

## **FRANCHISE DISCLOSURE DOCUMENT**

TAPVILLE FRANCHISING INC.  
A Delaware Corporation  
216 S. Washington Street  
Naperville, Illinois 60540  
Telephone: 877.312.8277

E-mail: [franchising@tapvillesocial.com](mailto:franchising@tapvillesocial.com)

[www.tapvillesocial.com](http://www.tapvillesocial.com)

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TAPVILLE SOCIAL

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As a Tapville Social franchisee, you will operate an innovative self-pour beer taproom and self-service restaurant, kiosk, or mobile unit offering craft beer, wine, cider, and cocktails as well as other beverage and food offerings.

The total investment necessary to begin operation of a brick-and-mortar Tapville Social franchised business (hereinafter, the "Brick-and-Mortar Tapville Social Franchised Business") is between \$751,250 and \$2,495,800. This includes \$189,500 to \$318,500 that must be paid to the franchisor or affiliate(s). The total investment necessary to begin operation of a Brick-and-Mortar Tapville Social Franchised Business area development franchise for three to five units is between \$795,750 and \$2,584,800, which includes fees of between \$234,000 and \$407,500 that must be paid to the franchisor or affiliate(s).

The total investment necessary to begin operation of a Kiosk Tapville Social franchised business (hereinafter, the "Kiosk Tapville Social Franchised Business,") is between \$102,750 and \$337,400. This includes \$42,000 to \$145,500 that must be paid to the franchisor or affiliate(s). The total investment necessary to begin operation of a Kiosk Tapville Social Franchised Business area development franchise for three to five units is between \$122,250 and \$376,400, which includes fees of between \$61,500 and \$184,500 that must be paid to us or our Affiliates.

The total investment necessary to begin operation of a mobile Tapville Social franchised business (hereinafter, the "Mobile Taproom Tapville Social Franchised Business," and together with the Brick-and-Mortar Tapville Social Franchised Business and the Kiosk Tapville Social Franchise Business, the "Franchised Businesses," and each a "Franchised Business") is between \$100,500 and \$229,400. This includes ~~\$94,000~~[\\$93,500](#) to \$149,000 that must be paid to the franchisor or affiliate(s). The total investment necessary to begin operation of a Mobile Taproom Tapville Social Franchised Business

Type	2024 Gross Average Revenue by Type	2024 Gross Median Revenue by Type
Strolling Kiosk	\$374,922	\$301,208.50
Strolling, Inline Kiosk	\$183,961	\$183,961
No-Strolling, Kiosk	\$152,739	\$104,126

Inserted Cells

**Beverage Costs: 20.2%**

Beverage costs include all costs associated with sourcing and purchasing all required beverage costs including beer, wine, liquor, soda, and water. It includes products in kegs as well as canned products.

**Definitions**

1. "Gross Revenue" means the total selling price of all services and products sold at and all income and revenue of every other kind related, whether for cash or credit, but excluding tips and taxes collected from customers and paid to taxing authority, and reduced by the amount of any documented refunds, credits, allowances, and chargebacks gave to customers.
2. "Strolling" means locations where a customer can purchase an alcoholic beverage and consume it throughout the common areas of the shopping center, airport or non-leased areas
3. "Inline" means a location that is not a stand-alone location that is located within the confines of three walls within a shopping center, airport or entertainment facility. Inline locations require customers to enter the location.

**Mobile Business – PART III**

**Operational Variability Disclaimer**

The operation and revenue potential of a Mobile Tap Room Business may vary significantly based on geographic location, climate, and the individual franchisee’s business model. In certain regions, particularly in northern states subject to seasonal weather conditions, franchisees may elect to suspend operations during colder months, typically from November through February. Additionally, some franchisees operate the Mobile Tap Room Business as an extension of an existing enterprise, such as a restaurant or catering business, while others may choose to operate the Mobile Tap Room Business on a part-time basis or as a supplementary endeavor. These variations in use and operating frequency may materially impact the financial performance of the business. Due to the wide range of business models, operational frequency, and use cases, Tapville does not disclose revenue or financial performance representations for Mobile Tap Room Businesses.

**Some Tapville Businesses have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Joseph Tota, 216 S. Washington Street, Naperville, Illinois 60540; 877.312.8277, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**TABLE 1**  
**SYSTEMWIDE OUTLET SUMMARY**  
**FOR YEARS 2022 TO 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	2	<u>89</u>	+67
	2023	<u>109</u>	<u>1820</u>	+811
	2024	<u>1820</u>	32	+1412
Company-Owned*	2022	<u>43</u>	<u>43</u>	0
	2023	<u>43</u>	<u>43</u>	0
	2024	<u>43</u>	4	0+1
<b>Total Outlets</b>	2022	<u>65</u>	<u>2212</u>	+167
	2023	<u>1412</u>	<u>3223</u>	+1811
	2024	<u>2223</u>	36	+1413

\*Company-Owned refers to outlets run by our Affiliates.

**TABLE 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**FOR YEARS 2022 TO 2024**

State	Year	Number of Transfers
Connecticut	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
Illinois	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
Pennsylvania	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>2</u>
Texas	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>3</u>
All States	2022	0
	2023	0
	2024	<u>87</u>
<b>Total</b>	2022	0

State	Year	Number of Transfers
	2023	0
	2024	87

**TABLE 3**  
STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Colorado	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Connecticut	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Florida	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Illinois	2022	1	1	0	0	0	0	2
	2023	2	0	1	0	1	0	2
	2024	2	3	0	0	1	0	5
Kentucky	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Louisiana	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Massachusetts	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Michigan	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	1	0	1
Texas	2022	0	4	0	0	0	0	4
	2023	4	5	0	0	0	0	9

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Wisconsin	2024	9	5	1	0	0	0	14
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
<b>Total</b>	<b>2022</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
	<b>2023</b>	<b>9</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>20</b>
	<b>2024</b>	<b>20</b>	<b>1314</b>	<b>1</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>32</b>

**TABLE 4**  
STATUS OF COMPANY-OWNED\* OUTLETS  
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Illinois	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	21	0	54
<b>Total</b>	<b>2022</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2023</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2024</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>54</b>

\*Company-Owned refers to outlets run by our Affiliates.

