

## FRANCHISE DISCLOSURE DOCUMENT



**TourScale Franchising, LLC,**  
An Arizona limited liability company  
323 West Davie ~~Street~~Street, Raleigh,  
NC 27601  
888-753-7507  
kai@toursscale.com  
toursscale.com; trolleypub.com;  
paddlepub.com; tikipub.com;  
cruisintikis.com

TourScale Franchising, LLC, an Arizona limited liability company, franchises the right to use the Trolley Pub, Trolley Party, Tiki Pub, Paddle Pub, and Cruisin' Tikis names, logos, company websites, pedal-powered vehicles and vessels, and business methods in the mobile entertainment tour industry.

The total investment necessary to begin operation of a vehicle-based (Trolley Pub or Trolley Party) franchise is ~~\$75,150~~140,050 to ~~\$204,150~~210,650. This includes ~~\$51,100~~121,100 to ~~\$125,450~~145,450 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to begin operation of a vessel-based (Paddle Pub, Tiki Pub or Cruisin' Tikis) franchise is ~~\$99,650~~105,769 to ~~\$411,150~~682,650. This includes ~~\$65,600~~81,269 to ~~\$282,950~~577,850 that must be paid to the franchisor and/or its affiliates.

The total investment necessary to begin operation of 2 to 3 TourScale businesses under a TourScale Area Development Agreement is \$135,719 to \$742,550. This includes \$111,219 to \$637,750 that must be paid to the franchisor or affiliate depending on the type of vessel/vehicle you choose to open. You must open at least 2 TourScale businesses under an Area Development Agreement.

~~The total investment necessary to begin operation of a combined vehicle-based and vessel-based (Trolley Party with Paddle Pub, Tiki Pub, or Cruisin' Tikis) franchise is \$154,800 to \$595,300. This includes \$96,700 to \$388,400 that must be paid to the franchisor and/or its affiliates.~~

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Kai Kaapro at 323 West Davie ~~Str~~eet, Raleigh, North Carolina 27601 and 888-753-7507.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “**A Consumer’s Guide to Buying a Franchise**,” which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 1, 2025 as amended on September 17, 2025

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or <u>Exhibit H</u> .
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <u>Exhibit K-J</u> may include financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only TourScale Business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a TourScale Business franchisee?</b>	Item 20 or <u>Exhibit H</u> lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## 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 North Carolina. ~~Out-Of-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 than in your own state.
- ~~2. **Mandatory Minimum Payments.** You must make minimum advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.~~  
~~**Minimum Advertising, and Other Payments.** You must make minimum advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.~~
- ~~2.~~
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
6. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

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### EXHIBITS

A	List of State Administrators		
B	List of Agents for Service of Process	<del>GH</del>	Franchisee List
C	Franchise Agreement	<del>IH</del>	General Release
<u>D</u>	<u>Area Development Agreement</u>	<del>JF</del>	Financial Statements
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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**The Franchisor, Its Parents, and Affiliates.**

Throughout this disclosure document, “**TourScale Franchising**”, “**TourScale**”, “**we**”, “**us**”, “**our**”, or “**Franchisor**” means TourScale Franchising, LLC, which does business as Paddle Pub, Tiki Pub, Trolley Pub, Trolley Party, and/or Cruisin’ Tikis. “**You**” means the person who buys the franchise and includes the owners of any corporation, partnership or limited liability company that buys the franchise.

TourScale Franchising is an Arizona limited liability company that was formed on April 27, 2020. Our principal business address is 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601 and telephone number is 888-753-7507. Our agents for service of process are listed in Exhibit B. We currently engage in licensing mobile entertainment tour franchises and distributing mobile entertainment tours and related products and services. We may modify the products and services we offer at any time.

Our direct parent company is TourScale, LLC (“**Holdco**”), an Arizona limited liability company which was formed on April 27, 2020, and is located at 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601. Holdco serves as a holding company for certain of our affiliates and owns or licenses intellectual property used by our affiliates and TourScale Franchising.

TourScale Enterprises, LLC (“**TSE**”), a Delaware limited liability company was formed on August 31, 2023. It is the parent company of Holdco and also serves as a holding company for certain of our affiliates. TSE owns or licenses intellectual property used by our affiliates and TourScale Franchising. The address for TourScale Enterprises, LLC, is 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601 and telephone number is 888-753-7507.

On January 1, 2024, TourScale and its affiliates completed an internal consolidation. Specifically, KCV (defined below), along with its subsidiary TPNC (defined below) and TPNC’s subsidiaries TourCraft (defined below) and KCH Sales (defined below), consolidated their ownership into TSE. This consolidation was carried out through an “F Reorganization” (as defined in Internal Revenue Code Section 368(a)(1)(F)), in which the legacy equity of KCV was transferred to a newly formed entity, KCVP (defined below).

Other than TSE, we do not have any predecessors during the ten (10) year period immediately before the close of our most recent fiscal year.

We have eleven (11) affiliates in addition to the entities described above, with the following ownership structure:

1. Kaapro & Cole Ventures, LLC (“**KCV**”), an Arizona limited liability company formed on January 10th, 2011, and located at 323 West Davie St, Raleigh, North Carolina 27601, which owns 100% of TourScale, LLC and Capitol Pedicycle, LLC, and maintains 50% ownership of Trolley Pub San Antonio, LLC.
2. Capitol Pedicycle, LLC (“**Capitol Pedicycle**”), a Wisconsin limited liability company formed on December 21, 2010, and located at 323 West Davie Street, Raleigh, North Carolina 27601.

3. Trolley Pub of North Carolina, LLC (“TPNC”), a North Carolina limited liability company formed on January 12, 2012, and located at 323 West Davie Street, Raleigh, North Carolina 27601, which owns 100% of Trolley Pub Hospitality, LLC ~~and Trolley Pub of Tennessee, LLC.~~
4. Trolley Pub Hospitality, LLC (“TPH”), a North Carolina limited liability company formed on February 2, 2017, and located at 323 West Davie Street, Raleigh, North Carolina 27601.
5. Paddle Pub, LLC (“PPLLC”), a North Carolina limited liability company formed on October 4, 2018, and located at 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601.
6. TourCraft, LLC (formerly known as Trident Pedal Boats, LLC) (“TourCraft”), an Arizona limited liability company formed on March 13, 2019, and located at 14700 NW US Hwy 441, Alachua, FL 32615.
7. Trolley Pub San Antonio, LLC (“TPSA”), a Texas limited liability company formed on March 8, 2021, and located at 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601.
- ~~8. KCH Sales, LLC (“KCH Sales”), an Arizona limited liability company formed on September 10, 2021, and located at 323 West Davie Street, Raleigh, NC 27601.~~
- ~~9.~~8. Trolley Pub of Tennessee, LLC (“TPTN”), a Tennessee limited liability company formed on September 13, 2021, and located at 323 West Davie St., Raleigh, North Carolina 27601
- ~~10.~~9. Legacy KCV Parent, LLC (“KCVP”), an Arizona limited liability company formed on December 12, 2023, and located at 323 West Davie St. Raleigh, North Carolina 27601.
- ~~11.~~10. Cruisin’ Tikis Holdings, LLC (“CTH”), an Arizona limited liability company formed on January 15, 2025 and located at 323 West Davie St., Raleigh, North Carolina, 27601

Capitol Pedicycle, TSE, PPLLC, PPCLLC, TPNC, TPH, ~~TPTN~~, and TPSA engage in the same business that TourScale franchisees will operate. Our affiliates have been operating businesses of this type since 2011. We have not offered franchises in any other lines of business.

TourCraft acts as a broker facilitating the purchase of pedal-powered vehicles and commercial vessels between manufacturers and franchisees, affiliates, and others. TourCraft coordinates the manufacturing process and charges a processing fee for its services in facilitating these transactions.

KCVP is a holding company that holds equity in TSE. It does not engage in any direct business activity.

Other than as described above, we and our affiliates have not operated any other lines of business.

## **The Franchise**

We offer franchises for tour and experience businesses operated under the names “Trolley Pub”, “Trolley Party”, “Tiki Pub”, “Paddle Pub”, and “Cruisin’ Tikis” (each a “TourScale Business” and collectively, the “TourScale Businesses”), which are established and operated using the format and system we develop and make available to franchisees (the “System”). Some of the features of our System include distinctive standards and specifications for equipment, software, hardware, operations specifications, customer service standards, training, and marketing and promotional programs. We may periodically change and improve the System. Trolley Pub TourScale Businesses involve the operation and sale of tours on pedal-powered land-based vehicles and services related thereto. Paddle Pub TourScale Businesses involve the operation and sale of tours on pedal-powered water-based vessels and services related thereto. Tiki Pub and Cruisin’ Tikis TourScale Businesses involve the operation and sale of tours on water-based vessels and services related thereto. Combined TourScale Businesses involve the operation and sale of tours and related services for each or some type of vehicle or vessel. Some TourScale Businesses sell products such as branded merchandise and, in some cases, food and beverages. TourScale Businesses do not directly

engage in the sale of alcoholic beverages, except in cases where there are off-premises alcohol sales in conjunction with a retail operation.

We offer to enter into franchise agreements with qualified legal entities and persons that wish to establish and operate one or more TourScale Businesses.

You must use the System to operate your TourScale Business, which includes the common use and promotion of the names “**TROLLEY PUB**”, “**PADDLE PUB**”, “**TROLLEY PARTY**”, “**TIKI PUB**”, “**CRUISIN' TIKIS**”, or some combination of these names, and other service marks, trademarks, trade names, logos, signs, slogans, other commercial symbols we may designate from time to time for the operation of TourScale Businesses (collectively, the “**Marks**”). We may from time to time add or delete products and/or services and change the System and you will be expected to follow suit. You will offer and provide products and services to the general public, at all times complying with the Franchise Agreement and our confidential operations manual (the “**Operations Manual**” or “**Manual**”) that will be made available to you after you sign your Franchise Agreement.

We also offer qualified individuals the right to open and operate multiple locations within a defined geographical area (the “**Development Area**”) by: (i) executing our current form of Area Development Agreement (the “**Area Development Agreement**”); and (ii) paying our then-current development fee upon execution of your Area Development Agreement, which will depend on the number of locations you agree to open (the “**Development Fee**”).

You will be required to enter into our then-current form of franchise agreement for each of the locations you are required to open under the Area Development Agreement, and you must execute the Franchise Agreement for your initial location contemporaneously with the execution of your Area Development Agreement. You must then ensure that you open and commence operations of each additional location in the Development Area in accordance with a development schedule set forth in your Area Development Agreement (the “**Development Schedule**”).

### **Industry-Specific Regulations**

You will be required to comply with all local, state and federal laws and regulations that apply to the operation of your TourScale Business, including health, sanitation, non-smoking, equal employment, employee safety, discrimination, employment and wage and hour statutes, Family Medical Leave Act, and the federal Americans with Disability Act of 1990.

Franchisees operating Trolley Pubs will be required to comply with all traffic and road safety laws, as well as local laws and ordinances with respect to the consumption of alcohol by customers on the Trolley Pub. Franchisees operating Paddle Pubs, Tiki Pubs, and/or Cruisin' Tikis will be required to obtain and maintain all necessary licenses, including required United States Coast Guard licenses, comply with all applicable drug testing laws and regulations, comply with federal, state, and local laws regarding commercial charters, as well as applicable marina rules and regulations, permit requirements, vessel integrity, boat safety, alcohol, and other business licensing requirements.

You should consult with your attorney and local, county, state and federal government agencies concerning these and other laws and ordinances that may affect the operation of a TourScale Business

before you sign a Franchise Agreement. It is your, and only your, responsibility on a continuous basis to investigate and satisfy all local, county, state and federal laws as they vary from place to place and may change from time to time.

## **Market and Competition**

The market for tour and experience businesses is developed but evolving. Your TourScale Business will compete with other forms of tour, activity and experience businesses, some of which may offer the same or similar services and products to those offered by TourScale Businesses or our affiliates. Competitors will include franchise systems, independent operators, chains, hotels, hospitality companies, and other tour operators, which may include other businesses owned by us or our affiliates. In addition, many of these competitors may have substantial financial, marketing, and other resources and they may already be established in your market. Sales may be seasonal depending on weather conditions and the geographic area in which you operate your TourScale Business. For example, in cold weather cities, sales may be more robust in the summer months as opposed to the winter months in which sales may be slower.

## **ITEM 2 BUSINESS EXPERIENCE**

Co-Chief Executive Officer: Kai Kaapro. Mr. Kaapro has served as Co-Chief Executive Officer of TourScale since June 2020 Raleigh, NC. Since December 2020, Mr. Kaapro also holds the title of Chief Executive Officer. Mr. Kaapro has also served as Managing Partner of TourCraft, LLC (formerly known as Trident Pedal Boats, LLC) in Raleigh, NC, since July 2019, President of Paddle Pub, LLC in Raleigh, NC, since August 2018, and Managing Member of Kaapro & Cole Ventures, LLC in Raleigh, NC, overseeing Trolley Pub operations since November 2012.

Co-Chief Executive Officer: Andrew Cole. Mr. Cole has served as Co-Chief Executive Officer of TourScale in Austin, TX since December of 2020, previously serving as Vice President of TourScale from June 2020 to December 2020. Mr. Cole has also served as a Manager/Member of Kaapro & Cole Ventures, LLC Austin, TX, since January 2010 during which time Mr. Cole concurrently held positions within Accenture's Management and Technology Consulting businesses in Austin, TX. Those positions include serving as a Systems Integration Analyst, Business Strategy Analyst, Strategy Consultant, Strategy Manager, and Strategy Senior Manager until December 2020. From December 2020 to April 2024, Mr. Cole served as Co-Founder and Chief Operating Officer of Fat Earth Media in Austin, TX. Mr. Cole is based in Austin, Texas.

Vessel Operations Specialist: Caleb Alte. Mr. Alte has served as the Vessel Operations Specialist in New Smyrna Beach, FL since March 2022. Mr. Alte has also served as the Operations Manager of Paddle Pub Daytona Beach, Florida since January 2022 and the Operations Manager of Tiki Pub Ponce Inlet, Florida since August 2022. Prior to TourScale, Mr. Alte was the Operations Manager and Lead Captain for OSCA Yachting in Port Washington, New York from May 2021 to October 2021. From November 2020 to May 2021, he held the position of Captain for Barton & Gray Mariners Club in Palm Beach, Florida. ~~Additionally, Mr. Alte served as an Operations Manager & Lead Captain for NYC Cycleboats in Jersey City, New Jersey; from October 2018 to May 2019 as Lead Operations and Captain for Lekker Boats USA in Fort Lauderdale, Florida. Mr. Alte was the Director of Operations for the Sea The City company in Jersey City, New Jersey from September 2016 to October 2018.~~

Franchise Operations Coordinator: Andres Duque. Mr. Duque has served as Franchise Operations Coordinator of TourScale in Raleigh, NC since June of 2025. Mr. Duque previously served as a Consultant with Duq Workshop in Colombia from January 2021 to June 2025.

### ITEM 3 LITIGATION

#### Prior Actions

Trolley Pub of North Carolina, LLC v. Prospect Collective LLC and Eli Braden, No. CV 2024-036408 (Maricopa County Super. Ct., filed December 16, 2024). On December 16, 2024, Trolley Pub of North Carolina, LLC ("TPNC") filed a lawsuit in the Arizona state court against Prospect Collective LLC, an Oregon limited liability company, and Eli Braden, a resident of Oregon. The lawsuit alleged that the defendants breached a contract by failing to pay a \$299,000 secured promissory note. This note was part of the consideration for the sale of TPNC's ownership interest in Trolley Pub Oregon, LLC. Under the Membership Interest Purchase Agreement ("MIPA") and the related Promissory Note, Prospect Collective agreed to purchase 100% of the membership interests in Trolley Pub Oregon for \$300,000, with only \$1,000 due at closing and the remaining balance payable within two weeks, by September 17, 2024. The defendants defaulted on this payment despite multiple promises to repay, including a partial payment of \$15,000 on October 21, 2024. TPNC issued a formal notice of default on November 11, 2024. On April 8, 2025, the court entered a Default Judgment against both defendants. The judgment awarded TPNC: (1) \$284,000 in damages for the outstanding principal balance; (2) \$413.09 in taxable costs; (3) \$7,362.50 in attorneys' fees; (4) \$27,590.79 in pre-judgment interest; and (5) post-judgment interest on all amounts until the judgment is paid in full.

Lapham v. Trolley Pub of North Carolina, LLC et al, No. 1:16-cv-00469 (E.D. Va. filed April 27, 2016). A dispute over intellectual property arose between TSE and one of its investors in late 2015. The investor filed a complaint against Kai Kaapro and Andrew Cole ("**Kaapro and Cole**"), as well as the entities Kaapro & Cole Ventures, LLC and Trolley Pub of North Carolina, LLC, on theories of fraud and breach of contract. The investor claimed that Kaapro and Cole had promised, in exchange for his investment, to assign all intellectual property held by Kaapro & Cole Ventures, LLC, to an affiliate, Trolley Pub Holdings, LLC, and that Kaapro and Cole never intended to fulfill that promise. Kaapro and Cole claimed that promise was never made, and that based on contract signed, the intellectual property was licensed rather than assigned and the confusion was the investor's misunderstanding of the conversation. The investor's initial complaint, filed in April 2016, was dismissed without prejudice, and subsequently an amended complaint was filed on June 13, 2016. Kaapro and Cole filed a motion to dismiss pursuant to Rule 12(b)(6) which was granted with prejudice on December 12, 2016. The motion was granted and the Court stated that its grounds for dismissal were "because [the investor] has not sufficiently alleged a valid contract, or any cognizable breach of contract" and "[the investor] does not adequately allege a cognizable theory of fraud." The investor then filed a motion for reconsideration which was granted on February 9, 2017, after the introduction of new evidence. On May 10, 2017, the parties settled and divided certain assets in exchange for mutual releases and on other confidential terms in connection with a court-mandated mediation.

Other than the actions described above, no litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

**Initial Franchise Fee**

The Initial Franchise Fee is \$49,950 for a Franchisee’s first TourScale Business for one Protected Territory. The Initial Franchise Fee for each additional TourScale Business opened by an existing Franchisee in the same Protected Territory is \$29,950. Any TourScale Business opened in a different Protected Territory will require an Initial Franchise Fee of \$49,950 for one TourScale Business within such additional Protected Territory. The Initial Franchise Fee is paid in a lump sum at execution of the Franchise Agreement unless you and we agree otherwise.

All Initial Franchise Fees are not refundable. The Initial Franchise Fee and all other fees are uniform for all similarly situated franchisees.

**VEHICLE-BASED BUSINESS ONLY (TROLLEY PUB OR TROLLEY PARTY)**

For Trolley Pub or Trolley Party TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – Trolley Pub Vehicle</b>	<del>\$60</del> 60,000	\$75,000	Lump Sums	According to deposit schedule	TourCraft <u>or approved vendors</u>
<b><u>Shipping of Primary Asset</u></b>	<u>\$150</u>	<u>\$7,500</u>	<u>Lump Sum</u>	<u>At time of shipping</u>	<u>TourCraft or approved vendors</u>
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	<del>\$120</del> 121,100,950	<del>\$137,950</del> 145,450			

**VESSEL-BASED BUSINESS ONLY (~~PADDLE PUB, TIKI PUB OR CRUISIN' TIKIS~~) – TWO 6 PASSENGER VESSELS**

For ~~Paddle Pub, Tiki Pub or~~ Cruisin' Tikis TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – <del>Paddle Pub or Tiki Pub</del> <u>Two Cruisin' Tikis</u></b>	<del>\$79,900</del> <u>\$17,119</u>	<del>\$95,900</del> <u>\$175,780</u>	Lump Sum	According to deposit schedule	TourCraft <u>or approved vendors</u>
<b><u>Shipping &amp; Assembly of Primary Assets</u></b>	<u>\$3,200</u>	<u>\$20,400</u>	<u>Lump Sum</u>	<u>At time of shipping</u>	<u>TourCraft or approved vendors</u>
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	<del>\$140,850</del> <u>\$81,269</u>	<del>\$158,850</del> <u>\$259,130</u>			

**VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB OR CRUISIN' TIKIS) – 16-49 PASSENGER**

For Paddle Pub, Tiki Pub or Cruisin' Tikis TourScale Businesses, the following fees and payments are payable to Franchisor and its affiliates before the business opens:

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is Made
	Low	High			
<b>Initial Franchise Fee</b>	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
<b>Primary Asset – <del>Paddle Pub, or Tiki Pub, or</del> <u>Cruisin' Tikis</u></b>	<del>\$270,000</del> <u>\$25,700</u>	\$499,900	Lump Sum	According to deposit schedule	TourCraft <u>or approved vendors</u>

<b><u>Shipping of Primary Asset</u></b>	<b><u>\$150</u></b>	<b><u>\$15,000</u></b>	<b><u>Lump Sum</u></b>	<b><u>At time of shipping</u></b>	<b><u>TourCraft or approved vendors</u></b>
<b>Initial Training</b>	\$1,000	\$3,000	Lump Sum	During training	TourScale
<b>Launch &amp; Marketing Kit</b>	\$10,000	\$10,000	Lump Sum	During training	TourScale
<b>Total</b>	<b><u>\$330,950</u></b>	<b><u>86,800</u></b>			
		<b><u>\$562,577</u></b>			

### **Development Fee**

You may also purchase the rights to open additional TourScale Businesses by signing our Area Development Agreement and paying a Development Fee. The Development Fee is in lieu of the Franchise Fee. The Development Fee is paid in a lump sum at execution of the Area Development Agreement unless you and we agree otherwise. The Development Fee is not refundable.

Your Development Fee will depend on the number of Franchised Locations we grant you the right to open within the Development Area and is calculated as follows:

<b><u>Number of Franchised Locations</u></b>	<b><u>Initial Franchise Fee</u></b>	<b><u>Development Fee</u></b>
<u>1</u>	<u>\$49,950</u>	<u>N/A</u>
<u>2</u>	<u>\$29,950</u>	<u>\$79,900</u>
<u>3</u>	<u>\$29,950</u>	<u>\$109,850</u>

The above amounts for the Development Fee do not include the cost of the Primary Asset(s), shipping of the Primary Asset(s), Initial Training, or the Launch & Marketing Kit.

