing.

7 - COMMITMENTS AND CONTINGENCIES

The Company has a lease for office space in West Palm Beach, Florida. The lease expired December 31, 2020. Subsequent to yearend, the lease is on a month-to-month basis.

The Company entered into an agreement with an unrelated consulting company (“Consultant”) to market and sell franchises. The Company is obligated to pay the Consultant a fee, as defined, upon execution of the sale of a franchise.

8 - COVID-19 PANDEMIC

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of the pandemic are uncertain. Potential implications could include but are not limited to adverse effects on the Company’s financial performance, its labor force, delay and/or impedance of financial growth, and business interruption. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Company.

9 - SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through April 8, 2021 the date the financial statements were available to be issued. Except as disclosed in Note 3, there are no other events that were identified to be disclosed.

EXHIBIT G TO FDD

OPERATIONS MANUAL TABLE OF CONTENTS

Beerhead Bar and Eatery Franchise Operations Manual

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EXHIBIT H TO FDD

SAMPLE FORM OF GENERAL RELEASE

BEERHEAD FC, LLC
GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

BEERHEAD FC, LLC (“we,” “us,” “our,” or “Franchisor”) and the undersigned franchisee, _____ (“you,” “your,” or “Franchisee”), currently are parties to a certain franchise agreement dated _____ (the “Franchise Agreement”). You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the “Releasing Parties”), hereby forever release and discharge us and our affiliates, our and their current and former officers, directors, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the “Franchisor Parties”) from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Franchisor Parties (1) arising out of or related to the Franchisor Parties’ obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties’ relationship, from the beginning of time to the date of your signature below, with any of the Franchisor Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your transferring owners likewise grant to us the release and covenant not to sue provided above.

[Signature Page Follows]

BEERHEAD FC, LLC
a Florida limited liability company

By: _____

Title: _____

FRANCHISEE,
a/an _____

By: _____

Title: _____

EXHIBIT I TO FDD

LISTS OF CURRENT AND FORMER FRANCHISEES

Franchisees as of the Prior Fiscal Year End:

BHB Elmhurst, LLC
100 N. York Street
Elmhurst, Illinois 60126
330-398-2314

Craft Brew Hub, LLC
888 N. Meacham Road
Schaumburg, Illinois 60173
(847) 517-8300

Three 30 Hamilton Quarters, LLC
2927 Nationwide Parkway
Brunswick, Ohio 44212
330-273-2222

TBM OH02, LLC
1156 W 11th St.
Cleveland, OH 44113
216-621-2000

Abraham & Sons LLC
156 Rexton St.
Novi, MI 48377
415-515-0344

Three 30 Avon, LLC
2927 Nationwide Parkway
Brunswick, Ohio 44212
330-273-2222

Three 30 Concord, LLC
2927 Nationwide Parkway
Brunswick, Ohio 44212
330-273-2222

Wolfpack Craft and Tap, LLC
5805 Preston Rd.
Suite G594
Plano, TX 75093
469-824-2337

Franchise Agreements Signed as of Prior Fiscal Year But Outlet Not Yet Open:

*Mike's Beer Bar, LLC
110 Federal Street
Pittsburgh, Pennsylvania 15212
843-384-1886

Baysal, LLC
Location to be determined in Ohio
513-254-6454

SA Brew, LLC
Location to be determined in San Antonio, Texas
915-726-9110

New Franchisees since the Prior Fiscal Year End:

N/A

Franchisees that Opened an Outlet since the Prior Fiscal Year End:

N/A

Former Franchisees that Departed the Franchise Network during the Prior Fiscal Year:

The name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of each franchisee who had an outlet terminated, canceled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document, is listed below. The states listed below in which these former franchisees may be contacted are not necessarily the same states in which the former franchisees' franchised businesses were located. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

None

*Denotes a franchisee that has also signed a Development Agreement Rider.

EXHIBIT J TO FDD

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Beerhead Franchise Co., LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Beerhead Bar & Eatery franchised business. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized, or that may be untrue, inaccurate or misleading, in order to be certain that you have been properly represented in this transaction and that you understand the limitations on claims you may make arising from the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the receipt for the Franchise Disclosure Document; instead, you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, then please explain your answer on the back of this sheet.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it?
- Yes__ No__ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes__ No__ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 6. Have you discussed the benefits and risks of developing and operating a Beerhead Bar & Eatery franchised business with an existing Beerhead Bar & Eatery franchisee?
- Yes__ No__ 7. Do you understand the risks of developing and operating a Beerhead Bar & Eatery franchised business?
- Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors?
- Yes__ No__ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Florida?

- Yes__ No__ 10. Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open, or otherwise before we will consent to a transfer of your franchised business?
- Yes__ No__ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Beerhead Bar & Eatery franchised business that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__ No__ 12. Do you agree that no employee or other person speaking on our behalf made any statement or promise to you, or any agreement with you, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__ No__ 13. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Beerhead Bar & Eatery franchised business will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__ No__ 14. Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the Beerhead Bar & Eatery business, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding? When considering this question, please note that nothing in the Franchise Agreement or the attachments to the Franchise Agreement will disclaim or require you (the franchisee) to waive reliance on any representation that we made in our most recent franchise disclosure document (including its exhibits and amendments) delivered to you or your representative.