**TABLE 5**  
PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchise Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Florida	1	1	0
Illinois	1	1	0
New Jersey	1	1	0
Pennsylvania	1	1	0
Texas	2	2	0
<b>Total</b>	<b>6</b>	<b>6</b>	<b>0</b>

Exhibit D contains a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Exhibit D also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We are not aware of any trademark-specific franchisee organizations associated with the franchise system being offered.

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

Attached as Exhibit C are our audited financial statements as of December 31, 2022, December 31, 2023, and December 31, 2024, [and our unaudited financial statements for the period January 1, 2025 through July 31, 2025.](#) Our fiscal year end is December 31.

**ITEM 22.**  
**CONTRACTS**

The following contracts are attached to this Disclosure Document:

Exhibit B FRANCHISE AGREEMENT

- Schedule 1-General Release
- Schedule 2-Nondisclosure and Non-Competition Agreement
- Schedule 3-Unlimited Guaranty and Assumption of Obligations
- Schedule 4-Franchisee Disclosure Questionnaire
- Schedule 5-Collateral Assignment of Lease
- Schedule 6-ACH Payment Agreement
- Schedule 7-Holders of Legal or Beneficial Interest in Franchisee; Officers; Directors
- Schedule 8-State Addenda to the Franchise Agreement
- Schedule 9-SBA Addendum
- Schedule 10 – Marketing Services Agreement
- Schedule 11 – Management Agreement

Exhibit F AREA DEVELOPMENT AGREEMENT

- Appendix A-Development Territory
- Appendix B-Development Schedule
- Appendix C-Unlimited Guaranty and Assumption of Obligations
- Appendix D-List of Principals
- Appendix E-State Addenda to the Area Development Agreement

**ITEM 23.**  
**RECEIPTS**

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Notwithstanding Section 3.1 or any other provision of the Franchise Agreement, all fees will be deferred until after Franchisor's initial obligations to Franchisee are complete. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.
6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

FRANCHISEE:

TAPVILLE FRANCHISING INC.

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

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

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

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

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

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

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

FRANCHISEE:

TAPVILLE FRANCHISING INC.

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

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

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

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

**MINNESOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
- [NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \\$30 on service charges.](#)
- [No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of \(i\) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or \(ii\) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.](#)
- [Minnesota Rule 2860.4400\(K\) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.](#)
- [Notwithstanding Section 3.1 or any other provision of the Franchise Agreement, all fees will be deferred until after Franchisor's initial obligations to Franchisee are complete. The](#)

**EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT**

**TAPVILLE FRANCHISING INC.  
FINANCIAL STATEMENTS**

TAPVILLE FRANCHISING, INC.  
Financial Statements  
December 31, 2024

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(With Independent Auditors'  
Report Thereon)

**SMITH, BUZZI & ASSOCIATES, LLC.**  
CERTIFIED PUBLIC ACCOUNTANTS  
9425 SUNSET DRIVE, SUITE 180  
MIAMI, FLORIDA 33173  
TEL. (305) 598-6701  
FAX (305) 598-6716

JULIO M. BUZZI, C.P.A.  
JOSE E. SMITH, C.P.A.

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Stockholders of  
Tapville Franchising, Inc.

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Tapville Franchising, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2024 and the related statements of operations and retained earnings and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tapville Franchising, Inc. as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Tapville Franchising, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

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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 Tapville Franchising, Inc.'s ability to continue as a going concern for the year ended December 31, 2024.

**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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but ~~not for the purpose of expressing an opinion on the effectiveness of Tapville Franchising, Inc.'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 Tapville Franchising, Inc.'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.

*Smith, Burgin & Associates, LLC.*

Miami, Florida  
April 3, 2025

TAPVILLE FRANCHISING, INC.

Balance Sheet

December 31, 2024

Assets

Cash	\$	10,157
Contributions receivable - escrow		6,686
Accounts receivable		110,765
Accrued interest receivable		-
Property and equipment, net		2,300
Notes receivable from Franchisee		230,694
Other assets		3,228
Investments		<u>116,347</u>
Total assets	\$	<u>480,177</u>

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Liabilities and Stockholders' Equity

Liabilities:

Accounts payable and accrued expenses	\$	56,773
Deferred revenue		<u>484,143</u>
Total liabilities		540,916

Stockholders' equity:

Common stock		2,241,319
Retained earnings (deficit)		<u>(2,302,058)</u>
Total Stockholders' Equity		<u>(60,739)</u>

Total Liabilities and Stockholders' Equity \$ 480,177

See accompanying notes to financial statements.

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TAPVILLE FRANCHISING, INC.  
Statement of Operations and Retained Earnings (Deficit)  
For the Year Ended December 31, 2024

Revenues:	
Franchise sales, net	\$ 188,193
Product sales	-
Service fee income	-
Royalties and licensing	255,315
Earnings (loss) from investments	(304,020)
Interest income	448
Other income	<u>94,955</u>
Total franchise revenues	234,891
Expenses:	
Cost of goods sold	-
Insurance	19,230
Sales commissions	9,000
Advertising and marketing	<u>66,242</u>
Management fee	490,458
Legal and professional	82,888
Conference and trade shows	6,339
Investment fees	10,516
Bank charges and fees	5,616
Travel	66,005
Office and other	48,471
Depreciation expense	1,150
Taxes and licenses	<u>3,795</u>
Total expenses	<u>809,710</u>
Net income (loss)	(574,819)
Retained earnings (deficit), beginning of year	(1,727,239)
Retained earnings (deficit), end of year	\$ <u>(2,302,058)</u>

See accompanying notes to financial statements.

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TAPVILLE FRANCHISING, INC.