## **ITEM 6 OTHER FEES**

### **OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fees <sup>(1)</sup>	6% of Net Sales <sup>(1)</sup> .	Every 7 <sup>th</sup> day of each calendar month, Royalty Fees are due for the previous calendar month.	Payable by ACH or e-check. We may amend or modify the fiscal period upon which you pay us Royalty Fees on 30 days written notice to you.
Digital Ad Spend <sup>(2)</sup>	The greater of \$5,000 and 5% (annually) of Net Sales.	Annually	We require you to spend the greater of (i) \$5,000 per year or (ii) 5% of <del>gross</del> -Net Sales on digital advertising through third-party

Type of Fee	Amount	Due Date	Remarks
			advertising platforms (such as Facebook, Instagram, Google Ads, or other approved digital advertising vendors). You must provide us with documentation verifying these expenditures, including but not limited to platform-generated spending reports and payment receipts, on a quarterly basis.
Advertising Fund Contribution <sup>(3)</sup>	2% of Net Sales for Advertising Fund Contributions	Every 7 <sup>th</sup> day of each calendar month Advertising Fund Contributions are due for the previous calendar month.	Advertising Fund Contribution payments shall be paid in the same manner and at the same time as Royalty Fees.
Asset Graphics Installation Fee <sup>(4)</sup>	\$500-\$3,500	Due upon completion of graphics installation.	The Asset Graphics Installation Fee is a fee paid to us for installation of required graphics on your <del>Paddle Pub or Trolley Pub</del> <u>vehicle/primary asset(s)</u> .
Technology Fee <sup>(5)</sup>	Currently, \$200 per month	We will retain the Technology Fee on a monthly basis on the 7 <sup>th</sup> day of each calendar month.	You will pay us a Technology Fee for required application, software, maintenance and support, e-mail service, intranet, and other technology services that we determine, in our sole discretion, to provide to you. <u>We may increase the Technology Fee from time to time upon written notice to you to reflect increases in</u>

Type of Fee	Amount	Due Date	Remarks
			<u>our actual costs of providing these services.</u>
Customer Service Fee <u>(optional)</u> <sup>(6)</sup>	Currently, \$249-\$1,999 per month	As incurred	We provide an optional dedicated customer service team trained specifically in handling sales and customer inquiries. Our team handles phone calls, emails, and chat inquiries from 10 AM to 7 PM EST, Monday through Friday. The total cost varies based on annual sales. <u>We may increase the Customer Service Fee upon 30 days' written notice to reflect increases in our actual costs of providing these services, including but not limited to increases in labor, technology, or operational costs.</u>
Annual Convention <sup>(7)</sup>	Our then current fee, currently up to \$1,000 per person	As incurred	We may establish an annual convention or meeting of franchisees (the "Annual Convention"), which you must attend. We reserve the right to charge a registration fee for attendance <u>(regardless of whether you actually attend) at the Annual Convention, and we may increase this fee from time to time to reflect increases in our actual costs of organizing and</u>

Type of Fee	Amount	Due Date	Remarks
			<u>conducting the Annual Convention.</u> You will pay the travel, accommodations, wages, and all other expenses for your representatives attending the Annual Convention.
Transfer Fee <sup>(8)</sup>	50% of our then current Initial Franchise Fee	Upon your delivery of written notice of your intent to transfer your TourScale Business.	Does not include fees for training. A new buyer may also be required to pay a franchise fee and will be required to participate in training if the buyer has not already participated in training.
Relocation Fee <sup>(9)</sup>	As incurred.	Upon demand.	We have the right to approve or disapprove a proposed relocation. Franchisee is responsible for all costs of such relocation, including any costs incurred by us.
Initial Training Fee <sup>(10)</sup>	\$1,000 per attendee	Upon registration for the Initial Training Program.	This fee is payable at the time you register for our Initial Training Program.
Non-Compliance Fee	\$500 for the first non-compliance for which we give you written notice; \$1,000 for the second; \$1,500 for the third and subsequent.	If incurred	Payable upon your failure to comply with our standards and requirements. This fee is in addition to, and not in lieu of, all other rights and remedies we have under the Franchise Agreement, including our right to terminate the franchise for repeated or uncured

Type of Fee	Amount	Due Date	Remarks
			testing the Goods or Materials.

\* **General.** Unless otherwise specified, all fees are imposed, collected by, on a per location basis, and payable to us and are non-refundable. Generally, all fees are uniformly imposed on our franchisees, however, in certain unique circumstances, we may defer, reduce or waive a fee for a particular franchisee for a limited period of time. If you enter into an Area Development Agreement to operate multiple TourScale Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each TourScale Business.

(1) **Net Sales.** Royalty Fees are based on Net Sales. Net Sales is defined as: the total of all receipts derived from services performed and products sold by Franchisee, or its affiliates, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Net Sales include receipts from all tours (whether direct, through affiliates or online travel agencies), merchandise, food and beverage sales, etc. related to the operation of the Franchisee's TourScale Business including, without limitation, sales of merchandise but excluding (i) the amount collected from customers of any sales or similar tax imposed by any federal, state, municipal or other governmental authority, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and (ii) pre-approved promotions, discounts, coupons, or refunds to the extent that the Franchisee realizes no revenue. Net Sales will be deemed received by the Franchisee when payment actually has been received by Franchisee (cash basis). Net Sales consisting of property or services will be valued at the retail prices applicable and in effect at the time that they are received. You agree to give us electronic access at all times your booking system and software and any point of sales systems (if you have one) in order to permit us to validate Net Sales.

(2) **Digital Ad Spend.** You are responsible for conducting your own local digital marketing of your TourScale Business through third-party digital advertising platforms (such as Facebook, Instagram, Google Ads, and other similar platforms). You are required to spend the greater of (i) \$5,000 per year or (ii) five percent (5%) of Net Sales on an ongoing basis for direct advertising expenditures with such third-party digital advertising platforms ("Required Digital Ad Spend"). You must provide us with proof of all Required Digital Ad Spend payments in the form of platform-generated statements or invoices. We, our affiliates, or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for use in digital advertising and promotion. Your Digital Ad Spend requirements are explained in more detail in Item 11.

(3) **Advertising Fund Contributions.** Your Advertising Fund Contributions are 2% of Net Sales. Your Advertising Fund Contributions and expenditures are explained in more detail in Item 11.

(4) **Asset Graphics Installation Fee.** We charge this fee in exchange for our installation of required graphics on your Paddle Pub, Trolley Pub vehicle, Tiki Pub, or Cruisin' Tikis vessel. The current Asset Graphics Installation Fee is \$2,500-~~\$3,500~~ per Paddle Pub vessel, ~~and~~ \$500-~~\$1,500~~ per Trolley Pub vehicle, and \$500 - \$1,500 per Cruisin' Tikis vessel. This fee is payable upon installation of required graphics on your Equipment.

(5) **Technology Fee.** You will pay us a Technology Fee for access and use of required application, software, maintenance and support, web development, hosting, data services, e-mail service, reputation

current fees associated with such program. We will provide you with written notice of all applicable fees before you elect to participate in any such program. Your participation in these programs, once elected, may become mandatory for the duration specified in the program terms.

Except as noted, all fees are uniformly imposed by and are payable to TourScale. All fees are non-refundable. If your state – or any governmental body in your state – charges a tax on any fee you owe to us, then you are required to pay an additional amount equal to the amount of this tax. This does not apply to any federal or state income taxes we have to pay.

Franchisor and Franchisee mutually agree that the Royalty Fee represents payment for services performed by the Franchisor or its designees for the benefit of the Franchisee as well as the use of any Marks owned by the Franchisor. Services provided include, but are not limited to, (a) website development and hosting, including email hosting, (b) training and professional education, (c) ongoing operational support and coaching, (d) trademark usage, (e) sourcing of the Primary Assets, and (f) territory protection.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT <sup>(1)</sup>**

**VEHICLE-BASED BUSINESS ONLY (TROLLEY PUB OR TROLLEY PARTY)**

<b>VEHICLE BASED BUSINESS (Trolley Pub or Trolley Party)</b>					
<b>Type of Expenditure</b>	<b>Amount</b>		<b>Method of Payment(1)</b>	<b>When Due</b>	<b>To Whom Payment is Made</b>
	<b>Low</b>	<b>High</b>			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – Party Bike(3)	\$60,000	\$75,000	Lump Sum	According to deposit schedule	TourCraft <u>or</u> <u>Approved</u> <u>Vendors</u>
Shipping of Primary Assets(4)	\$150	\$7,500	Lump Sum	At time of shipping	TourCraft <u>or</u> <u>Approved</u> <u>Vendors</u>
Launch & Marketing Kit (5)	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(6)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(7)	\$1,000	\$3,000	As incurred	During training	Travel Vendors
Technology Purchases(8)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(9)	\$15,000	\$30,000	Lump Sum	Prior to opening	Bank Accounts

Insurance (Deposit or Full Annual Premium) (10)	\$1,250	\$10,000	Lump Sum	Prior to opening	Insurance Broker
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants
Business Licenses and Permits(12)	\$0	\$1,500	As incurred	As required	Government Authorities
Rent or Storage (14)	\$0	\$5,000	As incurred	As required by your landlord	Landlord
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors
Sales and Use Taxes(16)	\$0	\$5,500	As Incurred	As Required	State and Local Tax Collectors
Total(17)	\$140,050	\$210,650			

**VESSEL-BASED BUSINESS ONLY (~~PADDLE PUB, TIKI PUB, OR~~ CRUISIN' TIKIS) – 6 PASSENGER**  
**(2 VESSEL MINIMUM)**

Type of Expenditure	Amount		Method of Payment(1)	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – <del>Two Paddle Pub, Tiki Pub, or</del> Cruisin' Tikis (3)	<del>\$79,900</del> <u>\$17,119</u>	<del>\$99,900</del> <u>\$175,780</u>	Lump Sum	According to deposit schedule	TourCraft <u>or</u> <u>Approved Vendors</u>
Shipping & <u>Assembly</u> of Primary Assets(4)	<del>\$150</del> <u>\$3,200</u>	<del>\$15,000</del> <u>\$20,400</u>	Lump Sum	At time of shipping	TourCraft <u>or</u> <u>Approved Vendors</u>
Launch & Marketing Kit	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(5)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(6)	\$1,000	<del>\$4</del> <u>\$3,500</u>	As incurred	During training	Travel Vendors
Technology Purchases(7)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(8)	<del>\$25</del> <u>\$20,000</u>	<del>\$50</del> <u>\$40,000</u>	Lump Sum	Prior to opening	Bank Accounts

Insurance (Deposit <del>or Full</del> <del>Annual Premium</del> ) (9)	<del>\$1,250</del> <u>\$1,800</u>	<del>\$10,000</del> <u>\$2,700</u>	Lump Sum	Prior to opening	Vendors
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants
Business Licenses and Permits(12)	\$0	\$2,000	As incurred	As required	Government Authorities
Slip Lease (deposit <del>or</del> <del>annual</del> )(13)	\$0	<del>\$62,000</del>	As incurred	As required by your landlord	Landlord/Lessee
Rent or Storage (14)	\$0	<del>\$52,000</del>	As incurred	As required by your landlord	Landlord/property owner
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors
Sales and Use Taxes(16)	\$0	<del>\$18,000</del> <u>\$16,380</u>	As Incurred	As Required	State and Local Tax Collectors
Total(17)	<del>\$169,950</del> <u>\$105,769</u>	<del>\$283,550</del> <u>\$337,910</u>			

**VESSEL-BASED BUSINESS ONLY (PADDLE PUB, TIKI PUB, OR CRUISIN' TIKIS) – 16-49 PASSENGER**

Type of Expenditure	Amount		Method of Payment(1)	When Due	To Whom Payment Is To Be Made
	Low	High			
Initial Franchise Fee(2)	\$49,950	\$49,950	Lump Sum	See Item 5	TourScale
Primary Asset – Paddle Pub, Tiki Pub, or Cruisin' Tikis (3)	<del>\$270</del> <u>\$25,000</u> <u>700</u>	\$499,000	Lump Sum	According to deposit schedule	TourCraft <u>or</u> <u>Approved Vendors</u>
Shipping of Primary Assets(4)	\$150	\$15,000	Lump Sum	At time of shipping	TourCraft <u>or</u> <u>Approved Vendors</u>
Launch & Marketing Kit	\$10,000	\$10,000	Lump Sum	During Training	TourScale
Initial Training(5)	\$1,000	\$3,000	Lump Sum	During training	TourScale
Travel and Living Expenses While Training(6)	\$1,000	\$4,500	As incurred	During training	Travel Vendors

Technology Purchases(7)	\$700	\$3,200	As incurred	Prior to opening	Vendors
Additional Funds (3 months)(8)	\$25,000	\$50,000	Lump Sum	Prior to opening	Bank Accounts
Insurance (Deposit or Full Annual Premium) (9)	\$1,250	\$10,000	Lump Sum	Prior to opening	Vendors
Legal and Accounting(11)	\$1,000	\$4,000	As incurred	As required	Law Firms and Accountants
Business Licenses and Permits(12)	\$0	\$2,000	As incurred	As required	Government Authorities
Slip Lease (deposit or annual)(13)	\$0	\$6,000	As incurred	As required by your landlord	Landlord/Lessee
Rent or Storage (14)	\$0	\$5,000	As incurred	As required by your landlord	Landlord/property owner
Merchandise(15)	\$0	\$3,000	As incurred	As required	Approved Vendors
Sales and Use Taxes(16)	\$0	\$18,000	As Incurred	As Required	State and Local Tax Collectors
Total(17)	<del>\$115,750</del> 360,050	<del>\$683,550</del> 682,650			

**Notes:**

(1) **General.** Fees paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on the vendor as well as customer practice in the area where your TourScale Business is located. The Estimated Initial Investment will vary depending on the number and type of experiences you offer customers as part of your TourScale Business, as well the location you will be operating in, the time of year of launch and whether you are purchasing or leasing the Primary Assets. Currently, we offer Trolley Pub, Trolley Party, Paddle Pub, Tiki Pub, and Cruisin' Tikis to be included in your TourScale Business. The following are estimates of each type of TourScale Business.

(2) **Initial Franchise Fee.** The Initial Franchise Fee is \$49,950 for a Franchisee's first TourScale Business per Protected Territory. The Initial Franchise Fee is \$24,950 for each additional TourScale Business per Protected Territory. The low end of the estimate range assumes an existing Franchisee adding an additional TourScale Business. The Initial Franchise Fee is not refundable under any circumstances.

(3) **Primary Assets.** The cost of the Primary Assets shown here varies depending on whether the Primary Assets are purchased or leased. For Cruisin' Tikis 6 passenger vessels, the low end of the range represents financing through a third-party lender with 10% due up front, while the high end represents the full purchase price. For all other vessels and vehicles, theThe range assumes a purchase price in that amount for the Primary Assets, depending on the size of the vessel and specifications. Note that the minimum number of Primary Assets for Trolley Pub, Tiki Pub and Paddle Pub required is one (1) and the amount shown above assumes that number. For Cruisin' Tikis, the minimum number of Primary Assets is two (2); however, TourScale may, in its sole discretion, approve launch with one (1) Primary Asset if

warranted by the circumstances. This minimum may be raised in our sole discretion. Further, these figures include the current Asset Graphics Installation Fee of \$2,500-\$3,500 per Paddle Pub, Tiki Pub, ~~or Cruisin' Tikis~~ vessel and \$500-~~\$1,500~~\$2,000 per Trolley Pub vehicle and Cruisin' Tikis vessel. This fee is payable upon installation of required graphics on your Equipment. For Cruisin' Tikis vessel purchases, our approved vendor offers a payment schedule requiring 30% of the purchase price as a down payment at the time of ordering, with the remaining 70% balance due upon completion of the vessel. For other vessel purchases (Paddle ~~Pub, Tiki Pub,~~ and ~~Tiki Pub~~)Cruisin' Tikis), our approved vendor offers a payment schedule requiring 60% of the purchase price as a down payment at the time of ordering, with the remaining 40% balance due upon completion of the vessel. Vehicle purchases require payment ~~in full~~ according to the terms of your purchase agreement.

(4) **Shipping.** The cost of shipping for the Primary Assets varies from approximately \$1.00 to \$5.50 per mile for the Primary Assets depending on whether it is a vehicle or a vessel, the location of the potential TourScale Business, and other factors. The estimate provided here assumes a range of \$1.50 per mile for a TourScale Business located 100 miles away from the shipping point to \$3.50 per mile for a TourScale Business located 3,000 miles away from the shipping point. It also assumes that the end destination is within the continental United States.

(5) **Launch & Marketing Kit.** The Launch & Marketing Kit includes the following items and services: (i) Professional Photo and Video Shoot, including editing services and related travel expenses; (ii) Three (3) months of digital advertising spend with a minimum budget of One Thousand Dollars (\$1,000) per month; (iii) Marketing and AI System Onboarding; (iv) One (1) Sandwich Board with Inserts; (v) Ten (10) Staff Uniforms; (vi) Five (5) Owner/Manager Polos; (vii) One Thousand (1,000) Business Promotional Cards; and (viii) Twenty-Five (25) QR Code Review Stickers.

(6) **Initial Training.** This estimate includes a range of 1-3 trainees.

(7) **Training Expenses.** You must pay all travel and living expenses incurred by you and your employees or us while attending all training courses and programs. The amount of these expenses will depend on the distance you or we must travel, mode of transportation, type of accommodations, number of your employees attending training and their wages.

(8) **Technology Purchases.** This includes the estimated costs of a ~~modern smartphone and~~ personal computer and smartphone, which may range from \$0 to \$3,500 total. If you already own equipment meeting our specifications, your cost will be \$0. You ~~must will be required to~~ purchase or utilize an existing ~~desktop or laptop computer meeting the following minimum specifications:~~ (i) 64-bit, 4-core processor at 2.0 GHz or faster; (ii) 8 GB RAM (16 GB recommended); (iii) 256 GB SSD or larger; (iv) integrated webcam and microphone; (v) reliable broadband connectivity via Wi-Fi 5 (802.11ac) or Ethernet; and (vi) Windows 11 or macOS 12 (Monterey) or later operating system. The computer must be capable of running ~~current web-based applications in Google Chrome~~PC capable of running web-based applications on Google Chrome. We recommend a computer with at least a 1.6 GHz processor and 4 GB of RAM. For those needing to purchase a computer, we estimate costs ~~We estimate a computer to cost~~ between \$800500 and \$2,500000 ~~which can be purchased~~ from any reputable computer retailer. You ~~must also will be required to~~ purchase or already own a smartphone meeting these minimum specifications: (i) ~~running either~~ Apple iOS 16(~~10~~ or later, higher) or Google Android 12(~~Pie~~ or later; (ii) 64-bit processor; (iii) 4 GB RAM (6 GB recommended); (iv) 64 GB storage (128 GB recommended); and (v) LTE or 5G capability higher) ~~with at least a 1 GHz processor and 2 GB of RAM.~~ For those needing to purchase a smartphone, we estimate costs ~~We estimate a smartphone to cost~~ between \$400200 and \$1,500200 ~~which can be purchased~~

from any reputable cell phone retailer. You ~~must maintain an active~~ ~~will also be required to have a~~ cellular voice and data plan from ~~any~~ reputable carrier (unlimited data plan recommended). ~~—If you already own a PC and smartphone~~ ~~Cell Phone~~ that meet all specified ~~these~~ requirements, no additional purchase is required. ~~you will not be required to purchase new ones.~~

(9) **Additional Funds**. This is an estimate of the funds needed to cover business (not personal or living) expenses during the initial period (which we consider to be the first 3 to 6 months) of operation of the TourScale Business. This is also known as a working capital requirement. To the extent that operational revenues do not cover these expenses, you will need additional funds to support the operational costs of your business, including other expenses as rent, leases, payroll, utilities, insurance, taxes, loan payments, advertising, supplies, inventory, and other expenses. ~~You may need additional funds and you should consult with your financial advisor to determine the amount of Additional Funds that you should invest.~~

(10) **Insurance**. You will maintain in force policies of insurance issued by carriers approved by us covering various risks, as specified by us from time to time. We can specify the types and amounts of coverage required under such policies and require different and/or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must name us and any affiliate we designate as additional named insured, contain a waiver of all subrogation rights against us, our affiliates, and any successors and assigns, and provide for thirty (30) days' prior written notice to us of any material modifications, cancellation, or expiration of such policies.

(11) **Legal/Professional Fees**. These figures represent the estimated costs of engaging attorneys or other business professionals to review this disclosure document and the accompanying agreements, to assist you in forming an Entity, to assist you in obtaining a loan, and to help you obtain required business licenses and permits. These may vary depending on your unique circumstances. You should consult your own legal or other professionals for a more definite cost estimate.

(12) **Business Licenses and Permits**. These figures vary by location and are subject to state and local requirements.

(13) **Slip Lease**. This expense is only required for Paddle Pub, Tiki Pub, and/or Cruisin' Tikis operations. You may need to additionally pay for access to a loading dock at a separate location for loading/unloading of passengers.

(14) **Rent or Storage**. We expect that you will lease the location for the TourScale Business site at which your customers will gather and/or your Trolley Pub vehicles will be stored, which will range in size depending on the number of vehicles housed and other factors. The lease payments that you will make to third party property owners will vary considerably depending upon the property size, type of transaction and location. Lease agreements may include the following expenses: taxes, insurance, maintenance, fixed rent (with escalations), percentage rent, principal and interest on tenant improvement loans, and other charges related to the operation of the TourScale Business. You may need to additionally pay for access to a loading area at a separate location for loading/unloading of passengers. Tiki Pub, Cruisin' Tikis, or Paddle Pub locations may also opt to lease a location for strictly office use, for ticketing, check-in or for merchandise and other retail sales, but it is not required. Real property is not required nor recommended.

(15) **Merchandise**. You are generally expected to offer merchandise for sale to customers sourced from our approved vendors. This estimate is for merchandise for six (6) months.

(16) **Sales and Use Taxes.** You are responsible to pay all applicable taxes on your TourScale Business, including taxes related to the purchase or lease and use of your Primary Assets which will vary by jurisdiction. The low-end–The estimates provided here reflect operations in jurisdictions with no sales tax on boats, while high-end estimates reflect jurisdictions with standard sales and use tax rates. Actual tax obligations may vary significantly based on your location.~~are may or may not reflect the amount of applicable sales and use tax you may incur.~~ If we determine, in our sole discretion, that it is necessary or advisable to pay taxes owed by you on your behalf, we will do so and you will be obligated to reimburse us for such amounts.

(17) **Estimates.** We have relied upon our experience and the experience of our affiliate Kaapro & Cole Ventures, LLC, the operator of the original TourScale Business models, in compiling these estimates. These estimates do not include the cost of acquiring the existing franchised business from an existing TourScale franchisee or buying or leasing real property for the TourScale Business. We do not offer financing to you for any part of the initial investment. The estimates above contemplate expenses that may be incurred prior to the commencement of the operation of the TourScale Business but additional funds may be required.

**AREA DEVELOPMENT AGREEMENT**

**YOUR ESTIMATED INITIAL INVESTMENT<sup>1</sup>**

<b><u>Type of Expenditure</u></b>	<b><u>Amount</u></b>		<b><u>Method of Payment(1)</u></b>	<b><u>When Due</u></b>	<b><u>To Whom Payment Is To Be Made</u></b>
	<b><u>Low</u></b>	<b><u>High</u></b>			
<b><u>Development Fee for 2 or 3 TourScale Businesses (2)</u></b>	<b><u>\$79,900</u></b>	<b><u>\$109,850</u></b>	<b><u>Lump Sum</u></b>	<b><u>Upon execution of Area Development Agreement</u></b>	<b><u>Us</u></b>
<b><u>Initial Investment to Open Initial TourScale Business (3)</u></b>	<b><u>\$55,819</u></b>	<b><u>\$632,700</u></b>			
<b><u>Total(17)</u></b>	<b><u>\$135,719</u></b>	<b><u>\$742,550</u></b>			

In general, all fees and payments are non-refundable, unless otherwise stated or permitted by the payee. We do not finance any portion of your initial investment.