[Signature Page Follows.]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated

Dated

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated

Dated

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

EXHIBIT K TO FDD

STATE ADDENDA TO DISCLOSURE DOCUMENT

ADDITIONAL DISCLOSURES FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF BEERHEAD FC, LLC

The following are additional disclosures for the Franchise Disclosure Document of Beerhead FC, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of initial franchise and development fees will be deferred until we have met our initial obligations, and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

NEW YORK

1. The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK

STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU,
120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

2. The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither the franchisor, any predecessor, any person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

(a) 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. Nor does any predecessor, any person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark have 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.

(b) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices; or comparable allegations.

(c) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

United States of America v. Pasquale Donofrio, Case No. 1:04cr11-02. On May 20, 2005, Pasquale Donofrio, our Director of Business Relations, was convicted by the U.S. District Court for the Northern District of Ohio of the felonies of conspiracy to defraud the United States government by tax evasion, aiding/abetting the preparation of an employer's quarterly financial tax return, and filing a false individual tax return. Mr. Donofrio was sentenced to eight months imprisonment, which he served from August 5, 2005 to April 3, 2006.

3. The following paragraph is added at the beginning of Item 4 of the Disclosure Document:

Except as described below, neither the franchisor nor any of its affiliates, its predecessors, officers identified in Item 2, or general partner have, during the 10-year period immediately preceding the date of the disclosure document: (a) filed as debtor (or had filed against us, it, him, or her) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy code; (b) obtained a discharge of our, its, his, or her debts under the U.S. Bankruptcy Code or any foreign 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 any foreign bankruptcy code or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign 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. The following language is added to the end of the second paragraph in Item 5:

We use the initial franchise fee to partially defray our costs in assisting you during your opening of the Beerhead Bar & Eatery, such as for our site selection and training expenses.

5. The first paragraph of the Item 17 chart is deleted and replaced with the following:

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

6. The "Summary" sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement chart in the Disclosure Document are amended by adding the following:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 GBL Sections 687.4 and 687.5 be satisfied.

7. The “Summary” section of Item 17(d), entitled **Termination by franchisee**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The franchisee may terminate the agreement on any grounds available by law.

8. The “Summary” section of Item 17(j), entitled **Assignment of contract by franchisor**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

9. The “Summary” sections of Items 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document are amended by adding the following:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

10. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed made in New York if you are domiciled in and the franchise will be operated in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

NEW YORK REPRESENTATIONS PAGE

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

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:

<u>State</u>	<u>Effective Date</u>
California	Not Registered
Hawaii	Not Registered
Illinois	
Indiana	Not Registered
Maryland	Not Registered
Michigan	
Minnesota	Not Registered
New York	
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Item 23
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 Beerhead FC, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **[New York 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 Beerhead FC, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, then a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Beerhead FC, LLC, located at 319 Belvedere Road #5, West Palm Beach, Florida 33405. Its telephone number is (561) 469-2739.

The franchise seller(s) for this offering is or are:

- Greg Goodrich, 319 Belvedere Road #5, West Palm Beach, Florida 33405, (561) 469-2739;
- Pasquale Donofrio, 319 Belvedere Road #5, West Palm Beach, Florida 33405, (561) 469-2739;
-
- _____.

Issuance Date: April 30, 2022

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I have received a Disclosure Document dated April 30, 2022 that included the following Exhibits:

Exhibit A	List of State Administrators	Exhibit G	Operations Manual Table of Contents
Exhibit B	List of State Agents for Service of Process	Exhibit H	Sample Form of General Release
Exhibit C	Franchise Agreement	Exhibit I	Lists of Current and Former Franchisees
Exhibit D	Development Agreement Rider	Exhibit J	Franchisee Disclosure Questionnaire
Exhibit E	State Addenda to Franchise Agreement	Exhibit K	State Addenda to Disclosure Document
Exhibit F	Financial Statements		

Date

(Sign, Date and Return to us, the franchisor)

Prospective Franchisee

Authorized Signature

Item 23
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 Beerhead FC, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **[New York 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 Beerhead FC, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, then a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Beerhead FC, LLC, located at 319 Belvedere Road #5, West Palm Beach, Florida 33405. Its telephone number is (561) 469-2739.

The franchise seller(s) for this offering is or are:

- Greg Goodrich, 319 Belvedere Road #5, West Palm Beach, Florida 33405, (561) 469-2739;
- Pasquale Donofrio, 319 Belvedere Road #5, West Palm Beach, Florida 33405, (561) 469-2739;
-
- _____.

Issuance Date: April 30, 2022

We authorize the respective state agencies identified on Exhibit A to receive service of process for us in the particular state.

I have received a Disclosure Document dated April 30, 2022 that included the following Exhibits:

Exhibit A	List of State Administrators	Exhibit G	Operations Manual Table of Contents
Exhibit B	List of State Agents for Service of Process	Exhibit H	Sample Form of General Release
Exhibit C	Franchise Agreement	Exhibit I	Lists of Current and Former Franchisees
Exhibit D	Development Agreement Rider	Exhibit J	Franchisee Disclosure Questionnaire
Exhibit E	State Addenda to Franchise Agreement	Exhibit K	State Addenda to Disclosure Document
Exhibit F	Financial Statements		

Date

Prospective Franchisee

(Sign, Date and Keep for Your Records)

Authorized Signature