Statement of Cash Flows

For the Year Ended December 31, 2024

Cash flows from operating activities:	
Net income (loss)	\$ (574,819)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,150
Equity in earnings of investment	304,020
(Increase) decrease in assets:	
Investments	47,830
Accounts receivable	(8,819)
Inventory	-
Contributions receivable - escrow	(47)
Other assets	2,450
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	10,394
Deferred revenue	<u>(21,346)</u>
Net cash used by operating activities	<u>(239,187)</u>
Cash flows from investing activities:	
Fixed asset acquisition	<u>-</u>
Net cash used by investing activities	<u>-</u>
Cash flows from financing activities:	
Issuance of common stock, net	<u>64,027</u>
Net cash provided by financing activities	<u>64,027</u>
Net decrease in cash and cash equivalents	(175,160)
Cash and cash equivalents, beginning of year	<u>185,317</u>
Cash and cash equivalents, end of year	<u>\$ 10,157</u>
Supplementary disclosure of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>
Non cash transactions	
Employee Equity Grant	<u>\$ -</u>

See accompanying notes to financial statements.

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TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

1. **Summary of Significant Accounting Policies**

Tapville Franchising, Inc. ("Company") was formed in the State of Illinois in December 2018 and became a Delaware based company in 2020. The principal purpose of the Company is to offer and sell franchises that provide beer and wine using a revolutionary pour-your-own technology making each visit a new craft beer adventure.

Following is a description of significant risks facing the Company and how those risks are minimized:

**Legal/Regulatory Risk** - The risk that changes in the legal or regulatory environment in which the Company operates can create additional loss, costs, or expenses not anticipated by the Company in pricing its services. That is, regulatory initiatives may create costs for the Company beyond those currently recorded in the financial statements or assumed in pricing. The Company attempts to minimize this risk by reviewing legislative and other regulatory changes and adjusting rates whenever possible.

**Concentration Risk** - All of the Company's fees were derived from services rendered to customers. Accordingly, the Company could be affected by adverse conditions that may occur from time to time in the marketplace.

**Credit Risk** - The risk that customers that may owe the Company money, will not pay. The Company attempts to minimize this risk by actively monitoring collections of receivables.

a) **Method of Accounting**

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

b) **Property and Equipment**

Property and equipment is stated at cost. Depreciation is computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation is computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

1. **Summary of Significant Accounting Policies - (Cont.)**

c) **Franchise Fees/ Deferred Revenues**

Income is principally comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of products, marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial franchise fee is distinct from the franchise license. The Company generally charges an initial upfront nonrefundable franchise fee upon execution of the Company's Unit Franchise Agreement. Initial franchise fees are typically deferred. A portion of the initial franchise fee is allocated to certain distinct performance obligations and is recognized as revenue when the Company has determined it has provided substantially all of its material obligations required to recognize revenue related to those distinct performance obligations. The portion of the franchise fee that is not allocated to individually distinct performance obligations is recognized as revenue over the term of each respective franchise agreement.

The individual franchise agreements typically have a 10 year initial term and provide the franchisee with an opportunity to enter into renewal terms subject to certain conditions.

The Company recognizes revenue when all of the following four criteria are met:

- persuasive evidence of a sales arrangement exists
- all material obligations have been provided
- the sales price is fixed or determinable and
- collectability is probable

Deferred revenue represents cash received from franchisees for franchise fees and area development fees for which revenue recognition criteria has not been met.

As of December 31, 2024, the Company has recorded deferred franchise fees of \$484,143 relating to stores to be opened in future years or unamortized fees relating to open stores. These amounts are included in deferred revenue.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

1. **Summary of Significant Accounting Policies - (Cont.)**

c) **Franchise Fees/ Deferred Revenues - (Cont.)**

Area development fees - Franchisees contractually enter into area development agreements ("ADAs") to secure the exclusive right to open franchise stores within a defined geographical area. ADAs establish the timing and number of stores to be developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until the Company provides substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is accepted under an ADA, a franchisee signs a franchise operating agreement for the respective franchise location. As each store opens under an ADA, franchisor typically has performance obligations associated with it. As such, the Company will recognize ADA revenue as each individual franchise location is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease.

d) **Accounts Receivable**

Trade accounts receivable consist of amounts due for franchise sales, are carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The Company uses the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of December 31, 2024, a total of \$0 in accounts were reserved.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

1. **Summary of Significant Accounting Policies - (Cont.)**

e) **Income Taxes**

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its initial taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members. In 2020, the Company rescinded its LLC designation and was converted into a "C" corporation. As such, the Company recognized tax or related benefit on its earnings or losses.

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for the tax years 2023, 2022 and 2021, the tax years which remains subject to examination by major tax jurisdictions as of December 31, 2024.

f) **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

g) **Pervasiveness of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

1. **Summary of Significant Accounting Policies - (Cont.)**

g) **Pervasiveness of Estimates - (Cont.)**

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the balance sheet, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

h) **Long-Lived Assets**

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

i) **Concentrations, Risks and Uncertainties**

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Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial responsibility.

j) **Fair Value**

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

k) **Financial Viability**

The Company has experience significant operating losses and cash flow deficiencies during 2024. These occurrences raise concerns about the Company's ability to meet operating costs during the upcoming fiscal year.

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TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

**2. Accounts Receivable**

Accounts receivable consists of amounts due from franchisees for the purchase of franchises and royalty fees. Management uses the direct write-off method when in their opinion a balance is uncollectible. At December 31, 2024 the balance of accounts receivable amounted to \$110,765 and bad debt expense amounted to \$0 for the fiscal year.

**3. Investments**

During 2019, the Company invested in a franchise opened by a non-related franchisee. The Company's investment represents 100% of the franchise and the Company exercises significant influence over franchise operations. Accordingly, the investment is accounted for under the equity method. Under this method, the investment is initially recorded at cost and subsequently adjusted to account for its share of the investment franchise's profits and losses. For 2024, the net franchise (loss)/income was (\$42,415). The carrying value of the investment is \$7,315 at December 31, 2024.

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During 2022, the Company invested in two affiliated franchises. A total of \$400,000 was invested for a 100% ownership stake. The investments are accounted for under the equity method. The net life to date adjustment to the investment of the Company's share of investments' profit and losses amounted to (\$240,036) for 2024. The carrying value of the investments is (\$33,596) at December 31, 2024.

During 2024, the Company invested in two (two) additional affiliated franchises. These investments are accounted for under the equity method. The net adjustment to the investment in the Company's share of investments' profits and losses amounted to (\$21,569). The carrying value of the investments is \$142,628 at December 31, 2024.