**Explanatory Notes:**

(1) **General.** This chart details the estimated initial investment associated with executing an Area Development Agreement for the right to own and operate 2 to 3 TourScale Businesses, as well as the initial investment to open your first TourScale Business under your Development Schedule.

(2) **Development Fee.** The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate between 2 and 3 TourScale Businesses.

(17) (3) **Initial Investment to Open Initial TourScale Business.** This figure represents the total estimated initial investment required to open the initial TourScale Business you agreed to open and operate under the Area Development Agreement. You will be required to enter into our then-current form of

franchise agreement for the initial TourScale Business you open under your Area Development Agreement. The range includes all the items outlined in Table A of this Item 7, except for the Initial Franchise Fee because it is accounted for in the Development Fee. It does not include any of the costs you will incur in opening any additional TourScale Businesses that you are granted the right to open and operate under your Area Development Agreement.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate your TourScale Business in strict conformity with the methods, standards, and specifications we prescribe in the Operations Manual or otherwise in writing.

For TourScale Businesses that operate one or more Trolley Pub vehicles, you must use vehicles purchased or leased from our required supplier unless otherwise agreed by us in writing.

For TourScale Businesses that operate Paddle Pub, Tiki Pub or Cruisin' Tikis vessels we or our affiliates are approved suppliers for vessels and replacement parts for vessels. TourCraft serves as an approved broker for the procurement of vessels and replacement parts between franchisees and manufacturers. Franchisees will pay the total cost of vehicles and vessels directly to Tourcraft, which will coordinate with manufacturers for production. TourCraft charges a variable processing fee for its brokerage services. TourCraft is wholly owned by TourScale Enterprises, LLC. Our owners, Kai Kaapro and Andrew Cole, hold interest in TourScale Enterprises, LLC.

We may develop certain proprietary or branded services, including technology applications, payment systems, and related services (“**Proprietary Services**”) and/or branded and/or proprietary products in addition to the Primary Assets that you will offer in your TourScale Business (collectively “**Proprietary Products**”). We reserve the right to require you to purchase Proprietary Products from us or our affiliates at any time. We also reserve the right to amend, add, modify, delete or change the list of Proprietary Products or Proprietary Services that you must offer at your TourScale Business. We also have developed standards and specifications for other products, materials and supplies incorporated or used in providing services or the packaging and delivery of products and services authorized for sale at TourScale Businesses.

For your TourScale Business, you must purchase Proprietary Products only from us or a third party designated and licensed by us to prepare and sell such products (“**Designated Suppliers**”); and purchase from manufacturers, distributors, vendors and suppliers approved by us (“**Approved Suppliers**”) all other goods, products, materials and supplies (collectively, “**Goods**”), as well as advertising materials, fixtures, equipment, forms, food and beverage products, packaging or other materials (collectively, “**Materials**”) that meet the standards and specifications promulgated by us from time to time. We may require you use only certain brands (collectively, “**Approved Brands**”) and prohibit you from using other brands. From time to time, we may modify the list of Approved Brands and you may not, after receipt of such modification in writing, reorder any brand that is no longer an approved brand. Neither Franchisor nor its affiliate are currently an Approved Supplier or a Designated Supplier for any Goods or Materials (other than Goods or Materials related to or leased or sold in connection with the Primary Assets) although we

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional TourScale Business) based upon whether you purchase Proprietary Products from Designated Suppliers or Goods and Materials from Approved Suppliers; however, if you purchase Proprietary Products, Goods or Materials from unapproved suppliers or if you purchase unapproved Goods or Materials, we will have the right to terminate the Franchise Agreement.

We estimate that your purchases from us or Approved Suppliers, or that must conform to our specifications, will represent approximately 60% to 80% of your total purchases in establishing the TourScale Business, and approximately 60% to 80% of your total purchases in the continuing operation of the TourScale Business.

You will be required to purchase or utilize an existing desktop or laptop computer capable of running current web-based applications in Google Chrome. The computer must meet the following minimum specifications: (i) a 64-bit, 4-core processor at 2.0 GHz or faster; (ii) 8 GB RAM (16 GB recommended); (iii) a 256 GB SSD or larger; (iv) integrated webcam and microphone; and (v) reliable broadband connectivity via Wi-Fi 5 (802.11ac) or Ethernet. The computer must run either Windows 11 or macOS 12 (Monterey) or later versions~~We recommend a computer with at least a 1.6 GHz processor and 4 GB of RAM.~~ We estimate a computer meeting these specifications~~(required hardware)~~ to cost between ~~\$700~~\$500 and ~~\$2,500,000~~ which can be purchased from any reputable computer retailer. You will be required to purchase or already own a smartphone running either Apple iOS 16~~(10 or later higher)~~ or Google Android 12~~(Pie or later, higher)~~ with a 64-bit processor, at least 4 GB RAM (6 GB recommended), at least a 1-GHz processor and 64 GB of storage (128 GB recommended), plus LTE or 5G capability~~RAM~~. We estimate a smartphone meeting these specifications to cost between ~~\$300~~\$200 and ~~\$1,300,200~~ which can be purchased from any reputable cell phone retailer. You will also be required to have a cellular voice and data plan from any reputable carrier, with unlimited data recommended. If you already own a PC and smartphone that meets these requirements, you will not be required to purchase new ones. If your PC and smartphone have the necessary software, you may not need to purchase additional software, but you will need to begin paying the Technology Fee to us for use of software required when you begin operating your TourScale Business. You will need to obtain licenses for certain off-the-shelf software, including Quick Books Online and digital waiver service, which we estimate will cost \$200 per month.

You are required to accept all approved debit and credit cards as outlined in the Manual, along with Franchisor's gift cards, loyalty cards, frequency cards, and any other similar Franchisor sponsored electronic card and/or payment program (collectively, "**Gift/Loyalty Card**") from customers of your TourScale Business. Prior to the opening of your TourScale Business, you will be required to acquire an approved debit, credit, and Gift/Loyalty card processing system to use during the operation of your TourScale Business. The components and specifications of these systems are identified in the Manual, including approved vendor(s) for such items. Additionally, you must utilize Franchisor's designated third party payment card processor, as identified in the Manual, for processing all such debit, credit, rewards, and Gift/Loyalty card transactions. You are prohibited from accepting cash payments from customers for tours and may only accept cash as permitted under the terms of the Franchise Agreement and the Manual.

Before you commence activities under the Franchise Agreement, and before the TourScale Business opens, you must obtain, and continue to maintain at all times, in full force and effect at your sole expense that insurance which you (or your risk management advisors) determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the TourScale Business, which shall include, at a minimum, insurance policies of the kinds, and in the amounts, required by the Manual.

All insurance policies must be written by an insurance company that is licensed in the state where you are doing business. We may from time to time increase the minimum required coverage and/or require different or additional insurance coverage (including an additional umbrella liability insurance policy) 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. We will provide you written notice of such modifications and you must take prompt action to secure the additional coverage or higher policy limits. All insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration.

Each insurance policy shall be specifically endorsed to provide that the coverage shall be primary, and that any insurance carried by any additional insured shall be excess and non-contributory. At least 3 days before taking ownership of a TourScale Business and annually thereafter, you must submit to us a copy of your Certificates of Insurance or other evidence that you are maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain such insurance for you and the TourScale Business, in which event you must 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.

### ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise agreement. It will help you find more detailed information about your obligations in this agreement and in other items of this disclosure document.**

	Obligation	Section in Franchise Agreement	<u>Section in Area Development Agreement</u>	Disclosure Document item
a.	Site selection and acquisition/lease	5	<u>3, 4</u>	11
b.	Pre-opening purchases/leases	5, 6	<u>Not Applicable</u>	7
c.	Site development and other pre-opening requirements	5, 6	<u>7</u>	11
d.	Initial and ongoing training	11	<u>Not Applicable</u>	11
e.	Opening	6	<u>4</u>	8
f.	Fees	7	<u>2</u>	5, 6, 7
g.	Compliance with standards and policies/ Manual	1, 10	<u>Not Applicable</u>	1, 8, 14
h.	Trademarks and proprietary information	13	<u>Not Applicable</u>	13
i.	Restrictions on products/ services offered	18	<u>Not Applicable</u>	8, 9, 16
j.	Warranty and customer service requirements	12	<u>Not Applicable</u>	11

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b><u>Section in Area Development Agreement</u></b>	<b>Disclosure Document item</b>
k.	Territorial development and sales quotas	5	<u>3, 4</u>	12
l.	Ongoing product/service purchases	5, 18	<u>Not Applicable</u>	6, 7
m.	Maintenance, appearance and remodeling requirements	12	<u>Not Applicable</u>	8
n.	Insurance	12	<u>Not Applicable</u>	6, 7, 8
o.	Advertising	9	<u>Not Applicable</u>	6, 11
p.	Indemnification	23	<u>14</u>	<u>None</u> <sub>6</sub>
q.	Owner's participation/management/staffing	12	<u>7</u>	11, 15
r.	Records/reports	8	<u>Not Applicable</u>	6
s.	Inspections/audits	8, 12	<u>Not Applicable</u>	6
t.	Transfer	16	<u>11</u>	17
u.	Renewal	4	<u>5</u>	6, 17
v.	Post-termination obligations	20	<u>10</u>	17
w.	Non-competition covenants	18	<u>Not Applicable</u>	17
x.	Dispute resolution	14	<u>19</u>	15

**ITEM 10  
FINANCING**

We ~~and our affiliates~~ do not offer direct or indirect financing. ~~We, and~~ do not guarantee ~~any your~~ note, lease or obligation ~~you incur to purchase any Primary Asset required for your TourScale Business.~~

**ITEM 11**

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

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

Before you open your business, TourScale will:

- Approve a Protected Territory (see Section 5 of the Franchise Agreement). The Protected Territory should be selected within twelve (12) months. Failure to agree to a Protected Territory may result in you forfeiting your right to open a TourScale Business and you will forfeit any non-refundable fees.
- Provide you with specifications for Primary Assets.

- Provide you with video conference online training and guidance (see [Section 11](#) of the Franchise Agreement). The online training program must be completed by all TourScale Business owners and will last approximately seven (7) total hours. You must have a computer with web and video capabilities to complete the online training program. The online training program must be completed prior to you attending “**New Owner Training.**”
- Provide you with in-person new owner training (“**New Owner Training**”) for two business days for a total of approximately sixteen (16) hours. The New Owner Training is held at your location or one of our regional training sites as determined by TourScale from time to time. Training dates are scheduled as they are needed. Your New Owner Training will be scheduled after you sign your Franchise Agreement. You must pay our then-current training fee described in Items 6 and 7 (currently, \$1,000 per person) for you and up to four (4) of your employees to attend the New Owner training. You must pay your travel and living expenses while attending the training sessions if conducted at a location other than your location. You must complete the New Owner Training within 90 days of signing your Franchise Agreement. You may not commence operations until you have completed the New Owner Training program to our satisfaction. We may require additional training or refresher courses when if you change, renew, or relocate your TourScale Business.
- Prior to or in conjunction with your applicable training programs, we will provide you with access to our Operation(s) Manual. The Operations Manuals are confidential and remain our property. We may modify the Operations Manuals from time to time. The tables of contents for the Operations Manuals are included in [Exhibit EJ](#). Before you are provided access to the Operations Manual, you must sign our then-current Confidentiality Agreement attached as [Exhibit DE](#). The operating manual is 75 pages long.
- Launch your TourScale location website, email account, and digital booking system.
- Assist you with determining pricing for TourScale tours and related services. While current; however, these prices are suggestions based on our opinions and experience, we reserve the right to establish mandatory minimum and/or maximum prices at which you must sell products and services. We will provide written notice of any such pricing requirement and at this time we do not have mandatory pricing schedules.
- Provide you with a Launch & Marketing Kit which includes: (i) Professional Photo and Video Shoot, including editing services and related travel expenses; (ii) Three (3) months of digital advertising spend with a minimum budget of One Thousand Dollars (\$1,000) per month; (iii) Marketing and AI System Onboarding; (iv) One (1) Sandwich Board with Inserts; (v) Ten (10) Staff Uniforms; (vi) Five (5) Owner/Manager Polos; (vii) One Thousand (1,000) Business Promotional Cards; and (viii) Twenty-Five (25) QR Code Review Stickers.

### **Our Pre-opening Obligations under the Area Development Agreement**

Our obligations regarding site selection assistance, training, computer hardware and software selections, and advertising for additional Locations developed under an Area Development Agreement will be governed by the form of single-unit franchise agreement you sign for each additional Location.

### **Protected Territory Selection**

Additional training or refresher courses may be required if you renew, change, or relocate your TourScale Business. This will cause you to incur additional costs as described in the Franchise Agreement.

## Technology

You will need to acquire (by purchase, lease or license) the computer system and required software that we specify. The terms “**computer system**” and “**required software**” refer to hardware (monitor, keyboard, computer tower, mouse and tablets), software for the management and operation of your TourScale Business including reporting and sharing information with us, credit and debit card processing and non-cash payment systems, communication systems (including routers, modems, cables, etc.), and external back-up for your computer and systems. ~~This includes, at a minimum, a computer system capable of running web-based applications on Google Chrome and a smartphone capable of running either Apple iOS (version 10 or higher) or Google Android (version Pie or newer). We may change our specifications for the computer system and required software.~~ You must use the computer system for your records management, back office reporting and e-mails, and for operating your business operations software. The types of data to be generated or stored in the computer system include sales, labor, employee information and statistics, post sales tax, refunds and credits, and customer information. Our specific requirements for the computer system and required software, and the designation of any approved supplier for the computer system and required software, are included in the Operations Manual. You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the computer system, and all associated costs.

You must maintain a ~~functioning email address and~~ secure, high-speed internet connection at all times. We may require you to purchase additional Primary Assets or other equipment depending on the size, configuration or other site-specific circumstances of your TourScale Business.

We estimate the cost of ongoing maintenance, upgrades and or updates to be \$500 or less per year. Many franchisees choose to use their existing computer equipment, but if a new computer system is purchased, the expected cost to purchase a system which meets the requirements would be between \$700 and \$3,200 depending on your choices regarding performance and features of the computer and smartphone, payable to any normal and reasonable computer and smartphone seller.

We will provide you with a website and email for your TourScale Business and you are prohibited from maintaining other separate websites or other electronic presence for your TourScale Business. We currently require that you license the booking software, Xola. Note that Xola comes with a Stripe merchant processing account when you set up your account. You will pay merchant processing fees on all revenue received from credit card transactions to Stripe through your Xola account. You will maintain the option to change merchant credit card processors if you desire to do so. We reserve the right with written notice to you to increase or decrease the Technology Fee if Xola’s pricing structure changes. In addition, you must obtain licenses for certain off-the-shelf software, including Quick Books Online. We anticipate the costs for this additional software are \$200 per month, and this amount is not included in the Technology Fee (see Section 6 of the Franchise Agreement).

Other than as provided in this disclosure document, there are no limitations on the frequency and cost of your obligation to comply with our requirements related to the computer system and required software. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, required software related peripheral equipment, and/or communications systems into conformity with our then-current standards for new TourScale Businesses, provided that we will not

require the adoption of this requirement more than once a year for any franchisee. We will attempt to keep these changes infrequent and reasonable in cost, but other than set forth herein, there are no limits in the Franchise Agreement regarding either our ability to require you to obtain these changes, or the cost of any changes.

We will have independent, unlimited access to all information and data generated by the booking software, Xola, and any replacement or additional software systems we may designate. You acknowledge and agree that we own all such data and may use it for any purpose we deem appropriate, including system-wide analytics, marketing, and operations improvement. There are no contractual limitations on our right to access, use, or share this information and data.

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 license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. In addition to the fees described above, we or our affiliates may charge you a monthly or other 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 term of your Franchise Agreement.

## **Advertising**

All costs of printing or otherwise producing hard copy promotional materials are your obligation. We estimate that the costs of printing for these promotional materials will range from \$250 to \$500 for the new materials.

Before you use or disseminate advertising and promotional materials that were not prepared or approved by us, you must submit samples of such materials to TourScale. TourScale retains the right to require that you cease using any advertising or promotional materials that either violate any state or federal laws, rules or regulations or are considered by TourScale, in our sole discretion, to constitute an unauthorized use of the TourScale Marks.

### Advertising Fund

Under the Franchise Agreement, each franchisee must contribute to the established TourScale Advertising Fund (the “**Advertising Fund**”) an amount equal to 2% of Net Sales (see Section 9 of the Franchise Agreement). The Advertising Fund Contribution rate of 2% of Net Sales will remain fixed during the initial term of your Franchise Agreement and will not be increased. We will require all similarly-situated franchisees to contribute to the Advertising Fund. Company or affiliate owned TourScale Businesses, if any, will contribute to the Advertising Fund at the same percentage rate as similarly-situated franchisees.

~~We do not presently have local or regional advertising cooperatives that franchisees must participate in, or an advertising council comprised of franchisees, but we retain the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved, or merged. In such event, all information concerning such advertising cooperative and/or franchisee advisory council will be provided in advance in writing. Our company or affiliate owned businesses, if any, will participate in any local or regional advertising cooperatives on the same basis as similarly situated franchisees.~~

We will account for the contributions to the Advertising Fund separately from our other revenues. We will use the Advertising Fund to develop marketing and advertising programs that benefit the TourScale brand and to offset our costs of administering the Advertising Fund, including salaries and overhead in administering the Advertising Fund. This means we may use monies in the Advertising Fund for any purpose that promotes the TourScale name, including the creation, production, and placement of commercial advertising; agency costs and commissions; creation and production of video, audio, and written advertisements; administering multi-regional advertising programs, direct mail, and other media advertising; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities, including participating at trade shows. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, electronic and online advertising, radio, or television. We will not be obligated to make advertising expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Advertising Fund.

We intend to work with national, regional, and local agencies in our discretion. It will be our responsibility to determine how the Advertising Fund monies are spent. We will not be required to use monies in the Advertising Fund to benefit any individual market, or on a *pro rata* or other basis. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises. We did not establish the Advertising Fund during the last fiscal year, and accordingly, had no expenditures in that period.

We may reimburse ourselves or our authorized representatives from the Advertising Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Advertising Fund. Any unused funds in any calendar year will be applied to the following year's funds. Any interest the Advertising Fund earns will be used for advertising before we use any principal. At your request, if established, we will make available to you an annual accounting for the Advertising Fund that shows how the Advertising Fund proceeds were spent for the previous year, but these statements will not be audited.

It is our intention to solicit input on the development of advertising from franchisees who must contribute to the Advertising Fund on the development of the advertising. However, this input will be advisory only, and we will have the right to make all final decisions about how these monies are spent.

We do not intend to use the Advertising Fund to purchase advertisements or marketing designed to sell additional franchises although there may be an indirect impact on franchise sales from Advertising Fund expenditures.

In the most recent fiscal year ending in 2024, we did not collect any funds to be used in the Advertising Fund. Accordingly, we did not spend any funds from the Advertising Fund.

### Cooperatives

Currently, we do not maintain local or regional advertising cooperatives or an advertising council comprised of franchisees. However, we reserve the right to require the formation, modification,

dissolution, or merger of advertising cooperatives and/or franchisee advisory councils at any time. If we establish an advertising cooperative, the following will apply:

(a) Membership and Contributions: All franchisees within a designated geographic area must participate in their respective local or regional advertising cooperative. Each member franchisee must contribute a percentage (not to exceed 2% of Net Sales) as determined by us or the cooperative's governing body. Our company-owned and affiliate-owned outlets within the cooperative's territory will contribute on the same basis as franchisees.

(b) Administration: Each cooperative will be administered by its members according to written governing documents that we will provide. These documents will outline voting rights, meeting requirements, and fund administration procedures. We retain the right to establish financial reporting requirements and to audit cooperative funds.

(c) Governing Documents: Upon your request or upon the establishment of a cooperative in your territory, we will provide you with copies of the cooperative's governing documents for review.

We will provide written notice at least sixty (60) days before implementing any new cooperative requirement or material change to existing cooperative arrangements.

#### Digital Ad Spend Requirement

You are responsible to conduct your own local digital marketing of your TourScale Business. We require you to spend the greater of (i) a minimum of \$5,000 per year or (ii) 5% of your ~~Gross-Net~~ Sales on direct third-party digital advertising platform expenditures ("Required Digital Marketing Spend"), which shall only include actual advertising spend paid to digital advertising platforms such as Facebook, Instagram, Google Ads, and other similar platforms as approved by us in writing. You must provide us with documentation of such expenditures through original platform-generated spending reports and invoices from approved digital advertising platforms in the form and at the times we specify, but no less than quarterly. We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in digital advertising and promotion.

#### **ITEM 12 TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will operate your TourScale Business from an approved physical location (the "**Base of Operations**") within a geographic area described in your Franchise Agreement (the "**Protected Territory**"). The process of establishing your Base of Operations and Protected Territory involves two phases as described below.

The establishment of your Base of Operations and Protected Territory involves two phases:

Phase 1: You will have an initial six month period to secure a Base of Operations within an agreed-upon Search Area. If you fail to secure an approved Base of Operations within this period, or if we determine in our reasonable business judgment that you are not making sufficient progress toward securing a location, we may terminate the Franchise Agreement without refunding any amounts paid. We may, in

our sole discretion, grant up to two, three-month extensions of this period, subject to payment of extension fees and additional conditions we may specify.

Phase 2: Once you identify a potential Base of Operations, you must obtain our written approval before executing any lease or purchase agreement. For water-based vessels, the Base of Operations must be a marina, and for land-based vehicles, it must be a suitable physical headquarters. We will evaluate proposed locations based on factors including: (i) visibility and accessibility; (ii) zoning and regulatory compliance; (iii) operational safety; (iv) proximity to customer traffic; (v) parking or docking capacity; (vi) market conditions; (vii) facility adequacy; (viii) compatibility with intended Protected Territory boundaries; and (ix) other relevant criteria we determine necessary to protect our brand, customer experience, and other franchisees.

Upon approval of your Base of Operations, your Protected Territory will consist of the geographic area that can be reached within a ~~ten (10)~~ mile driving distance from your Base of Operations along existing roads and highways, as specifically defined in your Franchise Agreement, subject to adjustment based on market conditions, population density, and other factors we deem relevant. The exact boundaries of your Protected Territory will be determined by us in our sole discretion based on actual driving routes and may be modified if circumstances warrant, including but not limited to changes in road patterns, traffic conditions, or market conditions. We are not required to pay you for soliciting or accepting orders for other TourScale Businesses within your Protected Territory.