**4. Note Receivable from Franchisee**

Beginning in January 2021, the Company advanced funds to cover costs in establishing a franchisee in Evanston, Illinois. Total amounts advanced through December 31, 2024 amounted to \$125,000. During 2024, an additional \$0 was advanced. These combined amounts along with \$96,184 in accounts receivable due the Company from the franchisee were converted into a 4.3% promissory note. The note requires no monthly payments and the principal and accrued interest are due upon the maturity date of December 31, 2026. Accrued interest receivable at December 31, 2024 amounted to \$0.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024

**5. Property and Equipment**

Property and equipment at December 31, 2024, consists of the following:

Training wall	\$	5,750
Office furniture and equipment		<u>-</u>
		5,750
Less accumulated depreciation		<u>(3,450)</u>
	\$	<u>2,300</u>

Depreciation expense for the year ended on December 31, 2024 amounted to \$1,150.

**6. Common Stock**

In August, 2020, the Company authorized the issuance of 3,000,000 shares of preferred stock and 13,000,000 shares of common stock with a par value of \$0.001 per share, respectively. During 2020, the Company converted certain notes payable into common stock and solicited additional investments/capital through StartEngine. A total of \$384,491 was raised via StartEngine. As part of the services provided, StartEngine used and kept \$40,113 of the capital raised that was charged as investment fees. In addition, StartEngine had withheld an additional \$21,465 in escrow to be released six (6) months after the campaign to raise funds was closed. During 2021, an additional net amount of \$811,361 was raised via StartEngine. During 2022 and 2023, an additional amount of \$312,250 and \$113,690, respectively, was raised via StartEngine. During 2024, a total of \$64,027 was raised via StartEngine. During the year a total of \$10,516 was charged as investment fee and as of December 31, 2024 the amount of \$6,686 remains in escrow and is reflected as contributions receivable at December 31, 2024.

**7. Franchise Sales and Agreements**

The Company started offering franchises in February of 2019. The Company enters into franchise agreements with its franchisees. Company's franchise agreements require the Company to provide various items to franchisees including, but not limited to, marketing and operational support.

**8. Subsequent Events**

Management has evaluated subsequent events through April 3, 2025, the date at which the financial statements were available for issue and does not believe that there are any subsequent events that require adjustment or disclosure in the accompanying financial statements.

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**Tapville Franchising Inc.**  
**Balance Sheet**  
As of July 31, 2025

	<b>Total</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Bank Accounts	5,742.32
Accounts Receivable	136,854.77
Escrow	1,188.87
Notes Receivable	230,694.40
<b>Total Current Assets</b>	<b>\$ 374,480.36</b>
<b>Total Fixed Assets</b>	<b>\$ 2,300.00</b>
<b>Other Assets</b>	
Investment	29,092.58
<b>TOTAL ASSETS</b>	<b>\$ 405,872.94</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	4,518.69
Loan Payable	94,583.46
Deferred Income Liability	354,334.82
<b>Total Liabilities</b>	<b>\$ 453,436.97</b>
<b>Equity</b>	
Common Stock	2,293,800.16
Retained Earnings	-2,302,058.73
Net Income	-39,305.46
<b>Total Equity</b>	<b>(47,564.03)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 405,872.94</b>

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

**Tapville Franchising Inc.**  
**Profit and Loss**  
January - July, 2025

	<b>Total</b>
<b>Income</b>	
Franchise Fee Sales	\$ 238,458.34
Royalty & Licensing	178,095.07
Other Income	8,393.50
Loss (earnings) from Investments	(208,110.10)
<b>Total Income</b>	<b>216,836.81</b>
<b>Expenses</b>	
Bank Charges & Fees	5,839.00
Dues & subscriptions	595.00
Investment Fees	4,656.03
Legal & Professional Services	40,804.30
Management Service Fee	196,000.00
Office Supplies & Software	4,337.73
Taxes & Licenses	1,110.00
Travel	2,800.21
<b>Total Expenses</b>	<b>256,142.27</b>
<b>Net Income</b>	<b>\$ (39,305.46)</b>

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**Tapville Franchising Inc.**  
**Statement of Cash Flows**  
January 2025 - July 2025

	Jan - Jul, 2025
<b>OPERATING ACTIVITIES</b>	
Net Income	\$ (39,305.46)
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	(26,090.07)
Escrow	5,496.92
Loan to Final Events	3,228.04
Investment placeholder Other	(4,800.00)
Accounts Payable (A/P)	(52,254.39)
American Express Loan	94,583.46
	20,163.96
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	20,163.96
Net cash provided by operating activities	(19,141.50)
<b>INVESTING ACTIVITIES</b>	
Net cash provided by investing activities	92,054.02
<b>FINANCING ACTIVITIES</b>	
Deferred Income Liability	(129,808.34)
Common Stock	52,480.67
Net cash provided by financing activities	(77,327.67)
Net cash increase for period	\$ (4,415.15)

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

TAPVILLE FRANCHISING, INC.  
Financial Statements  
December 31, 2024 and 2023

(With Independent Auditors'  
Report Thereon)

**SMITH, BUZZI & ASSOCIATES, LLC.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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TEL. (305) 598-6701  
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JULIO M. BUZZI, C.P.A.  
JOSE E. SMITH, C.P.A.

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Stockholders of  
Tapville Franchising, Inc.

***Report on the Audit of the Financial Statements***

***Opinion***

We have audited the accompanying financial statements of Tapville Franchising, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2024 and 2023 and the related statements of operations and retained earnings and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tapville Franchising, Inc. as of December 31, 2024 and 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Tapville Franchising, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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.

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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 Tapville Franchising, Inc.'s ability to continue as a going concern for the year ended December 31, 2024 and 2023.

**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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Tapville Franchising, Inc.'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 Tapville Franchising, Inc.'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.

*Smith, Burgin & Associates, LLC.*

Miami, Florida  
April 3, 2025

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TAPVILLE FRANCHISING, INC.  
Balance Sheets  
December 31, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash	\$ 10,157	185,317
Contribution receivable- escrow	6,686	6,639
Accounts receivable	110,765	101,946
Accrued interest receivable	-	9,510
Notes Receivable from franchisee	230,694	221,184
Other assets	3,228	5,678
Investments	116,347	468,197
Property and equipment, net	2,300	3,450
Total assets	\$ 480,177	1,001,921
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 56,773	46,379
Deferred revenue	484,143	505,489
Total liabilities	540,916	551,868
Stockholders' (deficit) equity:		
Common stock	2,241,319	2,177,292
Retained earnings (deficit)	(2,302,058)	(1,727,239)
Total stockholders' (deficit) equity	(60,739)	450,053
Total liabilities and stockholders' equity	\$ 480,177	1,001,921

See accompanying notes to financial statements.