During Phase 1, we will not permit any other franchisee, our affiliates, or ourselves to search for or open a location within your Search Area, provided you are actively and diligently pursuing a location and are in full compliance with the Franchise Agreement. Once your Protected Territory is established, we will not operate or authorize others to operate the same brand within your Protected Territory, except as otherwise permitted in the Franchise Agreement. However, we retain all rights not expressly granted to you, including but not limited to the right to: (i) operate or franchise other brands within your Protected Territory; (ii) sell products or services through alternative channels of distribution (including but not limited to online sales, catalogs, retail stores, wholesale accounts, third-party delivery services, or other distribution methods now existing or developed in the future) within or outside your Protected Territory, and no compensation shall be due to you for any such sales made within your Protected Territory; (iii) acquire and operate businesses using the same brand within your Protected Territory if such businesses were operating before your territory rights were granted; and (iv) modify the scope of your Protected Territory based on market conditions or your performance. ~~You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.~~

You will be required to purchase or lease a minimum number of Trolley Pub vehicles or Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels from us within the specified periods of time described in the Franchise Agreement. Depending on the size, population, historical sales, or other features of your Protected Territory, you may be subject to minimum purchase or leasing requirements with respect to the number of Trolley Pub vehicles and/or Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessels used in your TourScale Business. In addition, we may require that you include additional Trolley Pub vehicles or Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessels as your sales levels reach defined levels. Currently, we require (whether purchased or leased) at least ~~one (1)~~ Trolley Pub vehicle or ~~one (1)~~ Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessel in the first year of operations, to be increased annually as follows:

TIKI PUB AND CRUISIN' TIKIS (6 Passenger Vessels):

Prior Year Net Sales	Minimum Number of Vessels
>\$175,000	2
>\$350,000	3
>\$525,000	4
>\$700,000	5
>\$875,000	6

PADDLE PUB, TIKI PUB AND CRUISIN' TIKIS (~~18-35~~16-35 Passenger Vessels):

Prior Year Net Sales	Minimum Number of Vessels
>\$350,000	2
>\$700,000	3
>\$1,050,000	4
>\$1,400,000	5
>\$1,750,000	6

TIKI PUB AND CRUISIN' TIKIS (49 Passenger Vessels):

Prior Year Net Sales	Minimum Number of Vessels
>\$500,000	2
>\$1,000,000	3
>\$1,500,000	4
>\$2,000,000	5
>\$2,500,000	6

TROLLEY PUB:

Prior Net Sales	Minimum Number of Vehicles
>\$100,000	2
>\$200,000	3
>\$300,000	4
>\$400,000	5
>\$500,000	6

Except as noted below, as long as you are in compliance with the Franchise Agreement, we will not operate the same TourScale Business or grant to a third party the right to operate the same TourScale Business within your Protected Territory except in accordance with the Franchise Agreement.

You do not need to separately pay us any compensation to solicit or accept orders within your Protected Territory. Similarly, we do not need to pay you any compensation for soliciting or accepting orders within your Protected Territory. We do not place any restrictions on solicitation of consumers outside of or within your Protected Territory by you or any other franchisees, including, the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your territory. Your Protected Territory is not an exclusive territory. You may face competition from other franchisees or competing brands, from outlets that we own, or from other channels of distribution or competitive brands that we control. These may include franchises operating under the Trolley Pub, Paddle Pub, Tiki Pub, Cruisin' Tikis, or Trolley Party trademarks. In addition, we may operate or franchise businesses under other tradenames or trademarks without further notice to you.

If you operate Trolley Pub vehicles but not Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels within your Protected Territory, or vice versa, we retain the absolute and unrestricted right to sell, operate, or otherwise develop the type of TourScale business you do not operate, including through third parties or direct operation, in our sole discretion and without any obligation to offer such rights or opportunities to you or to provide you with notice of such activities.

If you enter into an Area Development Agreement, you will obtain the right to own and operate a certain number of TourScale Businesses in the Development Area where you must open each TourScale Business in compliance with the Development Schedule. The size of the Development Area will depend upon the number of TourScale Businesses you are obligated to open but will vary based on demographics. Provided you comply with the terms of the Area Development Agreement, and any Franchise Agreements signed for TourScale Businesses within the Development Area, we will not locate another TourScale Business operating under the Proprietary Marks, whether franchised or company-owned, in your Development Area.

You must comply with your development obligations in the Development Schedule in order to maintain your Development Area exclusivity. In the event that you fail to meet your development obligations and the Area Development Agreement is terminated, you will retain your rights to any previously owned

TourScale Businesses, including the territorial rights described in the Franchise Agreement for such TourScale Businesses, provided that the Area Development Agreement was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any TourScale Businesses for which there is no Franchise Agreement and your exclusivity in the Development Area will terminate immediately upon termination of the Area Development Agreement. Thereafter, we will have the right to develop the Development Area on our own or through third parties.

If you need to relocate your Base of Operations, you may do so within your existing Protected Territory without affecting your territory boundaries. However, if you must or choose to relocate outside your Protected Territory, you will need to undergo both Phase 1 and Phase 2 of the territory establishment process for your desired new location. Any relocation, whether within or outside your Protected Territory, must be completed within 12 months of the closure of your existing Base of Operations, unless we, in our sole discretion, grant a written extension. If you fail to complete the relocation within this timeframe or any extended period we may grant, we may, in our sole discretion, terminate your Franchise Agreement with no refund of any fees paid to us, and you waive any claims against us arising from such termination.

Unless specifically agreed to in writing by TourScale, you have no options, rights of first refusal, preferential rights, or any similar rights to: (i) acquire any additional franchises whether in contiguous territories or elsewhere; (ii) acquire additions to your Protected Territory; (iii) establish additional franchised outlets; or (iv) expand your franchised business in any manner. Any expansion, relocation, or establishment of additional franchised outlets requires TourScale's prior written approval, which may be granted or withheld in TourScale's sole and absolute discretion, which may be based on any factors we deem relevant, including but not limited to our system standards, market conditions, your operational and financial performance, compliance history, and any other business considerations.

During the franchise term we may:

- (1) Sell (or authorize others to sell) services authorized for TourScale Businesses, using trade names, trademarks, service marks and commercial symbols other than the Marks (See Item 13);
- (2) Operate and grant to others the right to operate TourScale Businesses that are located anywhere outside of your Protected Territory;
- (3) Purchase, acquire, invest in, partner with, or otherwise become affiliated with, through merger, acquisition, joint venture or any other business arrangement, any mobile entertainment tour businesses, companies, franchisors, or other businesses which operate, distribute, provide, franchise, or have any involvement with tour businesses or related services, whether such businesses are located within or outside of the Protected Territory, without any obligation to offer you participation in such opportunities;
- (4) Market, promote, sell, license, develop, or otherwise commercialize any products, services, or business concepts relating to or competitive with the TourScale Business through any channels of distribution ~~whatsoever~~, including but not limited to, through the Internet or worldwide web, through smart phone or other digital applications, direct marketing or through any other form of distribution channel or method from and at any location, even in the Protected Territory, using the Marks or under trade names, trademarks or service marks other than the Marks; ~~and~~

~~(4)~~(5) Develop, operate, and/or grant franchises to others to develop or operate TourScale Businesses in Non-Traditional Locations within or outside the Development Area. "Non-Traditional Locations" means locations that have a captive audience or restricted access due to their operation within or in conjunction with another primary business or venue, including but not limited to: hotels, resorts, casinos, cruise ships, airports, train stations, bus terminals, sports facilities, stadiums, arenas, convention centers, military bases, government offices or facilities, educational institutions (including universities, colleges and schools), museums, amusement parks, theme parks, zoos, aquariums, shopping malls, outlet centers, retail stores, department stores, medical facilities, office buildings, corporate campuses, industrial facilities, and other similar venues or locations. We shall have the sole right to pursue, develop and/or authorize others to develop such Non-Traditional Locations, and you shall not be entitled to any compensation in connection with the operation of TourScale Businesses at Non-Traditional Locations, even if within your Territory or Development Area; and

~~(5)~~(6) Be acquired (regardless of the form of transaction) by a mobile entertainment tour business or other business, even if such business operates, franchises and/or franchises competitive businesses within the Protected Territory.

### ITEM 13 TRADEMARKS

TourScale grants you the right to operate a tour and experience business under the names TourScale, Trolley Pub, Paddle Pub, Trolley Party, Cruisin' Tikis, or some combination of these names (the "**Marks**"). You may also use any authorized successor trademarks to operate your office. The term "**Marks**" includes trade names, trademarks, service marks and logos used subsequently developed and used to identify TourScale Business. The following principal Marks are registered with the United States Patent & Trademark Office ("**USPTO**") by our parent Kaapro & Cole Ventures, LLC ("**K&C**") and our affiliate, Cruisin' Tikis Holdings, LLC ("**CTH**").

~~TourScale has secured exclusive and perpetual trademark licenses through separate agreements dated January 1, 2024 (the "License Agreements") with TSE and Cruisin' Tikis Holdings, LLC ("CTH"), granting TourScale comprehensive rights to use and sublicense these trademarks. Pursuant to (i) that certain Trademark License Agreement dated January 1, 2024, by and between TourScale and TSE (the "TSE License Agreement"), and (ii) that certain Trademark License Agreement dated January 1, 2024, by and between TourScale and Cruisin' Tikis Holdings, LLC ("CTH") (the "CTH License Agreement") (collectively, the "License Agreements"). Under the License Agreements, TourScale has the right to grant Each License Agreement is sublicensable to franchisees for in connection with the TourScale Businesses. Th. Each License License AAgreements may be modified by mutual written agreement of the parties. The Franchisor and associated trademark owners (TSE or CTH) maintain exclusive authority to terminate their respective License Agreement at their discretion, including but not limited to circumstances where ~~may be modified by written agreement and terminated by the respective~~ (i) TourScale commits a material breach of this license or if (a) TourScale breaches such License aAgreement and fails to remedy such breach within ninety (fails to correct such deficiency within 90) days ~~after~~ receiving ~~pt~~ of written notice thereof from Franchisor, or if (ii) ~~by the applicable licensor, or~~ (b) TourScale (or its owners, officers, or key employees) ~~misuses the trademarks or damages materially misuse or make an unauthorized use of any component of the respective Marks or commit an act which materially impairs the goodwill associated with their reputation. These License AAspective Marks. Neither License Agreements will not significantly impa-materially affects~~ franchisees in the operation of their businesses. your ability to use TourScale's~~

~~trademarks use of TourScale's trademarks."), TourScale has a perpetual license from each of TSE and CTH to use their respective Marks in connection with the operation of the TourScale Businesses.~~

**The principal Trademarks with the United States Patent and Trademark Office are as follows:**

Mark	Registration / Serial Number	International Classes	Date of registration	Owner/ <u>Register</u>
Trolley Pub	Reg. No. 5117707	039, 041	January 10, 2017 Renewed: June 30, 2023	K&C/ <u>Principal</u>
Paddle Pub	Reg. No. 5710891	039, 041	March 26, 2019	K&C/ <u>Principal</u>
	Reg. No. 5746627	039, 041	May 7, 2019	K&C/ <u>Principal</u>
	Reg. No. 6445327	039	August 10, 2021	K&C/ <u>Principal</u>
	<del>Serial No. 97477986</del> Reg. No. 7126552	039, 041	August 1, 2023	K&C/ <u>Principal</u>
TOUR SCALE	Reg. No. 7179944	035	October 3, 2023	K&C/ <u>Principal</u>
TIKI PUB <hr/> TIKI PUB	Reg. No. 7317360	039, 041	February 27, 2024	K&C/ <u>Principal</u>
	Reg. No. 7317361	039, 041	February 27, 2024	K&C/ <u>Principal</u>
	Reg. No. 7370587	035	April 30, 2024	K&C/ <u>Principal</u>
CRUISIN' TIKIS	Reg. No. 7613380	039	December 17, 2024	CTH/ <u>Principal</u>
CRUISIN' TIKIS	Reg. No. 5272076	040	Registered: August 22, 2017 Renewed: February 3, 2024	CTH/ <u>Principal</u>
	Reg. No. 5457293	012	Registered: May 1, 2018 Renewed: March 5, 2025	CTH/ <u>Principal</u>

	Reg. No. 5516972	039	Registered: July 17, 2018 Renewed: October 31, 2024	CTH/ <u>Principal</u>
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Note that “TourScale” is not included as a Mark that may be used by you and is not to be used as part of your TourScale Business. We do not have a federal registration for the name “TourScale.”

All required renewals and affidavits of continued use have been filed and accepted for the principal Trademarks through the date of this Disclosure Document. There are no (a) currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or the trademark administrator of any state or any court, (b) pending infringement, opposition or cancellation proceedings or (c) pending material litigation regarding our use or ownership rights in the principal Trademarks. TourScale or its affiliates have filed all necessary affidavits and renewals.

You must follow our rules when you use the Marks. You cannot use a TourScale name or mark as part of a corporate name or with modifying words, designs or symbols except for those which TourScale franchises to you. You may not use TourScale’s name or Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by TourScale. You may not use TourScale’s trademarks in any combination with those of another legal entity without prior written permission from TourScale. TourScale is under no obligation to grant a request to combine the Marks with those of any other legal entity. No agreements limit TourScale’s right to use or franchise the use of TourScale’s trademarks.

You must notify TourScale immediately if you learn about an infringement of or challenge to your use of the Marks. TourScale will take the action we think appropriate. TourScale is not required to defend or indemnify you against a claim against your use of our trademarks. You must modify or discontinue the use of trademarks if TourScale modifies or discontinues them. In such event, you will not be entitled to any compensation for such modification or discontinuation. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of or used in business.

Franchisor and TSE have the exclusive rights to control any administrative proceedings or litigation involving a trademark licensed to Franchisee.

TourScale does not know of any infringing uses that could materially affect your use of TourScale’s trademarks.

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

Except as disclosed below, we do not own rights in, or licenses to, patents or copyrights that are material to the System.

Through an exclusive license agreement with CTH, we have the right to use U.S. Patent No. 10589827, titled "A structure for stabilizing a barrel on a pontoon vessel." This utility patent, owned by CTH, was

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
g. “Cause” defined - defaults which can be cured	19.B, 19.C	You have 30 days to cure the defaults listed in <u>Section 19.C</u> .
h. “Cause” defined - defaults which cannot be cured	19.B	We may terminate for cause without an opportunity to cure if: (1) you default in the payment of any monies owed to us or our affiliates when such monies become due and payable and you fail to pay such monies within 5 days after receiving written notice of default or immediately if payment has not been made within 30 days of its due date, then this Agreement will terminate effective immediately upon expiration of that time, unless we notify you otherwise in writing; or (2) you have received two (2) or more notices of default within the previous 12-month period, we may send you a notice of termination upon your next default within that 12-month period without providing you an opportunity to remedy the default.
i. Your obligations on termination/non-renewal	18 & 20	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets, and records.
j. Assignment of contract by us	15	No restriction on our right to assign.
k. “Transfer” by you – definition	16.A	Includes transfer of contract or assets or ownership change.
l. Our approval of transfer by franchisee	16.B-16.G	We have the right to approve all transfers.
m. Conditions for our approval of transfer	16.B	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee.
n. Our right of first refusal to acquire your business	16.G	We can match any offer for your TourScale Business.
o. Our option to purchase your business	21	We may, but are not required to, purchase your Assets and other items at fair market value if your franchise is terminated <del>for any reason</del> .
p. Your death or disability	16.D	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 90 days
q. Non-competition covenants during the term of franchise	3 & 18	No involvement in competing business anywhere in the world subject to applicable law during the Term of the Agreement; During the Restricted Period, these restrictions will apply in the Operating Area; within the Protected Territory; within a 5-mile radius of the outer boundaries of the Protected Territory; and within 5 miles of the outer edge of any other TourScale Business Protected Territory, in operation or under construction on the later of: (i) the date of the termination or expiration of this Agreement; or (ii) the date on which all persons restricted by <u>Section 18.B</u> begin to comply with <u>Section 18.B</u> .
r. Non-competition covenants after the	18	Non-competition Restricted Period shall be two (2) years from the date the Agreement expires or is terminated.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
franchise is terminated or expires		
s. Modification of Franchise Agreement	24, 26	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. No previous course of dealing not specifically set forth in this Agreement will be admissible to explain, modify or contradict this Agreement. Any amendment or modification of this Agreement is invalid unless made in writing and signed by the Franchisor, the Franchisee and all Guarantors. Modifications permitted on renewal.
t. Integration/merger clause	26	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	27	Except for certain claims and subject to applicable state law, all disputes must be mediated prior to bringing an action in court.
v. Choice of forum	27.C	Arbitration or litigation must be conducted in in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed (subject to applicable state law).
w. Choice of law	27.B	Except to the extent governed by 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 you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of <u>Section 18</u> shall be interpreted and construed under the laws of the jurisdiction in which your TourScale Business is located (subject to applicable state law).

THE FRANCHISE RELATIONSHIP		
<u>Provision</u>	<u>Section in Area Development Agreement</u>	<u>Summary</u>
<u>a. Length of the franchise term</u>	<u>3.1</u>	<u>Ten years for development rights depending on the agreement and the number of TourScale businesses.</u>
<u>b. Renewal or extension of the term</u>	<u>3.2</u>	<u>There is no renewal period. Upon expiration you may enter into our then-current area development agreement, subject to our approval.</u>
<u>c. Requirements for you to renew or extend</u>	<u>3.2</u>	<u>No express renewal requirements or right are provided for in the Development Agreement.</u>
<u>d. Termination by you</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

**THE FRANCHISE RELATIONSHIP**

<b><u>Provision</u></b>	<b><u>Section in Area Development Agreement</u></b>	<b><u>Summary</u></b>
<u>e. Termination by us without cause</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>f. Termination by us with cause</u>	<u>9.1 and 9.2</u>	<u>We can terminate only if you commit one of several violations.</u>
<u>g. "Cause" defined - defaults which can be cured</u>	<u>9.2</u>	<u>You have 30 days to cure the defaults listed in Section 9.2.</u>
<u>h. "Cause" defined - defaults which cannot be cured</u>	<u>9.1</u>	<u>We may terminate for cause without an opportunity to cure if: (1) fail to comply with the Development Schedule; (2) purport to effect any assignment in violation of the Agreement; (3) you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any franchise agreement; (4) you default in the performance of any obligation under any franchise agreement with us, provided such default results in the termination of the franchise agreement; (5) you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of any TourScale Business; (6) you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a <i>supersedeas</i> bond is filed); if you are dissolved; if execution is levied against you or your property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within 30 days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable; (7) you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the TourScale Businesses opened; (8) you, or any shareholder or principal, fail to maintain the financial capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate</u>

<u>THE FRANCHISE RELATIONSHIP</u>		
<u>Provision</u>	<u>Section in Area Development Agreement</u>	<u>Summary</u>
		<u>the TourScale Businesses required to be opened and operated under this Agreement based upon criteria established by us from time to time.</u>
<u>i. Your obligations on termination/non-renewal</u>	<u>10</u>	<u>Other than maintaining the confidentiality of our confidential information and trade secrets before and after termination, expiration or nonrenewal, the Development Agreement does not impose any separate or additional obligations upon termination, expiration or nonrenewal other than those set forth above relating to the Franchise Agreement.</u>
<u>j. Assignment of contract by us</u>	<u>11.1</u>	<u>We may assign the Development Agreement without limitation and the assignee or other legal successor to our interests will be entitled to all of the benefits of the Development Agreement.</u>
<u>k. “Transfer” by you – definition</u>	<u>11.2</u>	<u>The Development Agreement defines transfers by the franchisee to include assigning, transferring or encumbering the Development Agreement or the development rights provided therein.</u>
<u>l. Our approval of transfer by franchisee</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>m. Conditions for our approval of transfer</u>	<u>11.2</u>	<u>You cannot assign the DA.</u>
<u>n. Our right of first refusal to acquire your business</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>o. Our option to purchase your business</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>p. Your death or disability</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>q. Non-competition covenants during the term of franchise</u>	<u>12</u>	<u>You, or your owners, may not engage in any activity which may impair your ability to fulfil your obligations during the term of the Development Agreement without our prior written consent, which may be withheld in our sole and absolute discretion.</u>
<u>r. Non-competition covenants after the franchise is terminated or expires</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>s. Modification of Franchise Agreement</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>t. Integration/merger clause</u>	<u>18</u>	<u>Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in any</u>

<b><u>THE FRANCHISE RELATIONSHIP</u></b>		
<b><u>Provision</u></b>	<b><u>Section in Area Development Agreement</u></b>	<b><u>Summary</u></b>
		<u>franchise disclosure document we delivered to you in connection with this Agreement</u>
<u>u. Dispute resolution by arbitration or mediation</u>	<u>19</u>	<u>Except for certain claims and subject to applicable state law, all disputes must be mediated prior to bringing an action in court.</u>
<u>v. Choice of forum</u>	<u>19.1</u>	<u>Arbitration or litigation must be conducted in in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed (subject to applicable state law).</u>
<u>w. Choice of law</u>	<u>19.3</u>	<u>Except to the extent governed by 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 you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided.</u>

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit F-G attached to this Disclosure Document.

### **ITEM 18 PUBLIC FIGURES**

TourScale does not currently use any public figures to promote its franchise.

### **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.

The following financial performance representations summarize actual gross sales data collected from franchisees and company-owned operations in the Tourscale franchise system. 49As of December 31, 2024, the system included operational franchisee-owned units across both the TourScale and Cruisin' Tikis brands. The franchise system focuses on selling franchises for the operation of businesses utilizing pedal-powered vehicles and vessels for mobile entertainment. This Item 19 includes data from these 49 franchisee-owned units and 10 company-owned outlets. All data represents assets that have been in use for at least 12 months where the business operated for a full season. Sales data represents gross sales on a cash basis before deductions. There are no material financial or operational characteristics of the company-owned outlets that are reasonably anticipated to differ materially from future franchised outlets.

**Franchisee-owned and Company-owned combined**

<b>Trolley Pub</b>	<b>Per Seat</b>	<b>15 Passenger</b>
Average	\$4,945	\$74,182
Median	\$4,745	\$71,179
Lowest	\$1,960	\$29,402
Highest	\$8,356	\$125,335
% Outlets > Avg	50.0%	50.00%
% Seats > Avg	53.8%	53.8

<b>Paddle Pub</b>	<b>Per Seat</b>	<b>16 Passenger</b>	<b>26 Passenger</b>
Average	\$6,721	\$107,543	\$174,758
Median	\$6,365	\$101,845	\$165,497
Lowest	\$3,187	\$50,992	\$82,862
Highest	\$12,983	\$207,730	\$337,561
% Outlets > Seat Avg	40.0%	40.00%	40.00%
% Seats > Avg	28.3%	28.30%	28.30%

<b>Tiki Pub</b>	<b>Per Seat</b>	<b>6 Passenger</b>	<b>25 Passenger</b>
Average	\$15,410	\$92,463	\$400,672
Median	\$13,827	\$82,962	\$359,500
Lowest	\$11,243	\$67,460	\$292,325
Highest	\$16,411	\$98,464	\$426,676
% Outlets > Seat Avg	50.0%	50.00%	50.00%
% Seats > Avg	80.6%	80.60%	80.60%

<b>Cruisin' Tikis</b>	<b>Per Seat</b>	<b>6 Passenger</b>
Average	\$16,631	\$99,786
Median	\$11,143	\$66,855
Lowest	\$4,424	\$26,544
Highest	\$44,199	\$265,193
% Outlets > Seat Avg	28.6%	28.60%
% Seats > Avg	35.9%	35.90%

**Franchisee-owned**

<u>Trolley Pub</u>	<u>Per Seat</u>	<u>15 Passenger</u>
<u>Average</u>	<u>\$4,621</u>	<u>\$69,314</u>
<u>Median</u>	<u>\$3,914</u>	<u>\$58,717</u>
<u>Lowest</u>	<u>\$2,229</u>	<u>\$33,441</u>
<u>Highest</u>	<u>\$8,356</u>	<u>\$125,335</u>
<u>% Outlets &gt; Avg</u>	<u>16.7%</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>15.4%</u>	<u>Not Applicable</u>

<u>Paddle Pub</u>	<u>Per Seat</u>	<u>16 Passenger</u>	<u>26 Passenger</u>
<u>Average</u>	<u>\$7,096</u>	<u>\$113,528</u>	<u>\$184,484</u>
<u>Median</u>	<u>\$7,255</u>	<u>\$116,074</u>	<u>\$188,620</u>
<u>Lowest</u>	<u>\$3,334</u>	<u>\$53,340</u>	<u>\$86,678</u>
<u>Highest</u>	<u>\$12,983</u>	<u>\$207,730</u>	<u>\$337,561</u>
<u>% Outlets &gt; Seat Avg</u>	<u>40.0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>28.3%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

<u>Tiki Pub</u>	<u>Per Seat</u>	<u>6 Passenger</u>	<u>25 Passenger</u>
<u>Average</u>	<u>\$16,411</u>	<u>\$98,464</u>	<u>\$410,265</u>
<u>Median</u>	<u>\$16,411</u>	<u>\$98,464</u>	<u>\$410,265</u>
<u>Lowest</u>	<u>\$16,411</u>	<u>\$98,464</u>	<u>\$410,265</u>
<u>Highest</u>	<u>\$16,411</u>	<u>\$98,464</u>	<u>\$410,265</u>
<u>% Outlets &gt; Seat Avg</u>	<u>50.0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>80.6%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

<u>Cruisin' Tikis</u>	<u>Per Seat</u>	<u>6 Passenger</u>
<u>Average</u>	<u>\$16,631</u>	<u>\$99,786</u>
<u>Median</u>	<u>\$11,143</u>	<u>\$66,855</u>
<u>Lowest</u>	<u>\$4,424</u>	<u>\$26,544</u>
<u>Highest</u>	<u>\$44,199</u>	<u>\$264,193</u>
<u>% Outlets &gt; Seat Avg</u>	<u>28.57%</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>35.87%</u>	<u>Not Applicable</u>

<u>Seasonality Index</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
<u>TourScale Overall</u>	<u>4%</u>	<u>6%</u>	<u>9%</u>	<u>11%</u>	<u>13%</u>	<u>14%</u>	<u>15%</u>	<u>11%</u>	<u>6%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>	<u>100%</u>
<u>Cruisin' Tikis</u>	<u>4%</u>	<u>6%</u>	<u>11%</u>	<u>12%</u>	<u>13%</u>	<u>15%</u>	<u>14%</u>	<u>10%</u>	<u>6%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>	<u>100%</u>
<u>Trolley Pub</u>	<u>4%</u>	<u>5%</u>	<u>8%</u>	<u>11%</u>	<u>11%</u>	<u>12%</u>	<u>11%</u>	<u>10%</u>	<u>8%</u>	<u>8%</u>	<u>6%</u>	<u>5%</u>	<u>100%</u>
<u>Paddle Pub</u>	<u>2%</u>	<u>3%</u>	<u>6%</u>	<u>7%</u>	<u>12%</u>	<u>17%</u>	<u>21%</u>	<u>17%</u>	<u>8%</u>	<u>4%</u>	<u>2%</u>	<u>2%</u>	<u>100%</u>
<u>Tiki Pub</u>	<u>3%</u>	<u>8%</u>	<u>10%</u>	<u>13%</u>	<u>9%</u>	<u>6%</u>	<u>11%</u>	<u>7%</u>	<u>7%</u>	<u>5%</u>	<u>8%</u>	<u>13%</u>	<u>100%</u>

**Company-owned**

<b><u>Trolley Pub</u></b>	<b><u>Per Seat</u></b>	<b><u>15 Passenger</u></b>
<u>Average</u>	<u>\$5,224</u>	<u>\$78,354</u>
<u>Median</u>	<u>\$5,282</u>	<u>\$79,226</u>
<u>Lowest</u>	<u>\$1,960</u>	<u>\$29,402</u>
<u>Highest</u>	<u>\$7,596</u>	<u>\$113,946</u>
<u>% Outlets &gt; Avg</u>	<u>33.3%</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>38.5%</u>	<u>Not Applicable</u>

<b><u>Paddle Pub</u></b>	<b><u>Per Seat</u></b>	<b><u>16 Passenger</u></b>	<b><u>26 Passenger</u></b>
<u>Average</u>	<u>\$3,646</u>	<u>\$58,332</u>	<u>\$72,914</u>
<u>Median</u>	<u>\$3,703</u>	<u>\$59,249</u>	<u>\$74,061</u>
<u>Lowest</u>	<u>\$3,187</u>	<u>\$50,992</u>	<u>\$63,740</u>
<u>Highest</u>	<u>\$4,219</u>	<u>\$67,506</u>	<u>\$84,383</u>
<u>% Outlets &gt; Seat Avg</u>	<u>0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

<b><u>Tiki Pub</u></b>	<b><u>Per Seat</u></b>	<b><u>6 Passenger</u></b>	<b><u>25 Passenger</u></b>
<u>Average</u>	<u>\$15,410</u>	<u>\$92,463</u>	<u>\$385,262</u>
<u>Median</u>	<u>\$15,410</u>	<u>\$92,463</u>	<u>\$385,262</u>
<u>Lowest</u>	<u>\$15,410</u>	<u>\$92,463</u>	<u>\$385,262</u>
<u>Highest</u>	<u>\$15,410</u>	<u>\$92,463</u>	<u>\$385,262</u>
<u>% Outlets &gt; Seat Avg</u>	<u>0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>
<u>% Seats &gt; Avg</u>	<u>0%</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

Notes:

1. This representation includes only locations that had at least one asset operating for 12 or more months or a full season in that market.

2. Sales is defined as: the total of all receipts derived from services performed and products sold by Franchisee, or its affiliates, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Sales include receipts from all tours, merchandise, food and beverage sales, etc. related to the operation of the Franchisee's TourScale Business including, without limitation, sales of merchandise but excluding (i) the amount of any sales or similar tax imposed by any federal, state, municipal or other governmental authority, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and (ii) pre-approved promotions, discounts, coupons, or refunds to the extent that the Franchisee realizes no revenue.

2.3. Tiki Pub's revenue pattern reflects data from three units, with December performance significantly influenced by a high-volume location in Southwest Florida that experiences peak tourist season during winter months. This Southwest Florida location typically sees substantially higher customer traffic in December due to seasonal tourism and holiday visitors, which accounts for the brand's elevated December performance compared to other brands in the portfolio..

~~3.—These results do not reflect operating costs or individual performance factors. Your results may differ.~~

4. The information in this Item 19 is not audited. Written substantiation of the data used in preparing this information will be provided upon reasonable request.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.**

Other than the preceding financial performance representation, we do not make any financial performance representations~~representations about a franchisee’s future financial performance or the past financial performance of company owned or franchised outlets.~~ We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Kai Kaapro at 323 West Davie Street, Raleigh, NC and 888-753-7507; the Federal Trade Commission; and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2022 To 2024**

Business Type	Year	Businesses at Start of the Year	Businesses at End of the Year	Net Change
<b>Franchised TourScale Businesses</b>	2022	7	12	+5
	2023	12	20	+8
	2024	20	25	+5
<b>TourScale Owned TourScale Business Locations</b>	2022	13	17	+4
	2023	17	15	-2
	2024	15	11	-4
<b>Total Outlets</b>	2022	20	29	+9
	2023	29	35	+6
	2024	35	36	+1

**Table No. 2  
Transfers of Outlets From Franchisees To New Owners (Other Than Franchisor)  
For Years 2022 To 2024**

State	Year	Number of Transfers
Florida	2022	0
	2023	0
	2024	2

State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisees	Businesses Closed	Businesses Sold to Franchisees	Businesses at End of Year
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
VA	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	1	0	0
WI	2022	2	1	0	0	0	3
	2023	3	0	0	1	0	2
	2024	2	0	0	0	0	2
Total	2022	13	5	0	1	0	17
	2023	17	0	0	1	1	15
	2024	15	1	0	1	4	11

**Table No. 5  
Projected Sales and Openings As of December 31, 2024**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in Fiscal Year 2024	Projected New Company Owned Outlets In Fiscal Year 2024
Arizona	0	1	0
Connecticut	0	1	0
Florida	1	4	0
Idaho	0	2	0
Michigan	0	1	0
New Jersey	0	1	0
North Carolina	1	2	1
Ohio	0	2	0
Total	2	14	1

In January 2025, we acquired the Cruisin' Tikis brand, which operated 44 franchised units. These units are operated under a separate brand but are now part of our franchise system. Their inclusion in future Item 20 charts will reflect our ongoing consolidation. Below is a summary of the Cruisin' Tikis franchised units as of December 31, 2024.

Exhibit [G-H](#) lists the names of all of our operating TourScale Businesses and their addresses and telephone numbers as of December 31, 2024. Exhibit [G-H](#) lists the TourScale Businesses who have signed franchise agreements for which were not yet operational as of December 31, 2024, and also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of every TourScale Business who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a 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. Exhibit ~~G~~-H also lists the Cruisin' Tikis franchised locations as of December 31, 2024 that were acquired by us.

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.

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

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

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as Exhibit ~~K~~-J hereto are (i) our unaudited balance sheet and profit & loss statement as of June 30, 2025 and (ii) our audited financial statements for TourScale Franchising, LLC, for the years ended December 31, 2022, December 31, 2023, and December 31, 2024. Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

The following contracts are exhibits within this disclosure document:

Exhibit C Franchise Agreement (and Exhibits thereto)

- EXHIBIT 1 - FRANCHISE INFORMATION
- EXHIBIT 2 - FORM OF COLLATERAL ASSIGNMENT OF LEASE
- EXHIBIT 3 - AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
- EXHIBIT 4 - LISTING OF OWNERSHIP INTERESTS
- EXHIBIT 5 - AGREEMENT TO BE BOUND AND TO GUARANTEE

Exhibit D Area Development Agreement

Exhibit E Confidentiality Agreement

Exhibit ~~F~~G Addenda Required by Certain States

Exhibit ~~H~~I General Release

Exhibit ~~J~~K Compliance Questionnaire

## **ITEM 23 RECEIPTS**

The final two pages of this disclosure document are detachable documents acknowledging your receipt of the disclosure document. If those pages, or any other pages or exhibits are missing from your disclosure document, please notify us immediately.

# TOURSCALE FRANCHISE AGREEMENT

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### EXHIBITS TO FRANCHISE AGREEMENT

EXHIBIT 1- FRANCHISE INFORMATION

EXHIBIT 2- FORM OF COLLATERAL ASSIGNMENT OF LEASE

EXHIBIT 3- AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

EXHIBIT 4- LISTING OF OWNERSHIP INTERESTS

EXHIBIT 5- AGREEMENT TO BE BOUND AND TO GUARANTEE

the Protected Territory or Operating Area before you sign this Agreement, the Protected Territory and/or Operating Area will be identified and included on Exhibit 1 as described in Section 3.A.

B. Relocation. You may relocate your Base of Operations within your Protected Territory with our prior written consent, which shall not be unreasonably withheld, provided that such relocation will not modify your existing Protected Territory boundaries. If you need or choose to relocate outside your Protected Territory, you must undergo the Phase 1 and Phase 2 territory selection process for the new location. If you cease operations at your existing Base of Operations, you must complete the relocation process within 12 months, or we may terminate this Agreement without any refund. You may not operate your TourScale Business outside your Protected Territory without our prior written consent.

C. Forms of Agreement. Over time, we have entered and will continue to enter into agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect the duties of the parties to this Agreement to comply with the terms of this Agreement.

D. Best Efforts. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently, to use your best efforts to promote your TourScale Business and the System, and to operate your TourScale Business in accordance with our System Standards.

### 3. FRANCHISE RIGHTS

A. Your Protected Territory. Except as limited by Section 3.C below, and provided that you are in full compliance with this Agreement, we and our affiliates will not operate, or license others to operate the same TourScale Business in your Protected Territory during the Term of this Agreement. The Protected Territory granted to you will be the geographic area that can be reached within a ten (10) mile driving distance from your Base of Operations along existing roads and highways, as specifically defined in your Franchise Agreement (the "Protected Territory"). We reserve the right to adjust the Protected Territory based on market conditions, population density, and other factors we deem relevant in our sole discretion. In certain high density population areas ("High-Density Areas"), such as New York City (including boroughs), Orange County (CA), and Chicago, we may reduce the Protected Territory radius at our discretion to ensure appropriate market coverage.

B. No Rights to Additional Territories or Brands. You acknowledge and agree that you do not possess any right of first refusal, preferential right, or any similar rights to purchase or establish additional TourScale Business franchises or territories. We retain the unrestricted right to operate, sell, license, or otherwise convey the right to operate any other brands or concepts within your Protected Territory, even if such operations may compete with your TourScale Business. You have no right of first refusal to acquire another brand or territory.

C. Rights We Reserve. Except as expressly granted to you in this Section 3, we and our affiliates retain all rights with respect to the TourScale Business, 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 the right to: (1) operate (and license others to

operate) TourScale Businesses at any Non-Traditional Locations (defined as locations that have a captive audience or restricted access due to their operation within or in conjunction with another primary business or venue, including but not limited to: hotels, resorts, casinos, cruise ships, airports, train stations, bus terminals, sports facilities, stadiums, arenas, convention centers, military bases, government offices or facilities, educational institutions (including universities, colleges and schools), museums, amusement parks, theme parks, zoos, aquariums, shopping malls, outlet centers, retail stores, department stores, medical facilities, office buildings, corporate campuses, industrial facilities, and other similar venues or locations) within or outside your Protected Territory, without any compensation or consideration to you, and regardless of such Non-Traditional Location's proximity to your TourScale Business; (2) operate (and license others to operate) any type of business other than a TourScale branded business at any location inside or outside the Protected Territory; (2) if you operate Trolley Pub vehicles but not Paddle Pub, Tiki Pub, and/or Cruisin' Tikis vessels within your Protected Territory, or vice versa, we retain the absolute and unrestricted right to sell, operate, or otherwise develop the type of TourScale business you do not operate, including through third parties or direct operation, in our sole discretion and without any obligation to offer such rights or opportunities to you or to provide you with notice of such activities; (3) operate (and license others to operate) TourScale Businesses located anywhere outside the Protected Territory regardless of proximity to your TourScale Business; (4) acquire the assets and/or ownership interests of one or more competing entertainment or tourism businesses that make use of pedal-powered transportation equipment, vehicles, or vessels (“**Competing Businesses**”) 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 the Protected Territory; (5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a person or entity that operates one or more Competing Businesses, or by another business, even if such business operates, franchises and/or licenses Competing Businesses in the Protected Territory; and (6) create, place, and/or distribute or authorize others to create, place and/or distribute any advertising and promotional materials, which may appear in media, or be received by prospective customers located, within the Protected Territory.

#### 4. TERM

A. Initial Term. The initial term of this Agreement (“**Initial Term**”) and the Franchise granted by this Agreement will begin on the Effective Date and expire at midnight on the day preceding the tenth (10<sup>th</sup>) anniversary of the date your TourScale Business first opens for business, unless this Agreement is terminated at an earlier date pursuant to Section 19. We will complete and forward to you a notice to memorialize the date your TourScale Business first opened for business. The Initial Term and Successor Term(s) may be collectively referred to as the “**Term**.”

B. Successor Franchise Agreement. Upon expiration of this Agreement (and the first Successor Term), you may apply for the right to remain a franchisee in the Protected Territory for up to two (2) additional terms of five (5) years each (each a “**Successor Term**”), subject to our approval and your satisfaction of all conditions set forth below. Nothing in this Agreement shall be construed as granting you any automatic right to a Successor Term. The qualifications and conditions for the Successor Term are described below:

activities of the Advertising Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

(7) We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Advertising Fund contributions at the Advertising Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Advertising Fund. We assume no direct or indirect liability or obligation to you for collecting amounts due to the Advertising Fund. We have the sole right to enforce the obligations of franchisees who contribute to the Advertising Fund, and neither you nor any other franchisees who contribute to the Advertising Fund will be deemed a third party beneficiary with respect to the Advertising Fund obligations of other franchisees or have any right to enforce the obligation of any franchisee to contribute to the Advertising Fund.

(8) We may at any time defer or reduce contributions of a TourScale Business franchisee to the Advertising Fund and, upon 30 days' prior written notice to you, reduce or suspend Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, subsequently reinstate) the Advertising Fund. If we terminate the Advertising Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective Advertising Fund contributions during the preceding 12-month period.

#### C. Digital Ad Spend.

(1) You are responsible to conduct your own local digital marketing of your TourScale Business. You must spend the greater of (i) \$5,000 per year or (ii) 5% of your Gross-Net Sales on direct third-party digital advertising platform expenditures ("Required Digital Marketing Spend"), which shall only include actual advertising spend paid to digital advertising platforms such as Facebook, Instagram, Google Ads, and other similar platforms as approved by us in writing. You must provide us with documentation of such expenditures through original platform-generated spending reports and invoices from approved digital advertising platforms in the form and at the times we specify, but no less than quarterly.

(2) Your digital marketing and promotion, including all Required Digital Marketing Spend, must follow our guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of our Website's domain name in the manner we designate. We may specify third parties that you must use for the design and development of your local marketing and promotional materials. You may not develop, maintain, or authorize any Website that mentions or describes you or your TourScale Business or displays any of the Marks without our prior written consent. 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 from time to time.

(3) We, our affiliates, or approved suppliers may periodically make available to you, for purchase, certain advertising plans and promotional materials for your use in digital advertising and promotion, provided however that any costs associated with such materials shall not count toward your Required Digital Marketing Spend. If you purchase these materials from us, in

instructional system, you must agree to abide by our terms of use, which we may revise from time to time. Any passwords or other digital identifications necessary to access the Manual on a website, intranet, extranet or other online training instructional system will be deemed to be part of the Confidential Information.

## 11. TRAINING AND ASSISTANCE

A. Initial Training Program. Before you open your TourScale Business, you (or the Operating Principal of Franchisee if Franchisee is an entity) and your Business Manager must complete, to our satisfaction and certification, the online training program and the New Owner Training Program (collectively the “**Initial Training Program**”), which will address the material aspects of operating a TourScale Business. If you obtain an operating TourScale Business by transfer from another TourScale franchisee, you must complete the Initial Training Program before you begin operating that business as a TourScale Business.

(1) Online Training Program. The online training program must be completed by all TourScale Business owners and will last approximately **79** total hours. You must have a computer with web and video capabilities to complete the online training program. The online training program must be completed prior to you attending “**New Owner Training**.”

(2) New Owner Training. We will provide the New Owner Training for two business days for a total of approximately 16 hours. New Owner Training is held at your location or one of our regional training sites as determined by TourScale from time to time. Training dates are scheduled as they are needed. Your New Owner Training will be scheduled after you sign your Franchise Agreement. You will be responsible pay your travel and living expenses while attending the training sessions if conducted at a location other than your location. You must complete the New Owner Training within 90 days of signing your Franchise Agreement. You may not commence operations until you have completed the New Owner Training program to our satisfaction.

(3) Initial Training Program Fee. We charge a fee of \$1,000 per person attending the Initial Training Program (the “**Initial Training Program Fee**”). If any individual who is required to receive our certification fails to successfully complete the Initial Training Program and receive our certification, then that individual may repeat the program, or you may send a substitute to complete the next available Initial Training Program. We reserve the right to charge you an Initial Training Program Fee for providing the Initial Training Program to these individuals or for training any of your substitute personnel.

### B. Training by You

(1) You must conduct such initial and continuing training programs for the staff of your TourScale Business as we may require from time to time, including those training programs required in order for your staff members to be certified for the position(s) for which each staff member was hired. We will authorize you to open your TourScale Business only after an adequate number of your staff members, as determined by us in our sole discretion, have attended and received certification in the Initial Training Program.

(2) We may periodically visit your TourScale Business to ensure that your training personnel continue to meet our standards. If we determine, in our sole discretion, that your

(1) You must accept debit cards, credit cards, stored value, loyalty cards, gift cards or other non-cash payment systems specified by us or as set forth in the Manual to enable customers to purchase authorized products and services and must obtain all necessary hardware and/or software used in connection with these non-cash payment systems. **You may not accept cash payments for tours and must only accept payment through franchisor-approved payment methods, which currently include debit cards, credit cards, stored value cards, loyalty cards, gift cards and checks.** Franchisor reserves the right to modify approved payment methods upon written notice. You may accept cash for merchandise and other products through a POS system where all sales are tracked provided that you provide a monthly report of all such sales.

(2) You must participate in and honor the terms of any discount, loyalty or promotional program (including gift card, loyalty, and discount programs that are applicable to TourScale Businesses as a whole, specific markets, or certain TourScale Business only) that we offer to the public on your behalf and shall be responsible for the fees payable in conjunction with the operation of these programs. You agree that you will take all action necessary (including the supply to us of all information and the purchase of any supplies, equipment or services) to participate in any discount or promotional programs.

(3) You must comply with all Payment Card Industry (“PCI”) standards and requirements, and you must use our designated vendor for the provision of services that are designed to enable you to comply with PCI requirements and standards. You must pay our Designated Supplier or Approved Supplier, if applicable, a monthly PCI Compliance service fee.

E. Condition and Appearance of your Vessels & Vehicles.

(1) You must routinely maintain and continuously operate your TourScale Business and all Primary Assets, other equipment, signs, fixtures, including the visual appearance of the Primary Assets, and all ongoing necessary maintenance, care, improvements, remodeling, redecorating, refurbishing, and repairs in accordance with the requirements of the System. In that regard, you agree to undertake, without limitation, the following actions during the Term of this Agreement: (a) frequent safety inspection of the Primary Assets as outlined in the Manual; (b) thorough cleaning, repainting, and redecorating of the interior and exterior of the Primary Assets at intervals specified in the Manual; (c) regular repair and maintenance of the Primary Assets; and (d) prompt repair or replacement of damaged, worn out, obsolete, or unsafe equipment.