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TAPVILLE FRANCHISING, INC  
Statements of Operations and Retained Earnings (Deficit)  
For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenue:		
Franchise sales, net	\$ 188,193	269,551
Product sales	-	-
Service fee income	-	-
Royalties and licensing	255,315	239,699
Loss (earnings) from investments	(304,020)	47,698
Interest income	448	9,510
Other income	94,955	16,245
Total revenues	234,891	582,703
Cost of goods sold		
	-	-
Gross profit	234,891	582,703
Expenses:		
Advertising and promotion	66,242	75,876
Depreciation	1,150	1,150
Bank charges	5,616	-
Commission fees-sales	9,000	11,700
Conference and trade shows	6,339	-
Consulting	-	210
Insurance	19,230	17,800
Investment fees	10,516	24,970
Licenses and taxes	3,795	247
Management fee	490,458	573,769
Office expense	48,471	48,298
Professional fees	82,888	81,558
Travel	66,005	1,347
Total expenses	809,710	836,925
Net loss	(574,819)	(254,222)
Distributions	-	-
Retained earnings (deficit), beginning of year	(1,727,239)	(1,473,017)
Retained earnings (deficit), end of year	\$ (2,302,058)	(1,727,239)

See accompanying notes to financial statements.

TAPVILLE FRANCHISING, INC  
Statements of Cash Flows  
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net loss	\$ (574,819)	(254,222)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	1,150	1,150
Equity in earnings (loss) of investments	304,020	(47,698)
(Increase) decrease in assets:		
Accounts receivable	(8,819)	(9,031)
Investments	47,830	159,960
Contributions receivable-escrow	(47)	(4,419)
Other assets	2,450	5,105
Increase (decrease) in liabilities:		
Accounts payable	10,394	(26,989)
Deferred revenues	(21,346)	40,574
Net cash used by operating activities	(239,187)	(135,570)
Cash flows from investing activities:		
Acquisition of fixed assets	-	-
Organizational costs	-	-
Net cash used by investing activities	-	-
Cash flows from financing activities:		
Issuance of common stock	64,027	113,690
Distributions	-	-
Net cash provided by financing activities	64,027	113,690
Net decrease in cash and cash equivalents	(175,160)	(21,880)
Cash and cash equivalents, beginning of year	185,317	207,197
Cash and cash equivalents, end of year	\$ 10,157	185,317
Supplemental disclosure information:		
Income taxes paid	\$ -	-

See accompanying notes to financial statements.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024 and 2023

1. **Summary of Significant Accounting Policies**

Tapville Franchising, Inc. ("Company") was formed in the State of Illinois in December 2018 and became a Delaware based company in 2020. The principal purpose of the Company is to offer and sell franchises that provide beer and wine using a revolutionary pour-your-own technology making each visit a new craft beer adventure.

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**Legal/Regulatory Risk** - The risk that changes in the legal or regulatory environment in which the Company operates can create additional loss, costs, or expenses not anticipated by the Company in pricing its services. That is, regulatory initiatives may create costs for the Company beyond those currently recorded in the financial statements or assumed in pricing. The Company attempts to minimize this risk by reviewing legislative and other regulatory changes and adjusting rates whenever possible.

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a) **Method of Accounting**

Assets and liabilities and revenue and expenses are recognized on the accrual basis of accounting.

b) **Property and Equipment**

Property and equipment is stated at cost. Depreciation is computed using the straight line method of depreciation over the estimated useful life of the assets, which are 5 years.

For federal income tax purposes, depreciation is computed using the appropriate accelerated methods allowed for tax purposes.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

TAPVILLE FRANCHISING, INC.

Notes to Financial Statements

December 31, 2024 and 2023

1. **Summary of Significant Accounting Policies - (Cont.)**

c) **Franchise Fees/ Deferred Revenues**

Income is principally comprised of revenues earned by the Company as part of the franchise sales to customers. Additional revenues earned by the Company are expected from the sales of products, marketing materials and other services to the franchisees and royalties.

The Company recognizes its franchise revenues in accordance with Statement of Financial Accounting Standards ASC 606, which allows that franchise fees from franchise sales be recognized, net of an allowance for uncollectible amounts, if the initial franchise fee is distinct from the franchise license. The Company generally charges an initial upfront nonrefundable franchise fee upon execution of the Company's Unit Franchise Agreement. Initial franchise fees are typically deferred. A portion of the initial franchise fee is allocated to certain distinct performance obligations and is recognized as revenue when the Company has determined it has provided substantially all of its material obligations required to recognize revenue related to those distinct performance obligations. The portion of the franchise fee that is not allocated to individually distinct performance obligations is recognized as revenue over the term of each respective franchise agreement.

The individual franchise agreements typically have a 10 year initial term and provide the franchisee with an opportunity to enter into renewal terms subject to certain conditions.

The Company recognizes revenue when all of the following four criteria are met:

- persuasive evidence of a sales arrangement exists
- all material obligations have been provided
- the sales price is fixed or determinable and
- collectability is probable

Deferred revenue represents cash received from franchisees for franchise fees and area development fees for which revenue recognition criteria has not been met.

As of December 31, 2024 and 2023, the Company has recorded deferred franchise fees of \$484,143 and \$505,489, respectively, relating to stores to be opened in future years or unamortized fees relating to open stores. These amounts are included in deferred revenue.

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TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024 and 2023

1. **Summary of Significant Accounting Policies - (Cont.)**

c) **Franchise Fees/ Deferred Revenues - (Cont.)**

Area development fees - Franchisees contractually enter into area development agreements ("ADAs") to secure the exclusive right to open franchise stores within a defined geographical area. ADAs establish the timing and number of stores to be developed within the defined geographical area. Pursuant to an ADA, a franchisee is generally required to pay an initial nonrefundable development fee for a minimum number of stores to be developed, as outlined in the respective ADA. ADA fees collected in advance are deferred until the Company provides substantially all required obligations pursuant to the ADA. As the efforts and total cost relating to initial services are affected significantly by the number of stores opened in an area, the respective ADA is treated as a divisible contract. As each new site is accepted under an ADA, a franchisee signs a franchise operating agreement for the respective franchise location. As each store opens under an ADA, franchisor typically has performance obligations associated with it. As such, the Company will recognize ADA revenue as each individual franchise location is developed in proportion to the total number of stores to be developed under the ADA. These obligations are typically completed once the store is opened or the franchisee executes the individual property lease.

d) **Accounts Receivable**

Trade accounts receivable consist of amounts due for franchise sales, are carried at their estimated collectible amounts and trade credit will be generally extended on a short-term basis; thus trade receivables do not bear interest. Trade accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition.

The Company uses the reserve method of accounting for bad debts for financial reporting purposes and the direct write-off method for income tax purposes. Trade accounts receivable are charged against the allowance account when such receivables are deemed to be uncollectible. Management considers all unreserved accounts receivable to be collectible. As of December 31, 2024 and 2023, a total of \$0 in accounts were reserved.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024 and 2023

1. **Summary of Significant Accounting Policies - (Cont.)**

e) **Income Taxes**

The Company filed an election with the Internal Revenue service to be treated as a Limited Liability Corporation ("LLC") for all its initial taxable years. An LLC is not subject to corporate income tax. The Company's taxable income or loss and tax credits pass through to the members. In 2020, the Company rescinded its LLC designation and was converted into a "C" corporation. As such, the Company recognized tax or related benefit on its earnings or losses.

The Company follows the provisions of Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The evaluation was performed for the tax years 2023, 2022 and 2021, the tax years which remains subject to examination by major tax jurisdictions as of December 31, 2024.

f) **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents consist of cash on hand and in banks.

g) **Pervasiveness of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024 and 2023

1. **Summary of Significant Accounting Policies - (Cont.)**

g) **Pervasiveness of Estimates - (Cont.)**

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the balance sheet, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from estimates.

h) **Long-Lived Assets**

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

i) **Concentrations, Risks and Uncertainties**

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents. The Company maintains its cash in well-known financial institutions selected based upon management's assessment of the financial institution's financial responsibility.

j) **Fair Value**

The Company follows ASC 820-10, "Fair Value Measurements". ASC 820-10 provides a definition of fair value, establishes a framework for measuring fair value under Generally Accepted Accounting Principles ("GAAP") and requires expanded disclosure about fair value measurements. The standard applies when GAAP requires or allows assets or liabilities to be measured at fair value and, therefore, does not expand the use of fair value in any new circumstance. The fair value of financial instruments to be classified as assets or liabilities including cash and trademarks approximate carrying value, principally because of the short maturity of those items.

k) **Financial Viability**

The Company has experience significant operating losses and cash flow deficiencies during 2024 and 2023. These occurrences raise concerns about the Company's ability to meet operating costs during the upcoming fiscal year.

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TAPVILLE FRANCHISING, INC.  
Notes to Financial Statements  
December 31, 2024 and 2023

2. **Accounts Receivable**

Accounts receivable consists of amounts due from franchisees for the purchase of franchises and royalty fees. Management uses the direct write-off method when in their opinion a balance is uncollectible. At December 31, 2024 and 2023, the balance of accounts receivable amounted to \$110,765 and \$101,946, respectively, and bad debt expense amounted to \$0 for each fiscal year.

3. **Investments**

During 2019, the Company invested in a franchise opened by a non-related franchisee. The Company's investment represents 100% of the franchise and the Company exercises significant influence over franchise operations. Accordingly, the investment is accounted for under the equity method. Under this method, the investment is initially recorded at cost and subsequently adjusted to account for its share of the investment franchise's profits and losses. For 2024 and 2023, the net franchise (loss)/income was (\$42,415) and \$57,230, respectively. The carrying value of the investment is \$7,315 at December 31, 2024 and \$32,230 at December 31, 2023.

During 2022, the Company invested in two affiliated franchises. A total of \$400,000 was invested for a 100% ownership stake. The investments are accounted for under the equity method. The net life to date adjustment to the investment of the Company's share of investments' profit and losses amounted to (\$240,036) and (\$9,532) for 2024 and 2023, respectively. The carrying value of the investments is (\$33,596) at December 31, 2024 and \$435,967 at December 31, 2023.

During 2024, the Company invested in two (two) additional affiliated franchises. These investments are accounted for under the equity method. The net adjustment to the investment in the Company's share of investments' profits and losses amounted to (\$21,569). The carrying value of the investments is \$142,628 at December 31, 2024.

4. **Note Receivable from Franchisee**

Beginning in January 2021, the Company advanced funds to cover costs in establishing a franchisee in Evanston, Illinois. Total amounts advanced through December 31, 2024 and 2023 amounted to \$125,000. During 2024, an additional \$0 was advanced. These combined amounts along with \$96,184 in accounts receivable due the Company from the franchisee were converted into a 4.3% promissory note. The note requires no monthly payments and the principal and accrued interest are due upon the maturity date of December 31, 2026. Accrued interest receivable at December 31, 2024 amounted to \$0 and \$9,510 at December 31, 2023.