(2) If, at any time in our reasonable judgment, the general state of repair, condition, appearance or cleanliness of the Primary Assets of your TourScale Business does not meet our System Standards, we have the right to notify you, specifying the action you must take to correct the deficiency. You will have 30 days to make these corrections. If you do not initiate action to correct such deficiencies within this 30-day period, we have the right, in addition to all other remedies, to enter the Storage Location and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection. If we make a reasonable determination that the continued operation of your TourScale Business by you will result in imminent danger to public health or safety, we may terminate this Agreement pursuant to Section 19.B(8) or, in our sole discretion, we may require you to close your TourScale Business temporarily to make the necessary repairs or alterations.

(2)

F. Maximum Operation of your TourScale Business.

(1) During the Term of this Agreement, you must adequately staff each shift with qualified employees and continuously operate your TourScale Business at its maximum capacity and efficiency. As of the Effective Date, your TourScale Business must be open and available for tours seven days a week and take customer service calls and emails at least six days per week except in the case when operating would conflict with your bona fide religious observations or beliefs.

(2) You must immediately resolve customer complaints regarding the quality or condition of the Primary Assets, services, products, and/or cleanliness of your TourScale Business or similar complaints. When customer complaints cannot be immediately resolved, you must use best efforts to resolve the customer complaints as soon as practical and you must, whenever feasible, give the customer the benefit of the doubt. If we, in our sole discretion, determine that our intervention is necessary or desirable to protect the System or goodwill associated with the System, or if we, in our sole discretion, believe that you have failed to adequately address or resolve any customer complaints, we may, without your consent, resolve any complaints and charge you an amount sufficient to cover our reasonable costs and expenses in resolving the customer complaints, which amount you must pay to us immediately on demand.

(3) You must purchase or lease a minimum of one (1) Trolley Pub vehicle or one (1) Tiki Pub, Paddle Pub and/or Cruisin' Tikis vessel within the first operational year. Thereafter, you must increase the total number of vehicles and vessels in your fleet annually based on the prior year's net sales for each type of vehicle or vessel operated, as outlined in the following structure. The minimum number of vehicles or vessels required shall be calculated separately for each category below based on the net sales generated by that category, and you must maintain compliance with all applicable minimums simultaneously:

TIKI PUB AND CRUISIN' TIKIS (6 Passenger Vessels):

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$175,000	2
>\$350,000	3
>\$525,000	4
>\$700,000	5
>\$875,000	6

PADDLE PUB, TIKI PUB AND CRUISIN' TIKIS (~~18-35~~16-35 Passenger Vessels):

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$350,000	2
>\$700,000	3
>\$1,050,000	4
>\$1,400,000	5
>\$1,750,000	6

TIKI PUB AND CRUISIN' TIKIS (49 Passenger Vessels):

<b>Prior Year Net Sales</b>	<b>Minimum Number of Vessels</b>
>\$500,000	2
>\$1,000,000	3
>\$1,500,000	4
>\$2,000,000	5
>\$2,500,000	6

TROLLEY PUB:

<b>Prior Net Sales</b>	<b>Minimum Number of Vehicles</b>
>\$100,000	2
>\$200,000	3
>\$300,000	4
>\$400,000	5
>\$500,000	6

G. 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 your TourScale Business and any other licenses applicable to your management and personnel. You must operate your TourScale Business 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. You must notify us in writing within five (5) days of the commencement of any proceeding or the issuance of any decree of any court or government agency that may adversely affect the operation of your TourScale Business or your financial condition or give rise to liability or a claim against you or us. You must follow and abide by the crisis management information contained in the Manual.

H. Management and Staffing of your TourScale Business.

(1) Your TourScale Business must at all times be under the supervision of you or your Operating Principal, Business Manager, or a manager of your TourScale Business that we have approved and who has successfully completed the Initial Training Program. You must keep us informed at all times of the identity of any supervisory employee(s) acting as managers of your TourScale Business. Your managerial personnel must devote their best efforts to the management and supervision of your TourScale Business.

(2) You, your Operating Principal, and/or Business Manager must manage and provide general oversight of your TourScale Business. You or your Operating Principal must remain active in overseeing the operations of your TourScale Business, including, without limitation, regular, periodic inspections and evaluations of your TourScale Business and sufficient communications with us to ensure that the operations of your TourScale Business comply with the System Standards or in written or oral communications to you.

(3) Your TourScale Business must, at all times, be operated by the number of staff members and managerial personnel that we designate or as required by any applicable government regulations. You must hire all employees of your TourScale Business and be exclusively responsible for the terms of their employment and compensation, and for the proper training of such employees in the operation of your TourScale Business, in human resources and customer relations. You must establish a training program for all employees that meets our standards.

(4) You must conduct appropriate due diligence on all employees of your TourScale Business to confirm that your employees meet the high ethical standards necessary for working in the tourism and activity industry. You must comply with all state and local laws and regulations regarding the staff and management of personnel including, but not limited to, any required licenses and any regulations dealing with providing professional tourism and activity experiences. You must employ only persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of TourScale and the System and, while on duty, comply with the dress attire, personal appearance and hygiene standards set forth in the Manual.

(4)

(7) you knowingly falsify any report required to be furnished to us; make any material misrepresentation in your dealings with us; or fail to disclose any material facts to us;

(8) we make a reasonable determination that continued operation of your TourScale Business by you will result in an imminent danger to public health or safety;

(9) you lose the right to operate from your Base of Operations and you are unable to relocate within your Protected Territory or secure a new Base of Operations through the Phase 1 and Phase 2 process within twelve (12) months;

(10) you, the Operating Principal, your Business Manager or any of your owners are convicted of, or plead no contest to, a felony charge, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, our affiliates, the goodwill associated with the Marks, or the System;

(11) you, or your Operating Principal, do not satisfactorily complete the Initial Training Program (after we provide a second opportunity as provided in Section 11.A(3));

(12) you understate the Net Sales of your TourScale Business for any period by 2% or more 3 or more times during any 3-year period, or by more than 5% on any one occasion,

(13) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation; you or your owners: (a) remain in default beyond the applicable cure period under, or we terminate, any other agreement with us or our affiliates (provided that, if the default is not by you, we will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in default beyond the applicable cure period under any real estate lease, equipment lease, or financing instrument relating to your TourScale Business; (c) remain in default beyond the applicable cure period under any contract with any vendor or supplier to your TourScale Business; or (d) fail to pay when due any taxes or assessments relating to your TourScale Business or its employees, unless you are actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization;

(14) you interfere with our relations with other franchisees, third parties and/or negatively impact our ability to operate and/or grant franchises under our System; or

(15) you materially breach any representation or warranty set forth in Section 30.

(16) You fail to maintain all insurance policies required by Section 12.I of this Agreement and/or you allow or communicate your intent to allow any policy of insurance required by this Agreement to expire, lapse, cancel or terminate; provided, however, that in the event that an insurance carrier drops you from coverage, you must cease operations and will be given ninety (90) days to seek and obtain replacement insurance coverage and resume operations.

~~(16)~~

signs, and inventory that are not approved as meeting then-current standards for a TourScale Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

C. **Certified Appraisers.** If we and you are unable to agree on the fair market value of the Assets within 30 days after your receipt of our notice of our intent to exercise our option to purchase the Assets, the fair market value will be determined by two professionally certified appraisers, one selected by you and one selected by us. If the valuations set by the two appraisers differ by more than 10%, the two appraisers will select a third professionally certified appraiser who also will appraise the fair market value of the Assets. The Appraiser shall consider, among other things: (1) the ownership, condition and title of the Assets; (2) liens and encumbrances on the Assets; (3) environmental and hazardous substances at or upon the Operating Area; and (4) the validity of contracts and liabilities inuring to us or affecting the Assets, whether contingent or otherwise. The average value set by the appraisers (whether two or three appraisers as the case may be) will be conclusive and will be the Purchase Price. The appraisers will be given full access to your TourScale Business, the Operating Area and your books and records during customary business hours to conduct the appraisal and will value the Assets to be purchased in accordance with the standards of this Section 21. The appraisers' fees and costs will be borne equally by you and us.

D. **Exercise of Option.** Within 10 days after the Purchase Price has been determined, we may exercise our option to purchase the Assets by so notifying you in writing ("**Purchase Notice**"). The Purchase Price will be paid in United States Dollars. You will give us and our representatives access to your TourScale Business and the Operating Area at all reasonable times for the purpose of conducting inspections of the Assets; provided that such access does not unreasonably interfere with your operations of your TourScale Business. Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title search, lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection, defect in the working condition of the Assets or any other objection, we will have the option to either accept the condition of the Assets as it exists or rescind our Purchase Notice, on or before the Closing.

E. **Site Leases.** If a storage unit or area, storefront, or slip is leased, you agree to use reasonable efforts to effect a termination of the existing lease. If the lease is assigned to us or we sublease the site from you, we will indemnify and hold you harmless from any ongoing liability under the lease from the date we assume possession of the site, and you will indemnify and hold us harmless from any liability under the lease prior to and including that date.

## 22. RELATIONSHIP OF THE PARTIES

A. **Independent Contractors.** You and we agree and acknowledge that this Agreement is intended solely to create an independent contractor relationship between us. Nothing in this Agreement will be deemed or construed to create a ~~joint~~ joint venture, partnership, or agency relationship between you and us for any purpose.

B. **Except as otherwise explicitly set forth herein, you and we do not have any authority to bind or commit the other to any agreement, commitment, or obligation. You and we agree and acknowledge that you and only you shall possess and/or exercise substantial direct and immediate control over the essential terms and conditions of employment of your employees. You are, subject**

**EXHIBIT 1  
TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**

**FRANCHISE INFORMATION**

1. **The “Operating Area” (Sections 3.A)** The TourScale Business will be authorized to operate within the following geographic area: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. **The Protected Territory (Sections 3.A).** Franchisor will not operate or authorize another person or entity to operate a TourScale Business in the following geographic area: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. **The Selection Area (Section 5.A):** If the Protected Territory has not been determined as of the Effective Date, we will identify the Selection Area on a map attached to this Exhibit 1. Your rights in the Selection Area are subject to the limitations described in Section 5 of the Agreement. Any boundaries contained in the description of the Selection Area will be considered fixed as of the Effective Date and shall not change notwithstanding a change in those boundaries and will terminate immediately, without any further action, upon your identification of a site for your TourScale Business.

4. **Base of Operations.** The TourScale Business will have a Base of Operations located at:  
\_\_\_\_\_  
\_\_\_\_\_

5. **Maps; Discrepancies.** The Protected Territory, Operating Area, and if applicable, the Selection Area, are reflected on maps attached to this Exhibit 1. If there is any discrepancy between the geographic area described in this Exhibit 1 and the maps attached hereto, this Exhibit 1 shall control.

6. **The Initial Franchise Fee (Section 7.A):** \$ \_\_\_\_\_.

7. **Brand to be Operated:** Trolley Pub Trolley Party Tiki Pub  
Paddle Pub Cruisin' Tikis

**FRANCHISEE:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Its

\_\_\_\_\_  
Date

**EXHIBIT 4**  
**TO THE TOURSCALE BUSINESS FRANCHISE AGREEMENT**  
**LISTING OF OWNERSHIP INTERESTS**

**Effective Date:** This Exhibit 4 is current and complete as of \_\_\_\_\_

**1. Form of Ownership.**

**(a) Individual Proprietorship.** Your owner(s) (is) (are) as follows:

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

**(b) Corporation, Limited Liability Company, or Partnership.** You were incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. The following is a list of your directors, if applicable, and officers as of the Effective Date shown above:

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

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

Owner's Name	Percentage/Description of Interest
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

**3. Contact Information of Person to Receive Notice for You**

**Name:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**Email Address:** \_\_\_\_\_  
**Phone Number:** \_\_\_\_\_

**4. Operating Principal.** Your Operating Principal is \_\_\_\_\_

**5. Business Manager.** If applicable, your Business Manager is \_\_\_\_\_

**FRANCHISEE:**  
 \_\_\_\_\_  
 By: \_\_\_\_\_

**EXHIBIT D**  
**AREA DEVELOPMENT AGREEMENT**

## AREA DEVELOPER AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”) is made and entered into effective on the date set forth in Attachment “A” of this Agreement between **TourScale Franchising, LLC**, an Arizona limited liability company (“**TourScale Franchising**”, “**Franchisor**”, “we”, “us” or “our”), and \_\_\_\_\_, a \_\_\_\_\_ (hereinafter “you,” “your” or “**Area Developer**”). If more than one person or entity is listed as Area Developer, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Agreement.

### PREAMBLES

We and our affiliates have invested considerable time, effort, and money to develop a unique system (“**System**”) for the operation of mobile entertainment businesses under the names “**Trolley Pub**”, “**Paddle Pub**”, “**Trolley Party**”, “**Tiki Pub**”, “**Cruisin' Tikis**”, and “**TourScale**” that offer mobile entertainment and tourism experiences using pedal-powered vehicles and pedal-powered vessels (the “**Primary Assets**” or “**Equipment**”) and other tourism-related equipment, programming, products, and services (each a “**TourScale Business**” and collectively “**TourScale Businesses**”).

We identify the System by the “**Trolley Pub**”, “**Paddle Pub**”, “**Trolley Party**”, “**Tiki Pub**”, “**Cruisin' Tikis**”, and “**TourScale**” names and marks and certain other names, marks, logos, insignias, slogans, emblems, symbols and designs (collectively, “**Marks**”), which we have designated, or may in the future designate, for use with the System. The Marks are owned by our affiliates, Kaapro & Cole Ventures, LLC (“**K&C**”) and Cruisin’ Tikis Holdings, LLC (“**CTH**”), and licensed to us for use by the System.

\_\_\_\_\_ You wish to obtain certain development rights to open and operate TourScale Businesses operating under the Marks under the System within the Development Area described in this Agreement; and

In addition to this Agreement, we and you have entered into a franchise agreement on the same date (“**Initial Franchise Agreement**”) for the right to establish and operate the first TourScale Business to be developed by you under this Agreement (“**Initial Business**”).

### SECTION 1: GRANT

1.1 \_\_\_\_\_ We hereby grant to you, pursuant to the terms and conditions of this Agreement, certain development rights (“**Development Rights**”) to establish and operate the number of TourScale Businesses identified in Attachment “A”, and to use the System solely in connection therewith at specific locations to be designated in separate franchise agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule established in Attachment “C” of this Agreement (“**Development Schedule**”). Each TourScale Business developed hereunder shall be located in the area described in Attachment “B” of this Agreement (“**Development Area**”).

1.2 The Initial Franchise Agreement shall be executed and delivered, concurrently with the execution and delivery of this Agreement. Each subsequent TourScale Business for which a Development Right is granted hereunder shall be established and operated pursuant to the form of franchise agreement then being used, which is to be entered into between you and us in accordance with Section 3 hereof. You acknowledge that the then-current form of franchise agreement may differ from the Initial Franchise Agreement, except that each shall have the same royalty rate as the Initial Franchise Agreement.

1.3 Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you to establish, a TourScale Business in the Development Area during the term of this Agreement, provided you are not in default hereunder.

1.4 This Agreement is not a franchise agreement and does not grant to you any right to use the Marks or System unless a franchise agreement is in effect.

1.5 You shall have no right under this Agreement to franchise others under the Marks or System.

## SECTION 2: DEVELOPMENT FEE

In consideration of the Development Rights granted herein, you shall pay to us a development fee (“**Development Fee**”) in the amount set forth in Attachment “A” of this Agreement, depending on the total number of TourScale Businesses you have agreed to develop. The Development Fee is payable in a lump sum upon execution of this Agreement and is fully earned upon receipt. The Development Fee is not refundable under any circumstances, including but not limited to your failure to open any TourScale Businesses, termination of this Agreement for any reason, or your abandonment of the development rights granted herein.

## SECTION 3: SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 You shall assume all responsibility and expense for locating potential sites for TourScale Businesses. You shall obtain our written acceptance of any proposed site for the TourScale Business in accordance with our procedures, which acceptance will not be unreasonably withheld. Unless we provide our specific written acceptance of your proposed site, which may be withheld in our reasonable discretion, the site shall be deemed rejected. Our silence or failure to respond shall not constitute acceptance of any proposed site.

3.2 Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Development Schedule in a timely manner. Your failure to adhere to the Development Schedule, will constitute a material event of default under this Agreement for which we may exercise its rights under Section 9.1 and 9.2 of this Agreement. Under no circumstances, however, may you open a TourScale Business unless and until there is a fully executed franchise agreement in place for such TourScale Business and you have complied with all requirements under the franchise agreement for opening such TourScale Business.

3.3 You shall exercise each Development Right granted herein only by executing a franchise agreement for each TourScale Business at a site accepted by us in the Development Area. The Initial Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The franchise agreement for each additional Development Right exercised hereunder shall be the then-current franchise agreement. We will have the number of days listed in the franchise agreement after we receive all needed information to accept or reject your proposed site for each TourScale Business. For each accepted TourScale Business site, you must execute the then-current franchise agreement and return it to us within fourteen (14) days after your receipt of said franchise agreement. In the event we do not receive the properly executed franchise agreement within said fourteen (14) days from delivery thereof to you, our acceptance of the site shall be void, you shall have no rights with respect to said site and you shall be in default under this Agreement.

3.4 You acknowledge that our acceptance of a particular site for a TourScale Business by us shall not be deemed to be an assurance or guaranty that the TourScale Business will operate successfully or at a profit from such site.

#### SECTION 4: DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, we grant to you the Development Rights, as described in Section 1.1.

4.2 Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of TourScale Businesses within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement. You acknowledge and agree that: (i) the Development Area may already include existing TourScale Businesses; (ii) you may not develop a TourScale Business that infringes on the territorial rights of any then-existing TourScale Businesses; and (iii) your Development Rights are subject to and must not interfere with any pre-existing franchise agreements, development agreements, or other contractual rights granted by Franchisor prior to the effective date of this Agreement.

4.3 Upon the termination or expiration of this Agreement: (a) you shall have no further right to construct, equip, own, open or operate additional TourScale Businesses which are not, at the time of such termination or expiration, the subject of a then-existing franchise agreement between you and us, which is then in full force and effect; and (b) we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, TourScale Businesses within the Development Area subject only to the territorial rights granted to you with respect to TourScale Businesses operated by you pursuant to the franchise agreements.

4.4 Except as expressly limited by Section 3.2 above, we and our affiliates retain all rights with respect to TourScale Businesses, the Marks and the sale of any goods and services,

anywhere in the world, including in Non-Traditional Locations (as defined below) within or outside the Development Area, and including, without limitation, the right:

4.4.1 to offer and sell and to grant others the right to offer and sell the products and services offered at TourScale Businesses, within or outside the Development Area, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

4.4.2 to own, franchise, establish and license to others to establish or operate TourScale Businesses at any location outside the Development Area and on any terms and conditions we deem appropriate and regardless of proximity to your TourScale Businesses;

4.4.3 to use the Marks and the System to sell any products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Development Area. This includes, but is not limited to, other channels of distribution such as catalog sales, fairs, expos and the like, telemarketing or other direct marketing sales or over the Internet (together, the “**Alternative Distribution Channels**”). You may not use Alternative Distribution Channels to make sales outside or inside your Development Area and you will not receive any compensation for our sales through Alternative Distribution Channels;

4.4.4 to engage in any transaction, including to purchase or be purchased by, to merge or combine with, to convert to the System or be converted into a new system with any business, whether franchised or corporately owned, including a business that competes directly with your TourScale Businesses, wherever located; provided that in such situations, the newly acquired businesses may not operate under the Marks in the Development Area;

4.4.5 the right to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs; and

4.4.6 to develop, operate, and/or grant franchises to others to develop or operate TourScale Businesses in Non-Traditional Locations within or outside the Development Area. "Non-Traditional Locations" means locations that have a captive audience or restricted access due to their operation within or in conjunction with another primary business or venue, including but not limited to: hotels, resorts, casinos, cruise ships, airports, train stations, bus terminals, sports facilities, stadiums, arenas, convention centers, military bases, government offices or facilities, educational institutions (including universities, colleges and schools), museums, amusement parks, theme parks, zoos, aquariums, shopping malls, outlet centers, retail stores, department stores, medical facilities, office buildings, corporate campuses, industrial facilities, and other similar venues or locations. We shall have the sole right to pursue, develop and/or authorize others to develop such Non-Traditional Locations, and you shall not be entitled to any compensation in connection with the operation of TourScale Businesses at Non-Traditional Locations, even if within your Development Area; and

4.4.7 to engage in any other business activities not expressly prohibited by the Agreement, both within and outside your Development Area.

We are not required to pay you if we exercise any of the rights specified above within the Development Area. We do not pay compensation for soliciting or accepting orders inside the Development Area.

## SECTION 5: RENEWAL

This Agreement contains no automatic renewal rights. Upon expiration of this Agreement, Franchisor retains absolute and unconditional discretion regarding any future development agreements. You may submit a request to enter into our then-current area development agreement, which Franchisor may accept or reject for any reason or no reason, in its sole business judgment. Any such new agreement shall be subject to Franchisor's then-current terms, conditions, and fees, which may differ substantially from this Agreement.

## SECTION 6: TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the earlier of: (a) the termination date listed on Section 2 of Attachment "C"; or (b) completion of the obligations of the Development Schedule.

## SECTION 7: YOUR OBLIGATIONS

7.1 You acknowledge and agree that:

7.1.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of TourScale Business and to submit the same to us for our acceptance in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any TourScale Businesses within the Development Area. You shall obtain the license to use such additional rights at each TourScale Business upon the execution of each franchise agreement by both you and us and only in accordance with the terms of each franchise agreement.

7.1.2 The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof. The provisions of this Section 7.1.2 shall not restrict you from transferring an open and operating TourScale Business in compliance with the assignment provisions contained in such TourScale Business' franchise agreement.

7.1.3 You have sole responsibility for the performance of all obligations arising out of the operation of your TourScale Businesses developed under this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.1.4 In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your TourScale Business and

that the operations of said TourScale Business are separate and distinct from the operation of your business as an area developer.

7.1.5 You shall, at all times, preserve in confidence any and all materials and information furnished or disclosed to you by us and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.1.6 You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.1.7 You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

7.1.8 In no event shall any TourScale Business be opened for business unless and until a franchise agreement for such TourScale Business has been fully executed, all applicable fees (including, but not limited to, the initial franchise fee for such TourScale Business) have been paid, and you have complied with all of the requirements under the franchise agreement for opening such TourScale Business.

## SECTION 8: OUR SERVICES

We shall, at our expense, provide the following services:

8.1 Review your site selection for conformity to our standards and criteria for selection and acquisition of sites upon our receipt of your written request for acceptance thereof.