**EXHIBIT D TO THE DISCLOSURE DOCUMENT  
LIST OF CURRENT AND FORMER FRANCHISEES**

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets:

<b>ARIZONA</b>	
N/A	
<b>CALIFORNIA</b>	
LECHYC Holdings West Coast, LLC c/o Andrew Lech 12520 Crenshaw Blvd. Hawthorne, CA 90250 T: 708-404-1255	
<b>COLORADO</b>	
Meraki Holdings, Ltd* c/o Colton Harris 1010 Park Avenue West Denver, CO 80205 T: 720-839-1045 <i>KIOSK</i>	
<b>CONNECTICUT</b>	
NextChapterABM LLC c/o Michael Gallop 401 Federal Road Brookfield, Connecticut 06804 T: 203-395-1236	NextChapterapwestbrook, LLC c/o Michael Gallop 314 Flat Rock Pl, Suite #E130 West Brook, Connecticut 06498 T: 203-395-1236
<b>FLORIDA</b>	
Knoll Group LLC c/o Terry Knoll 350 S.W. 2nd Avenue, Unit 1150 Ft. Lauderdale, Florida 33301	Moon's Beer Kiosk, LLC* c/o Sandy Moonsamy 8001 S Orange Blossom Trail Orlando, FL 32809 T: 912-484-0343
Sunshine Tap, LLC c/o Brian Dunleavy 2300 Grand Cypress Drive Lutz, FL 33559 T: 813-838-8896	Todd Rittle 10108 Evergreen Hill Drive Tampa, Florida 33647 T: 727-729-2758
<b>ILLINOIS</b>	
Tapville Social - Rosemont 5220 Fashion Outlets Way Rosemont, IL 60018 T: 847-928-7500	A312 Taproom, LLC* c/o Ajaykrishnan Venkatachalam T: 312-203-2038

	<b>Woodfield Mall - KIOSK</b> 5 Woodfield Mall Schaumburg, IL 60173
<b>Final Stretch Events LLC</b> c/o Edwin Jose Goitia T: 630-888-7298  <i>Chicagoland</i> 662 Kelley Drive North Aurora, Illinois 60542  <i>Fox Valley Mall</i> 195 Fox Valley Center Drive Aurora, IL 60504	<b>Tapville Social - Mobile Taproom</b> 216 S. Washington Naperville, IL 60540 T: 847-928-7500  (Operated under a franchise agreement with Craft & Q, LLC, an entity wholly owned by our CEO, Joseph Tota)
<b>Bangers and Lace Evanston, LLC</b> c/o Robert Podesta 810 Grove Street Evanston, Illinois 60201 T: 847-905-0873	<b>Tapville Social - Red Arrow - Elmhurst, IL</b> 111 E. First St. Elmhurst, IL 60126 T: 847-928-7500  (Operating pursuant to a management agreement)
<b>KENTUCKY</b>	
<b>Sai Gandhan*</b> 7900 Shelbyville Road Louisville, KY 40222 T: 409-392-0323 <b>KIOSK</b>	
<b>LOUISIANA</b>	
<b>D+V Schwab, LLC*</b> c/o Daniel Schwab 520 Rio Vista Avenue Jefferson, LA 70121 T: 504-319-2817	
<b>MARYLAND</b>	
<b>G Squared Associates, LLC*</b> c/o Katrina Greene <u>and Chandra Goodman</u> 10300 Little Patuxent Parkway Columbia, MD 21044 T: 202-497-4133  <u>Chandra Goodman</u> <u>95 Capital Court</u> <u>Upper Marlboro, Maryland 20774</u>	<u>Chandra Goodman</u> <u>95 Capital Court</u> <u>Upper Marlboro, Maryland 20774</u> <u>T: 202-498-5920</u>

<u>T: 202-498-5920</u>	
<b>MASSACHUSETTS</b>	
JK Management Unlimited, LLC* c/o Kelsey Lindsey 34 Southwest Park Westwood, MA 0209 T: 508-523-5569	
<b>MICHIGAN</b>	
Pour It Yo Damself LLC* c/o Sam Kirkland 23221 Argyle Road Novi, MI 48374 T: 773-454-2948	
<b>MISSISSIPPI</b>	
N/A	
<b>NEVADA</b>	
N/A	
<b>NEW YORK</b>	
Caitlyn Yajaira & Marlon Herrera 8 W. Main Street Patchogue, NY 11772 T: 516-406-6319	
<b>NORTH DAKOTA</b>	
N/A	
<b>OHIO</b>	
N/A	
<b>PENNSYLVANIA</b>	
Wexford Taps, LLC c/o Saurabh Bhatia 11978 Perry Highway, Unit 401 Wexford, PA 15090 T: 412-526-3782	Krishnasamy Karuppiah 11978 Perry Highway Suites 401-403 Wexford, Pennsylvania 15090 T: 412-478-1312
<b>RHODE ISLAND</b>	
N/A	
<b>TEXAS</b>	
JFW Texas Tap, LLC c/o Felix Waller T: 918-740-6360  16628 San Pedro Avenue, San Antonio, TX 78232	Successville, LLC 111 S. Main Street Nolanville, TX 76559  <i>Northwestern</i> c/o Meredith Viguers T: 254-466-9121

<b>15900 La Cantera Parkway</b> <b>San Antonio, TX 78256</b>  <b>2601 Preston Road</b> <b>Frisco, TX 75034</b>  <b>1201 Lake Woodlands Drive, Suite 700</b> <b>Woodlands, TX 77380</b>	<b><i>Metroplex</i></b> <b>c/o Jonathan Viguers</b> <b>T: 254-466-9122</b>  <b><i>Central</i></b> <b>c/o Jonathan Viguers</b> <b>T: 254-466-9122</b>
<b>Twisted Tap, LLC</b> <b>c/o Lillie Bartholomew</b> <b>126 North Star</b> <b>Tuscola, TX 79562</b> <b>T: 325-660-4512</b>	<b>Cross Mountain Vineyards, LLC</b> <b>c/o Justin Evans</b> <b>308 East Main Street</b> <b>Fredericksburg, TX 78624</b> <b>T: 214-499-7981</b>
<b>Come and Pour it, LLC</b> <b>c/o Nadia &amp; Justin Urias</b> <b>4304 Roadrunner Trail</b> <b>Midland, TX 79707</b> <b>T: 432-312-8696</b>	<b>Houston Hub, Inc.*</b> <b>c/o Nina De La Cruz</b> <b>9814 Joyce Drive</b> <b>Iowa Colony, TX 77583</b> <b>T: 832-305-5033</b>
<b>Keaghon &amp; Tiffany Daville</b> <b>8075 E. Ashford Park</b> <b>Orange, Texas 77612</b> <b>T: 409-313-2211</b>	<b>Rob Kliner*</b> <b>Grapevine Mills Crossing</b> <b>Grapevine Mills Parkway</b> <b>Grapevine, Texas 76051</b> <b>T: 240-593-2150</b>
<b>VIRGINIA</b>	
N/A	
<b>WISCONSIN</b>	
<b>Matty's Bar &amp; Grill, Inc.</b> <b>c/o Matt Anderson</b> <b>14460 W. College Avenue</b> <b>New Berlin, WI 53151</b> <b>T: 414-305-9278</b>	

The following is a list of the names and contact information of all franchisees that have signed a franchise agreement, but have not yet opened for business:

<b>FLORIDA</b>	
<b>Sixth Kid Five Eleven Enterprises Corp</b> <b>100 S Eola Dr.</b> <b>Orlando, FL 32801</b> <b>T: (352) 470-5408</b>	
<b>ILLINOIS</b>	
<b>Tap &amp; Pour LLC</b> <b>123 W Washington Street, Suite 101</b>	

<b>Oswego, IL</b> <b>T: (708) 299-7929</b>	
<b>NEW JERSEY</b>	
<b>Rakesh Antala</b> <b>30 Mall Drive West</b> <b>Jersey City, NJ 07310</b> <b>T: (973) 876-9617</b>	
<b>PENNSYLVANIA</b>	
<b>Durmski Holding Corp.</b> <b>1500 Smallman St.</b> <b>Pittsburgh, PA</b> <b>T: (724) 600-9884</b>	
<b>TEXAS</b>	
<b>Synergy Techops Services LLC</b> <b>122 Cherry Sage Ct.</b> <b>Dripping Springs, TX 78620</b> <b>T: (248) 826-7113</b>	<b>Todd Surla</b> <b>8401 Gateway Blvd W</b> <b>El Paso, TX 79925</b> <b>T: (228) 216-2785</b>

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

<a href="#"><u>TVC1, LLC*</u></a> c/o Robert Kliner – Restaurant 3540 N. Grapevine Mills Blvd., Suite 100 Grapevine, TX 76051 <a href="tel:240-593-2150"><u>T: 240-593-2150</u></a>  <i>Terminated</i>	<a href="#"><u>LVNV Entertainment LLC*</u></a> c/o Jay King 2478 Alfa Circle Las Vegas, Nevada 89142 T: 865-387-0100  Las Vegas, NV – Restaurant 3200 S Las Vega Blvd., Suite S Las Vegas, NV 89109 <i>Terminated</i>
<a href="#"><u>Tchula, MS – Mobile</u></a> <a href="#"><u>20 Rushbrook Road</u></a> <a href="tel:662-391-169"><u>Tchula, MS 39169</u></a>	<a href="#"><u>Jermaine Lee</u></a> El Segundo, CA – Restaurant 740 S Allied Way, Suite A

<p><del>Transferred</del> <a href="#">Tarheel Cardinal, Inc.</a>  <a href="#">c/o Praveen Shirumalla</a>  <a href="#">1414 Fording Island Rd, Bluffton, SC 29910</a>  <a href="#">T: 919-523-7814</a></p> <p><i>Terminated</i></p>	<p>El Segundo, CA 90245  <a href="#">T: 916-633-3478</a></p> <p><i>Terminated</i></p>
<p><a href="#">Geneva Tap, LLC</a>  <a href="#">c/o Michael Smith</a>  <a href="#">101 W State Geneva, IL 60134</a>  <a href="#">(630) 865 8828</a></p> <p><i>Terminated</i></p>	

The following is a list of the names of all current corporate-owned locations and the address and telephone number of each of the outlets:

**None.**

\* [Denotes an Area Developer.](#)

**AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

This Amendment amends the Area Development Agreement, dated \_\_\_\_\_ (the "Agreement"), between Tapville Franchising Inc., a Delaware corporation ("Tapville Social") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "Maryland Franchise Law" means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

5. This area development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

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

8. All acknowledgements referenced in paragraphs C, D, and E of the "Development Schedule" Section shall not apply if the franchisee resides within, or if the franchised business will be located within the State of Maryland.

9. Section 10(c) is hereby deleted in its entirety.

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[signature page to follow]**

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

**[REMAINDER OF PAGE INTENTIONALLY BLANK]**  
**[SIGNATURE PAGE TO FOLLOW]**

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Area Development Agreement on the same date as that on which the Area Development Agreement was executed.

**FRANCHISOR:**

Tapville Franchising Inc.  
doing business as Tapville Social

By: \_\_\_\_\_  
Name: Joseph Tota  
Title: Chief Executive Officer  
Date: \_\_\_\_\_

Delivery Addresses for Notices:

Tapville Franchising Inc.  
216 S. Washington Street  
Naperville, Illinois 60540

Brett Buterick, Esquire  
The Franchise Firm LLP  
225 Wilmington West Chester Pike, Suite 200  
Chadds Ford, Pennsylvania 19317

**FRANCHISEE:**

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

Delivery Address for Notices:

**MARYLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

~~1.~~ Item 5, "Initial Fees," is supplemented, by the addition of the following: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owned by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

~~3.~~ Item 17.b. is modified to also provide, "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

~~24.~~ Item 17.u. is modified to also provide, "A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable."

~~35.~~ Item 17.v. is modified to also provide, "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise."

~~6.~~ In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

**MINNESOTA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
- [NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \\$30 on service charges.](#)
- [No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of \(i\) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or \(ii\) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.](#)
- [Minnesota Rule 2860.4400\(K\) prohibits a franchisor from requiring a security deposit except for the purpose of securing against damage to property, equipment, inventory, or leaseholds.](#)
- [Notwithstanding Section 3.1 or any other provision of the Franchise Agreement, all fees will be deferred until after Franchisor's initial obligations to Franchisee are complete. The](#)

[Minnesota Securities Registration Division imposed this deferral requirement due to Franchisor's financial condition.](#)

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

## EXHIBIT H TO THE DISCLOSURE DOCUMENT

### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<u>State</u>	<u>Effective Date</u>
California	<a href="#">Pending September 8, 2025</a>
Hawaii	Pending
Illinois	April 30, 2025
Indiana	June 4, 2025
Maryland	Pending
Michigan	N/A
Minnesota	Pending
New York	Pending
North Dakota	N/A
Rhode Island	N/A
South Dakota	N/A
Virginia	Pending
Washington	N/A
Wisconsin	June 5, 2025

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.