8.2 Provide you with standard specifications and layouts for the interior and exterior design, improvements, equipment, furnishings, décor and signs identified with the TourScale Businesses as we make available to all area developers and franchisees from time to time.

8.3 Review of your site plan and final build-out plans and specifications for conformity to the construction standards and design specifications of the System, upon our receipt of your written request for acceptance thereof.

8.4 Provide on-site evaluations as we deem necessary, and such other resources and assistance as may hereafter be developed and offered by us to our other area developers in our sole discretion.

## SECTION 9: DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure

the default, except where prohibited by any applicable state or federal law, whereupon this Agreement immediately shall be terminated in accordance with the provisions of any such law:

9.1.1 If you shall, in any respect, fail to comply with the Development Schedule.

9.1.2 If you shall purport to effect any assignment in violation of Section 11 of this Agreement.

9.1.3 If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any franchise agreement.

9.1.4 If you default in the performance of any obligation under any franchise agreement with us, provided such default results in the termination of the franchise agreement.

9.1.5 If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of any TourScale Business developed under this Agreement, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.6 If you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against you or your property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.7 If you, or any shareholder or principal, if you are corporate entity, or any of your affiliates cease to operate all of the TourScale Businesses opened pursuant to the terms of this Agreement.

9.1.8 If you, or any shareholder or principal, fail to maintain the financial capacity and necessary skills and experience to meet the Development Requirements and timely develop and operate the TourScale Businesses required to be opened and operated under this Agreement based upon criteria established by us from time to time

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1 If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective franchise agreement.

9.2.2 If you, or persons controlling, controlled by or under common control with you, shall have any interest, direct or indirect, in the ownership or operation of any Competitive Business (as defined in Section 12 below).

9.2.3 If you shall fail to remit to us any payments pursuant to Section 2 when same are due.

9.2.4 If you shall begin work upon any TourScale Business at any site unless all the conditions stated in Section 3 hereof have been met.

9.2.5 If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.2.6 If you open any TourScale Business for business before a franchise agreement for such TourScale Business has been fully executed and the payments due to us pursuant to Section 2 have been paid.

9.2.7 If you default in the performance of any other obligation under this Agreement.

## SECTION 10: OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish TourScale Businesses.

10.1.2 To cease immediately to hold yourself out in any way as an area developer of ours or to do anything which would indicate a relationship between you and us.

10.2 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

## SECTION 11: TRANSFER OF INTEREST

11.1 We shall have the absolute right to transfer or assign all or any part of our rights or obligations hereunder to any person or legal entity which assumes our obligations under this Agreement. Upon such transfer or assignment and assumption of obligations, we shall be released from any and all further liability to you. You acknowledge that such transfer or assignment may include, without limitation, a sale of assets, stock sale, merger, consolidation, or reorganization of Franchisor.

11.2 Area Developer may not assign this Agreement or any rights to the Development Area. The provisions of this Section shall not restrict Area Developer from transferring an open and operating TourScale Business in compliance with the assignment provisions contained in such TourScale Business' franchise agreement.

## SECTION 12: COVENANTS

12.1 You specifically acknowledge that, pursuant to this Agreement, you will receive valuable training and confidential information, including, without limitation, System standards, market research, advertising and promotional campaigns, approved suppliers, operating results of TourScale Businesses, the terms of this Agreement, the TourScale Business franchise operations manual, and graphic designs and other intellectual property. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you and persons controlling, controlled by or under common control with you shall not, either directly or indirectly, for yourself/himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

12.1.1 Divert or attempt to divert any business or client of the TourScale Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

12.1.2 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any business other than a TourScale Business (including any TourScale Business operated by you prior to entry into this Agreement), which business operates or engages in entertainment or tourism activities that make use of pedal-powered transportation equipment, vehicles, or vessels, or any business which grants franchises or licenses to others to operate such a business (a "**Competitive Business**").

12.2 You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within five (5) miles of any TourScale Business in the System.

12.3 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 12 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

12.4 You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant stated in Sections 12.1 and 12.2 or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 16 hereof.

12.5 You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 12.

12.6 You acknowledge that any failure to comply with the requirements of this Section 12 would cause us irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to our seeking injunctive and other equitable relief, without the need of bond, and without first requesting mediation or arbitration against you, from any state or federal court within Arizona, or in any other state or federal district court of competent jurisdiction. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement or otherwise. You consent to the exercise of personal jurisdiction over you by these courts, and to the propriety of venue in these courts with respect to the entry of these temporary and permanent injunctions.

12.7 At our request, you shall require and obtain the execution of covenants similar to those described in this Section 12 (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons:

12.7.1 All managers of yours who have received training from us;

12.7.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of you and of any entity directly or indirectly controlling you, if you are a corporation or limited liability company; and

12.7.3 The general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership.

Each covenant required by this Section 12.8 shall be in a form satisfactory to us, including, without limitation, specific identification of us as a third-party beneficiary of such covenants with

the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 12.7 shall constitute a default under Section 9 hereof.

12.8 During the term of this Agreement, an officer or agent of ours shall have the right to inspect any TourScale Business in which you have an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section 12 are being satisfied. If, by reason of such inspections or otherwise, we have reason to believe that you are not in full compliance with the terms of this Section, we shall give notice of such default to you, specifying the nature of such default. If you deny that you are in default hereunder, as specified by us, you shall have the burden of establishing that such default does not exist and shall give notice to us of your position within ten (10) days of receipt of the notice from us. Unless you so deny such default, you shall immediately take all steps to cure said default in a manner satisfactory to us.

### SECTION 13: NOTICES

No notice, demand, request or other communication to the parties will be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and is delivered by: (1) personal delivery; (2) electronic mail to the e-mail address(es) set forth herein with electronic confirmation of receipt; (3) United States mail, postage prepaid, certified mail, return receipt requested; or (4) overnight courier. Notices will be effective upon receipt (or first refusal of delivery).

Notices to Franchisor:           TourScale Franchising, LLC  
  323 West Davie Street  
  Raleigh, NC 27601

Notices to you:                   Notice Address set forth in Attachment "A" of this Agreement

Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

### SECTION 14: INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2 You shall hold yourself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary to that end.

14.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other

obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify, defend and hold harmless us and our affiliates, and our respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the “Indemnified Parties”) from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of the business you conduct under this Agreement, your violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by you, or your breach of this Agreement. For purposes of this indemnification, “claims” include all obligations, damages (actual, consequential, punitive 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, and other expenses of litigation, arbitration or alternative dispute resolution, including travel and living expenses, regardless of whether litigation, arbitration or alternative dispute resolution is commenced.

Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at your expense, and you may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our consent. Additionally, an Indemnified Party may, at any time, settle any claim against it for which it is entitled to seek indemnity, and you shall reimburse the Indemnified Party for any amount that the Indemnified Party paid under the settlement terms. 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 an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. 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.

## SECTION 15: APPROVALS

15.1 Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

## SECTION 16: NON-WAIVER

No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a

different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

#### SECTION 17: SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

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

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

17.6 This Agreement may be executed in triplicate, or such other number as is required, and each copy of the executed Agreement shall be deemed an original.

#### SECTION 18: ENTIRE AGREEMENT; APPLICABLE LAW

This Agreement, the documents referred to herein and the Attachments attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement shall be interpreted and construed under the laws of the State of Arizona without regard to the application of Arizona conflict of law rules, and the parties hereto consent to irrevocably submit to the jurisdiction of all courts located in the State of Arizona.

## SECTION 19: DISPUTE RESOLUTION

19.1 Before you or we may bring an action in court against the other, you and we must first meet to mediate the dispute (except as otherwise provided in this Agreement). Any such mediation will be non-binding and will be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. The parties shall share equally the costs of mediation, including any fees charged by the mediator; provided, however, that each party shall bear its own attorneys' fees and other expenses in connection with the mediation. Notwithstanding anything to the contrary, this Section 19.1 will not bar you or us from obtaining judicial or injunctive relief for claims that are based solely on demands for monies owed, or from obtaining injunctive relief against threatened conduct that will cause us loss or damages, under the usual equity rules, including then applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks. The mediation proceeding will be conducted within 30 miles of our then-existing principal business location.

19.2 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement, the Area Development rights, and all claims arising from the relationship between you and us will be governed by the laws of the State of Arizona, without regard to its conflict of laws rules, provided, however, that: (1) the provisions of Section 18 shall be interpreted and construed under the laws of the jurisdiction in which your TourScale Business is located.

19.3 You and we agree that, to the extent any disputes cannot be resolved directly between us, you will file any suit against us only in the federal or state court having jurisdiction where our principal offices are located at the time suit is filed. We may file suit in the federal or state court located in the jurisdiction where our principal offices are located at the time suit is filed or in the jurisdiction where you reside or do business, where your TourScale Business is or was located, or where the claim arose. You consent to the personal jurisdiction of those courts over you and to venue in those courts.

19.4 You waive, to the fullest extent permitted by law, any right or claim of any punitive or exemplary damages against us and agree that, in the event of a dispute between us, you will be limited to the recovery of actual damages sustained. You waive, to the fullest extent permitted by law, the right to bring, or be a class member in, any class action suits and the right to trial by jury. We reserve all rights and remedies available to us under applicable law.

19.5 If either party brings an action to enforce this Agreement in a judicial proceeding, the party prevailing in that proceeding will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. If we utilize legal counsel (including in-house counsel employed by us) in connection with any failure by you to comply with this Agreement, you agree to reimburse us for any of the above-listed costs and expenses incurred by us. In any judicial

proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

19.6 No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy. The provisions of this Section 27 shall survive the expiration or earlier termination of this Agreement.

19.7 Any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of your TourScale Business, must be brought or asserted before the expiration of the earlier of: (1) the time period for bringing an action under any applicable state or federal statute of limitations; (2) 1 year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) 2 years after the first act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. Our claims attributable to underreporting of sales, and claims of the parties for failure to pay monies owed and/or indemnification will be subject only to the applicable state or federal statute of limitations.

19.8 You recognize that your failure to comply with the terms of this Agreement, including, but not limited to, your failure to fully comply with all post-termination obligations, is likely to cause irreparable harm to us, our affiliates and the System. Therefore, you agree that, in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will be entitled to injunctive relief (both preliminary and permanent) restraining that breach and/or to specific performance without showing or proving actual damages and without posting any bond or security. Any equitable remedies sought by us will be in addition to, and not in lieu of, all remedies and rights that you otherwise may have arising under applicable law or by virtue of any breach of this Agreement.

## SECTION 20: TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the TourScale Businesses in the Development Area in accordance with the Development Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open TourScale Businesses within the Development Area in accordance with the Development Schedule, to operate such TourScale Businesses pursuant to the terms of the franchise agreements applicable thereto, and to maintain all such TourScale Businesses in operation continuously. We agree to act upon any request of or approval from you within a commercially reasonable time period. However, any delay in your ability to meet the Development Schedule, regardless of cause, may constitute a default hereunder unless we expressly agree otherwise in writing. In the event that you are unable to comply with the Development Schedule due to act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, fire or other catastrophe, act of any government or other third party and any other cause not within your control ("**Force Majeure**"); provided, however, that epidemics, diseases, pandemics (including but not limited to COVID-19), and any would-be Force Majeure caused by the foregoing exceptions, directly or indirectly, shall not be included within this definition. Additionally, your inability to obtain

financing (regardless of the reason) may not constitute Force Majeure, then upon notice to us, the Development Schedule and this Agreement shall be extended for a corresponding period, not to exceed 90 days. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under this Agreement or any franchise agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Agreement during or after the Force Majeure event.

## SECTION 21: ACKNOWLEDGMENTS

21.1 YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 YOU ACKNOWLEDGE HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE ATTACHMENTS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE DISCLOSURE DOCUMENT DELIVERED SIMULTANEOUSLY HEREWITH; AND WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 YOU ACKNOWLEDGE THAT YOU RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO US OR OUR AFFILIATES, AND THAT YOU HAVE HAD THE OPPORTUNITY TO REVIEW IT WITH COUNSEL OF YOUR CHOOSING.

21.4 YOU AND EACH OF YOUR PRINCIPALS, IF A CORPORATE ENTITY, EXPRESSLY ACKNOWLEDGE THAT NEITHER YOU NOR THEY HAVE RELIED UPON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON OUR BEHALF REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION OF TOURSCALE BUSINESSES OR DEVELOPMENT OF THE DEVELOPMENT AREA.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, effective on the effective date specified in Attachment “A” of this Agreement.

**TOURSCALE FRANCHISING, LLC**

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

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

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

**AREA DEVELOPER**

\_\_\_\_\_

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

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

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

**ATTACHMENT "A"**  
**DATA SHEET**

1. Effective Date. The effective date of the Area Development Agreement set forth in the introductory Paragraph of the Area Development Agreement is:  
\_\_\_\_\_.

2. Area Developer. The Area Developer set forth in the introductory Paragraph of the Area Development Agreement is: \_\_\_\_\_

3. Area Developer's Principal Address: The Area Developer's principal address set forth in the introductory Paragraph of the Area Development Agreement is :

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Notice Address. The notice address for Area Developer, as set forth in Section 13 of the Area Development Agreement is:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Development Fee. The Development Fee, as set forth in Section 2 of the Area Development Agreement, is as follows:

<b><u>Development Fee</u></b>	<b><u>Select</u></b>
<u>Fee for two TourScale Businesses: [ _____ ]</u>	
<u>Fee for three TourScale Businesses: [ _____ ]</u>	
<u>Fee for four TourScale Businesses: [ _____ ]</u>	
<u>Fee for five TourScale Businesses : [ _____ ]</u>	

**(Signature Page Follows)**

**AREA DEVELOPER**

**TOURSCALE FRANCHISING, LLC**

\_\_\_\_\_

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

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

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

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

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

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

**ATTACHMENT "B"**  
**DEVELOPMENT AREA**

The Development Area set forth in Section 1.1 of this Agreement shall be the geographic area described below and/or as depicted on the following map:

**AREA DEVELOPER**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**TOURSCALE FRANCHISING, LLC**

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

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

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

**ATTACHMENT "C"**  
**DEVELOPMENT SCHEDULE**

1. The total number of TourScale Businesses to be developed under this Agreement (including the Initial Business): \_\_\_\_\_.
  
2. The termination date of this Agreement ("Development Term") shall be the earlier of: (i) the date Area Developer completes the Development Schedule to Franchisor's satisfaction; or (ii) \_\_\_\_\_, 20\_\_\_\_ ("Development Term End Date"), unless earlier terminated pursuant to this Agreement.
  
3. Development Schedule:

<u>TourScale Franchise</u>	<u>Development Period Ending Date</u>	<u>Franchise Agreement Execution Deadline</u>
<u>1</u>		<u>Date of execution of Area Development Agreement</u>
<u>2</u>		
<u>3</u>		
<u>4</u>		
<u>5</u>		

**AREA DEVELOPER**

\_\_\_\_\_

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

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

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

**FRANCHISOR**

**TOURSCALE FRANCHISING, LLC**

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

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

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

**ATTACHMENT "D"**  
**STATEMENT OF OWNERSHIP**

**Effective Date:** This Attachment D is current and complete as of \_\_\_\_\_.

**1. Form of Ownership.**

(a) **Individual Proprietorship.** Your owner(s) (is) (are) as follows:

(b) **Corporation, Limited Liability Company, or Partnership.** Area Developer was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_ ("Formation State"). Area Developer represents and warrants that it is duly organized, validly existing and in good standing under the laws of the Formation State. The following is a complete and accurate list of Area Developer's 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.** Area Developer represents and warrants that the following list includes the full name and information of each person or entity who is: (i) one of Area Developer's owners (as defined in the Agreement), (ii) an owner of one of Area Developer's owners, or (iii) has any direct or indirect equity or voting interest in Area Developer, and fully describes the nature and percentage of each owner's interest (attach additional pages if necessary). Area Developer shall promptly notify Franchisor in writing of any changes to this information.

<u>Owner's Name</u>	<u>Percentage/Description of Interest</u>
_____	%
_____	%
_____	%
_____	%

**AREA DEVELOPER**

\_\_\_\_\_

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

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

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

## CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of \_\_\_\_\_, (“**Effective Date**”), by and between TourScale Franchising, LLC, an Arizona limited liability company (“**TourScale Franchising**”) and \_\_\_\_\_ (“**Franchise Applicant**”) and certain of Franchise Applicant’s employees identified below (“**Employees**”) in favor of and for the benefit of TourScale Franchising.

### RECITALS

As a result of the expenditure of considerable time, skill, effort and money, TourScale Franchising and its affiliates have developed and own a unique system (“**System**”) for the development and operation of a mobile entertainment and tourism business under the names “**Trolley Pub**”, “**Paddle Pub**”, "Cruisin' Tikis", and “**TourScale**” that offers pedal-powered entertainment and tourism services and related products (“**TourScale Businesses**”).

Franchise Applicant has expressed interest in purchasing a TourScale Business franchise from TourScale Franchising to operate one or more TourScale Businesses.

In order to evaluate the possibility of entering into a franchise agreement with TourScale Franchising to establish and operate one or more TourScale Businesses, Franchise Applicant and Employees desire to receive from TourScale Franchising certain confidential business information including, but not limited to the information contained in the TourScale Business Operations Manual (“**Operations Manual**”). Franchise Applicant and Employees recognize the importance of maintaining the confidentiality of this information.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchise Applicant and Employees agree as follows:

1. Confidential Information

A. Definition of Confidential Information. As used in this Agreement, the term “**Confidential Information**” means all information that has been created, discovered or developed by TourScale Franchising and/or its affiliates including but not limited to Kaapro & Cole Ventures, LLC, TourCraft, LLC, and KCH Sales, LLC, that is in any way proprietary to TourScale Franchising and/or its affiliates. Confidential Information includes, but is not limited to, trade-secrets, know-how, methodologies, System information, technical information, statistics, software, hardware, materials, plans, designs, schematics, reports, studies, notes, analyses, summaries, business, market and development plans, customer lists, the Operations Manual, as amended from time to time, and other information regarding customer relationships, financial information and projections, artwork, information regarding the manner and methods of locating a site for, developing, operating and promoting TourScale Businesses, information contained in the Operations Manual, information regarding the retail and commercial operations of TourScale Franchising and its affiliates, and all information that: (1) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Confidential Information may be in written form or obtained orally.

B. Exclusion from Definition of Confidential Information. The term “**Confidential Information**” does not include: (1) information that is now or hereafter becomes publicly known through no fault of Franchise Applicant or any Employee, or by any other person, firm or corporation affiliated with Franchise Applicant or any Employee; (2) information that was in Franchise Applicant’s or any Employee’s possession before the Effective Date; and (3) information that comes into Franchise Applicant’s or any Employee’s possession after the Effective Date from a source not under an obligation of secrecy to TourScale Franchising. As used in this Agreement, the phrase “**publicly known**” means readily accessible to the public in a written publication, and shall not include information which is available only by a substantial searching of the published literature and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion.

C. Treatment of Confidential Information. Franchise Applicant and Employees hereby acknowledge, understand and agree that the Confidential Information: (1) is the exclusive and confidential property of TourScale Franchising or its affiliates and incorporates trade secrets and copyrights owned by them; (2) gives TourScale Franchising and its affiliates some competitive business advantage or the opportunity of obtaining such an advantage, the disclosure of which could be detrimental to the interests of TourScale Franchising and its affiliates; and (3) is not generally known by non-TourScale Franchising personnel. Franchise Applicant and Employees shall at all times treat the Confidential Information in accordance with this Agreement.

D. No License. This Agreement entitles Franchise Applicant and Employees to use the Confidential Information solely in connection with Franchise Applicant’s exploration of the TourScale Business franchise opportunity. No license, express or implied, in the Confidential Information is granted to Franchise Applicant or Employees other than to use the Confidential Information in the manner and to the extent authorized by this Agreement.

2. Covenants of Franchise Applicant and Employees. As a consequence of Franchise Applicant’s and Employees’ acquisition or anticipated acquisition of Confidential Information, Franchise Applicant and Employees will occupy a position of trust and confidence with respect to TourScale Franchising’s affairs and business. In view of the foregoing, Franchise Applicant and Employees agree that it is reasonable and necessary that Franchise Applicant and Employees agree, while this Agreement is in effect, to the following:

A. Limited Use. Franchise Applicant and Employees shall use the Confidential Information solely for purposes of evaluating whether or not Franchise Applicant will invest in a TourScale Business franchise. Neither Franchise Applicant nor Employees shall make any other uses of the Confidential Information. If Franchise Applicant does not invest in a franchise, the obligations set forth in this Section 2 will remain in effect for three (3) years from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end two (2) years from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable, the Restricted Period shall end one (1) year from the date the Franchise Applicant decides not to invest in a TourScale Business franchise; provided however, that if a court determines that such period is unenforceable,

the Restricted Period shall end six (6) months from the date the Franchise Applicant decides not to invest in a TourScale Business franchise.

B. No Disclosure. Franchise Applicant and Employees shall not disclose the Confidential Information to any person or entity other than Franchise Applicant's attorney or accountant as necessary to evaluate the opportunity provided by TourScale Franchising and agree to protect the Confidential Information against unauthorized disclosure using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information.

C. No Use, Copying or Transfer. Franchise Applicant and Employees shall not use, copy or transfer Confidential Information in any way and shall protect the Confidential Information against unauthorized use, copying or transfer using the same degree of care, but no less than a reasonable degree of care, as Franchise Applicant and Employees use to protect Franchise Applicant's Confidential Information. This prohibition against use, copying, or transfer of Confidential Information includes, but is not limited to, selling, licensing or otherwise exploiting, directly or indirectly, any products or services which embody or are derived from Confidential Information. Franchise Applicant and Employees further agree not to remove, overprint, or deface any notice of copyright, trademark, logo, or other notices of ownership from any Confidential Information.

D. Applicability. These covenants shall apply to all Confidential Information disclosed to Franchise Applicant or Employees by TourScale Franchising prior to the date of this Agreement.

E. Solicitation. Franchise Applicant and Employees agree that neither they nor any of their agents, employees or representatives shall knowingly employ or seek to employ any person then employed by TourScale Franchising or any affiliate, subsidiary or franchisee of TourScale Franchising, or otherwise directly or indirectly induce such person to leave his or her employment without TourScale Franchising's prior written consent.

3. Return of Confidential Information. Nothing in this Agreement obligates either TourScale Franchising or Franchise Applicant to enter into a franchise agreement for the operation of a TourScale Business. Franchise Applicant acknowledges that TourScale Franchising's decision to consider Franchise Applicant for any franchise opportunity, as well as the location and type of franchise opportunity to be offered, if any, and the terms of any contracts, will be made by TourScale Franchising in its sole discretion. If, at any time, TourScale Franchising determines that it does not wish for Franchise Applicant to become a franchisee, or Franchise Applicant determines that it does not wish to invest in a TourScale Shop franchise, or if TourScale Franchising requests, at any time and for any reason, that Franchise Applicant and Employees do so, Franchise Applicant and Employees agree to: (A) immediately cease to use the Confidential Information; (B) immediately return to TourScale Franchising the Confidential Information and all copies thereof (whether or not such copies were authorized) and cause any third party to whom disclosure was made to do the same; and (C) at the request of TourScale Franchising, certify in writing that Franchise Applicant, Employees and all others to whom Franchise Applicant has provided such Confidential Information, have complied with Subsections (A) and (B) above.

4. Notice to TourScale Franchising. Franchise Applicant and Employees shall immediately notify TourScale Franchising of any information that comes to their attention that indicates that there has been or may be a loss of confidentiality of any of the Confidential Information or a breach of this Agreement.

5. Waiver. Franchise Applicant and Employees acknowledge that no waiver by TourScale Franchising of any breach by Franchise Applicant or Employees of any provision of this Agreement shall be deemed a waiver of any preceding or succeeding breach of the same or any other provision of this Agreement. No such waiver shall be effective unless in writing and then only to the extent expressly set forth in writing.

6. Enforcement.

A. Governing Law. This Agreement and any claim or controversy arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona without regard to conflicts of laws principles.

B. Forum. To the extent any disputes cannot be resolved directly between Franchise Applicant, Employees and TourScale Franchising, Franchise Applicant and Employees agree to file suit against TourScale Franchising only in the federal or state court having jurisdiction where TourScale Franchising's principal offices are located at the time suit is filed. Franchise Applicant and Employees acknowledge that TourScale Franchising may file suit in the federal or state court located in the jurisdiction where Franchise Applicant's principal offices are located at the time suit is filed or in the jurisdiction where Franchise Applicant resides or does business or where the claim arose. Franchise Applicant and Employees consent to the personal jurisdiction of those courts and to venue in those courts.

C. Injunctive Relief. It is hereby understood and agreed that: (1) a breach of this Agreement by Franchise Applicant or Employees would result in irreparable harm to TourScale Franchising, the extent of which would be difficult to ascertain; (2) monetary damages would be an inadequate remedy for such a breach; and (3) TourScale Franchising shall be entitled to specific performance and injunctive or other equitable relief as a court may deem appropriate in the event of such a breach without posting a bond or other security and without waiving any additional rights or remedies otherwise available to TourScale Franchising at law or in equity or by statute.

7. Reimbursement of Costs and Expenses. If TourScale Franchising brings an action to enforce this Agreement in a judicial proceeding and prevails in that proceeding, then TourScale Franchising will be entitled to reimbursement of costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, the cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of or subsequent to the filing of, the proceeding. In any judicial proceeding, the amount of these costs and expenses will be determined by the court and not by a jury.

8. Third Party Beneficiary. Franchise Applicant and Employees hereby acknowledge and agree that TourScale Franchising is an intended third-party beneficiary of this Agreement with the right to enforce it.

9. Miscellaneous.

(A) Severability. If a court of competent jurisdiction deems any provision of this Agreement invalid, unreasonable or unenforceable, then the remaining provisions will not be affected, and the invalid provision may be enforced to the extent deemed reasonable by the court.

(B) Headings. Section headings in this Agreement are for reference only and shall not be construed as modifying any provisions of this Agreement.

(C) Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

[THE REMAINDER OF THE PAGE IS INTENTIONALLY BLANK]

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

**APPLICANT:**

**(IF APPLICANT IS AN ENTITY)**

\_\_\_\_\_

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

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

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

**(IF APPLICANT IS AN INDIVIDUAL)**

\_\_\_\_\_

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

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

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

**FRANCHISEE**

\_\_\_\_\_

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

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

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

**EMPLOYEE**

\_\_\_\_\_  
Signature

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

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

**EMPLOYEE**

\_\_\_\_\_  
Signature

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

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

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**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF CALIFORNIA**

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

TOURSCALE USES THE WEBSITES TOURSCALE.COM; TROLLEYPUB.COM; PADDLEPUB.COM; TIKIPUB.COM; AND CRUISINTIKIS.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

**ITEM 1, INDUSTRY SPECIFIC REGULATIONS**

The following statement is added to the “**Industry Specific Regulations**” section in Item 1.

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**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

Franchisees must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations for the sale of alcoholic beverages.

ITEM 3, LITIGATION.

The following statement is added to Item 3:

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

ITEM 5, INITIAL FEES.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

ITEM 6, OTHER FEES.

The highest interest rate allowed in California is ten percent (10%) per annum.

ITEM 17, ADDITIONAL DISCLOSURES.

The following statements are added to Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of the TourScale Business. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.

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

You must sign a general release if you transfer or renew your franchise. These provisions may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 21000 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF ILLINOIS**

**Cover Page, Risk Factors.**

The following statement is added at the end of the first Risk Factor:

SECTION 4 OF THE ILLINOIS FRANCHISE DISCLOSURE ACT PROVIDES THAT ANY PROVISION IN A FRANCHISE AGREEMENT WHICH DESIGNATES JURISDICTION OR VENUE IN A FORUM OUTSIDE OF ILLINOIS IS VOID WITH RESPECT TO ANY CAUSE OF ACTION WHICH OTHERWISE IS ENFORCEABLE IN ILLINOIS.

The following statement is added at the end of the second Risk Factor:

Notwithstanding the foregoing, Illinois law shall govern the Franchise Agreement.

**Item 5, Initial Fees**

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

**Item 17, Additional Disclosures.**

The following statements are added to Item 17:

The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

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

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF INDIANA**

Indiana law prohibits us from operating a substantially identical business to that conducted by you pursuant to the franchise agreement within a reasonable area, regardless of the trade name used by franchisor.

Indiana law prohibits us from requiring you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana deceptive franchise practices act or requiring any controversy between us to be referred to any person, if referral would be binding upon franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

Indiana law prohibits us from limiting litigation brought for breach of the terms of the franchise agreement. Accordingly, certain provisions of the franchise agreement (such as the reservation of right to injunctive relief, the designation of forum and venue and specification or limitation of remedies) may not be enforceable. Indiana law may prohibit us from designating Arizona law to govern the franchise agreement. If it is so construed, Indiana law will govern the franchise agreement.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MARYLAND**

**Item 5, Initial Fees.** The following statement is added to Item 5:

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.

**Item 17, Additional Disclosures.** The following statements are added to Item 17:

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

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

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

The provision in the franchise agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is 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.

**Exhibit L, Compliance Questionnaire.** The following sentence is added to the end of Exhibit L:

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.

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.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF MINNESOTA**

1. Item 5 of the Franchise Disclosure Document is amended to add the following:

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business.

2. Item 6 of the Franchise Disclosure Document is amended as follows:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. 604.113, which places a cap of \$30 on service charges which include insufficient funds fees.

3. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Area Development Agreement and Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Statute 80C.21 and Minnesota 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 agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statute 80C.14 Subd. 3-5, 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.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud,

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**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for a franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval of transfer":**

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee":** You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum,"** and Item 17(w), titled **"Choice of law":**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--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

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ADDITIONAL DISCLOSURE DOCUMENT DISCLOSURES  
REQUIRED BY THE STATE OF VIRGINIA**

THE FOLLOWING IS INCLUDED AS A RISK FACTOR:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$55,150 to \$205,150. This amount exceeds the franchisor's stockholders' equity as of December 31, 2022, which is \$-68,398.

THE FOLLOWING PARAGRAPH IS ADDED TO ITEM 5:

The Virginia State Corporation Commission Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

**ADDENDUM TO DISCLOSURE DOCUMENT**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**3. Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

**4. General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

**5. Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

**6. Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

**7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

**8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

**9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

**10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

**11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

**Exhibit FG**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. 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.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**Exhibit FG**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Signature of Franchisor Representative      Signature of Franchisee Representative

\_\_\_\_\_  
Title of Franchisor Representative      Title of Franchisee Representative **REQUIRED BY**  
**THE STATE OF WASHINGTON**

~~This Addendum to the Franchise Disclosure Document is set forth below in order to amend and revise the Franchise Disclosure Document as follows:~~

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

~~RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained~~

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

~~in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~Any performance criteria in the Franchise Agreement will not apply to Washington franchisees if the criteria are not supplied to the franchisee prior to signing the Franchise Agreement.~~

~~Based upon the franchisor's financial condition, the state of Washington 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 and the franchisee is open for business.~~

~~Exhibit J of the Franchise Disclosure Documents is amended as follows:~~

~~The General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder in accordance with RCW 19.100.200(2).~~

~~Pursuant to RCW 19.100, 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 waiving any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.~~

~~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.~~

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT  
FOR CALIFORNIA FRANCHISES**

The following sentence is added to the end of Section 7 of the Franchise Agreement:

California’s Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

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.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE:** \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

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

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

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

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

State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement

**ADDENDUM TO FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT**

**FOR ILLINOIS FRANCHISES**

1. The provisions of this Addendum form an integral part of and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of the franchise to you was made in the State of Illinois; (B) you are a resident of the State of Illinois; and/or (C) the Squeeze Shop will be located or operated in the State of Illinois.

~~1.2.~~ Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to the Franchisor's financial condition.

~~2.3.~~ 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.

~~3.4.~~ The following sentence is added at the end of Section 27(B):

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

~~4.5.~~ The following sentence is added to the end of Section 27(C):

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

~~5.6.~~ The following sentence is added at the end of section 27(G):

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the franchisee of a written notice disclosing the violation.

~~6.7.~~ The following sentence is added to the end of section 25(B):

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

~~7.8.~~ Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

**Exhibit FG**  
**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE:** \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT AND**  
**AREA DEVELOPMENT AGREEMENT**  
**FOR INDIANA FRANCHISES**

This Agreement, by and between TOURSCALE FRANCHISING,, LLC, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee") is amended as follows.

1. Indiana law prohibits Franchisor from operating a substantially identical business to that conducted by Franchisee pursuant to that certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee within a reasonable area, regardless of the trade name used by Franchisor.
  
2. Indiana law prohibits Franchisor from requiring Franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between Franchisee and Franchisor to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.
  
3. Indiana law prohibits Franchisor from limiting litigation brought for breach of the terms of the Franchise Agreement.
  
4. Indiana law may prohibit Franchisor from designating Arizona law to govern the Franchise Agreement. If it is so construed, Indiana law will govern the Franchise Agreement.

The undersigned does hereby acknowledge receipt of this Rider.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_ .

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR MARYLAND FRANCHISEES**

The provisions of this Addendum form an integral part of, and are incorporated into the Franchise Agreement. This Addendum is being executed because: (A) the offer or sale of a franchise to you was made in the State of Maryland; (B) you are a resident of the State of Maryland; (C) part or all of the Protected Territory is located in the State of Maryland; and/or (D) the TourScale Business will be located or operated in the State of Maryland.

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.

The following sentence is added to the end of Section 7.A of the Franchise Agreement:

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.

The following sentences are added to the end of Sections 16 and 17:

This release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is 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.

The following sentence is added to the end of Section 27.C:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following sentence is added to the end of Section 27.G:

This limitation of claims provision shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

Section 30 of the Franchise Agreement is deleted in its entirety.:

Any capitalized term that is not defined in this Addendum shall have the meaning given it in the Franchise Agreement.

Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT  
FOR MINNESOTA FRANCHISES**

This Agreement, by and between TOURSCALE FRANCHISING,, LLC, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee") is amended as follows.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations , and franchisee has commenced doing business.

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT US, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE OF MINNESOTA. NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80.C OR YOUR RIGHTS TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than three (3) years after the cause of action accrues.

With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. 604.113, which places a cap of \$30 on service charges which include insufficient funds fees.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

**Exhibit ~~F~~G**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

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

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**ADDENDUM TO FRANCHISE AGREEMENT AND**  
**AREA DEVELOPMENT AGREEMENT**  
**REQUIRED FOR NEW YORK FRANCHISEES**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such

**Exhibit ~~F~~G**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for a franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

IN WITNESS WHEREOF, the Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

**Exhibit FG**  
**State Specific Disclosure and Addenda to Franchise Agreement and Area Development**  
**Agreement**

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

**ADDENDUM TO FRANCHISE AGREEMENT AND**  
**AREA DEVELOPMENT AGREEMENT**  
**REQUIRED FOR VIRGINIA FRANCHISEES**

The following sentence is added to the end of Section 7.A of the Franchise Agreement:

The Virginia State Corporation Commission Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

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

IN WITNESS WHEREOF, The Parties have executed this Addendum to Franchise Agreement as of \_\_\_\_\_.

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**ADDENDUM TO FRANCHISE AGREEMENT AND  
AREA DEVELOPMENT AGREEMENT  
REQUIRED FOR WASHINGTON FRANCHISEES**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**7. Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

**8. Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

**9. Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

**10. Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

**11. Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

**12. Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

**13. Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

**14. Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

**15. Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor.

**Exhibit FG**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. 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.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

~~This Addendum to the Franchise Agreement is set forth below in order to amend and revise the Franchise Agreement as follows:~~

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

~~RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

~~In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.~~

~~A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by~~

**Exhibit FG**

**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

~~independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.~~

~~Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.~~

~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~Any performance criteria in the Franchise Agreement will not apply to Washington franchisees if the criteria are not supplied to the franchisee prior to signing the Franchise Agreement.~~

~~Based upon the franchisor's financial condition, the state of Washington 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 and the franchisee is open for business.~~

~~Section 24(E) of the Franchise Agreement is Amended. This provision will not apply in Washington. Washington's Franchise Act (RCW 19.100.180(1)) states: "the parties shall deal with each other in good faith."~~

~~Section 17 of the Franchise Agreement is amended as follows:~~

~~The General Release does not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder in accordance with RCW 19.100.200(2).~~

~~Section 30 of the Franchise Agreement does not apply in Washington.~~

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

**Exhibit FG**  
**State Specific Disclosure and Addenda to Franchise Agreement and Area Development Agreement**

**TOURSCALE FRANCHISING, LLC**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

**LIST OF FRANCHISEE OWNED TOURSCALE BUSINESSES  
AS OF DECEMBER 31, 2024**

Franchisee	Address	Outlets	Phone Number
<b>CALIFORNIA</b>			
Paddle Pub MDR, LLC	13645 Fiji Way, Marina Del Rey, CA 90292	Paddle Pub Marina Del Rey	(323) 459-9342
<b>CONNECTICUT</b>			
Pedal Cruise, LLC	Pacific St, Stamford, CT 06902	Pedal Cruise Connecticut - Stamford	(203) 208-9513
Pedal Cruise, LLC	1 Shipyard Ln, Milford, CT 06460	Pedal Cruise Connecticut - Milford	(877) 777-9322
<b>FLORIDA</b>			
Paddle Pub Clearwater Beach, LLC	455 E Shore Dr, Clearwater Beach, FL 33767	Paddle Pub Clearwater Beach	(833) 386-3862
Trolley Pub St Petersburg LLC	1661 Central Ave #6013 St. Petersburg FL 33713	Trolley Pub St Petersburg	(727) 322-4608
Gulf Coast Brew Group, LLC	1251 Mahogany Mill Rd, Pensacola, FL 32507	Paddle Pub Pensacola	(850) 483-1405
Excursions Marina, Inc.	18450 San Carlos Blvd, Fort Myers Beach, FL 33931	Tiki Pub Fort Myers Beach	(239) 800-8454
<b>IOWA</b>			
Trolley Pub Quad Cities, LLC	221 E 2nd St, Davenport, IA 52801	Trolley Pub Quad Cities	(563) 293-6172
<b>MISSOURI</b>			
TD Capital, LLC	1000 Sidney St. St. Louis, MO 63104	Trolley Pub St Louis/STL Cycle Saloon	(314) 925-3933
<b>OHIO</b>			
Cruisin Comfort, LLC	19 E 4th Ave, Columbus, OH 43219	Trolley Pub Columbus	(614) 808-6544
<b>NEW YORK</b>			
Zax Lessons Inc.	1 Anchorage Ln. Huntington, NY 11743	Paddle Pub Long Island - Huntington	(631) 778-1433

**Exhibit GH**  
**Franchisee List**

Zax Lessons Inc.	325 River Ave Patchogue NY 11772	Paddle Pub Long Island - Patchogue	(631) 778- 1433
Zax Lessons, Inc.	118 W Broadway, Port Jefferson, NY 11777	Paddle Pub Long Island - Port Jefferson	(631) 778- 1433
Zax Lessons, Inc.	495 New St., Suite A, Oceanside, NY 11572	Paddle Pub Long Island – Oceanside	(631) 778- 1433
Paddle Pub Lower Hudson, LLC	695 Piermont Ave, Piermont, NY 10968	Paddle Pub Lower Hudson - Piermont	(914) 729- 7800
Paddle Pub Lower Hudson, LLC	236 Green St, Tarrytown, NY 10591	Paddle Pub Lower Hudson - Tarrytown	(914) 729- 7800
Paddle Pub Newport Beach, LLC	2901 West Coast Hwy, Newport Beach, CA 92663	Paddle Pub Newport Beach	(949) 427- 7251
<b>NORTH CAROLINA</b>			
HyLyfe, LLC	860 N Liberty St, Winston- Salem, NC 27101	Trolley Pub Winston-Salem	(919) 809- 5171
<b>SOUTH CAROLINA</b>			
Prestige Pub Tours, LLC	2111 Little River Neck Rd, North Myrtle Beach, SC 29582	Paddle Pub Myrtle Beach	(843) 491- 9899
<b>TENNESEE</b>			
Smoky Mountain Pedal Party, LLC	808 State St, Knoxville, TN 37902	Trolley Pub Knoxville	(865) 333- 8816
<b>TEXAS</b>			
Pedal Powered Austin, LLC	702 Shady Ln Suite A, Austin, TX 78702	Trolley Pub Austin	(512) 710- 8801
<b>WISCONSIN</b>			
River Town Pedal Tours LLC	401 North 3rd Street La Crosse WI 54601	Trolley Pub La Crosse	(608) 799- 2493
River Town Pedal Tours LLC	1835 Rose St, La Crosse, WI 54603	Paddle Pub La Crosse	(608) 799- 2493

**LIST OF COMPANY OWNED TOURSCALE BUSINESSES  
AS OF DECEMBER 31, 2024**

<b>Franchisee</b>	<b>Address</b>	<b>Outlets</b>	<b>Phone Number</b>
<b>CALIFORNIA</b>			
Paddle Pub California LLC	1441 Quivira Rd San Diego CA 92109	Paddle Pub San Diego	(888) 231-4404
<b>FLORIDA</b>			
Trolley Pub of North Carolina LLC	450 Basin St Daytona Beach FL 32114	Paddle Pub Daytona Beach	(386) 478-9207
Trolley Pub of North Carolina LLC	Inlet Harbor Rd, Ponce Inlet, FL 32127	Tiki Pub Ponce Inlet	(386) 478-9207
<b>NORTH CAROLINA</b>			
Trolley Pub of North Carolina LLC	323 West Davie St. Raleigh NC 27601	Trolley Pub Raleigh	(919) 300-7111
Trolley Pub of North Carolina LLC	2500 Dunavant St Charlotte NC 28203	Trolley Pub Charlotte	(919) 300-7111
Trolley Pub of North Carolina LLC	16 Princess St Wilmington NC 28401	Trolley Pub Wilmington	(919) 300-7111
Trolley Pub of North Carolina LLC	501 Washington St Unit K-2 Durham NC 27701	Trolley Pub Durham	(919) 300-7111
Trolley Pub of North Carolina LLC	216 E 9th St Winston-Salem NC 27601	Trolley Pub Winston-Salem	(919) 300-7111
<b>OREGON</b>			
Trolley Pub of North Carolina LLC	737 SE Sandy Blvd. Portland, OR 97214	Trolley Pub Portland	(971) 400-5950
Trolley Pub of North Carolina LLC	2001 S River Dr. Portland, OR 97201	Paddle Pub Portland	(971) 400-5950
<b>TENNESSEE</b>			
Trolley Pub of North Carolina LLC	2101 Chestnut St Suite 101A Chattanooga TN 37408	Trolley Pub Chattanooga	(423) 380-8359
<b>TEXAS</b>			
Pedal Powered Austin, LLC	702 Shady Ln Suite A, Austin, TX 78702	Trolley Pub Austin	(512) 710-8801
Trolley Pub San Antonio, LLC	930 Broadway San Antonio, TX 78215	Trolley Pub San Antonio	(210) 693-9706
<b>VIRGINIA</b>			

Trolley Pub of North Carolina, LLC	809 Moseley Ln Norfolk VA 23510	Trolley Pub Norfolk	(833) 733-2548
<b>WISCONSIN</b>			
Capitol Pedicycle, LLC	802 Regent St, Madison WI 53715	Trolley Pub Madison	(608) 513-3882
Capitol Pedicycle, LLC	Marina Slip #5, 6308 Inland Wy Monona WI 53713	Paddle Pub Madison	(608) 513-3882
Capitol Pedicycle, LLC	W1147 River Bay Rd, Lyndon Station, WI 53944	Paddle Pub The Dells	(608) 513-3882

**LIST OF FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT  
BUT NOT OPENED A TOURSCALE BUSINESS AS OF DECEMBER 31, 2024**

Franchisee	Address	Outlets	Phone Number
DTH I, LLC	530 Harbor Blvd, Destin, FL 32541	Tiki Pub Destin	(850) 786-2439
Trolley Pub Fayetteville, LLC	218 Robeson St, Fayetteville, NC 28301	Trolley Pub Fayetteville	(910) 222-7716

**LIST OF FRANCHISEES WHO CEASED OPERATIONS DURING 2024**

Franchisee	Address	Outlet	Phone Number	Reason
Cycle Fun Boats, LLC	455 E Shore Dr, Clearwater Beach, FL 33767	Paddle Pub Clearwater Beach	(833) 386-3862	<u>Transferred</u>
Paddle Pub Broward LLC	220 SW 3rd Ave Suite 1 Fort Lauderdale FL 33312	Paddle Pub Miami	(954) 372-2900	<u>Ceased Operations</u>
<u>Paddle Pub Broward LLC</u>	<u>220 SW 3rd Ave Suite 1 Fort Lauderdale FL 33312</u>	<u>Paddle Pub Fort Lauderdale</u>	<u>(954) 372-2900</u>	<u>Transferred</u>
Paddle Pub Cocoa Beach, LLC	400 W Cocoa Beach Causeway, Cocoa Beach, FL 32931	Paddle Pub Cocoa Beach	(321) 209-1909	<u>Ceased Operations</u>

**LIST OF CRUISIN' TIKIS FRANCHISEES AS OF DECEMBER 31, 2024**

<b>Franchisee</b>	<b>Address</b>	<b>Outlet</b>	<b>Phone Number</b>
<b>ALABAMA</b>			
Orange Beach Tiki Boats, LLC	2230 University Blvd Tuscaloosa, AL 35401	Crusin' Tikis - Orange Beach,AL	205-394-2965
<b>DELAWARE</b>			
P & L Entertainment	36109 Joseph Dr Rehoboth Beach, DE 19971	Crusin' Tikis - Rehoboth Bay, DE	302-981-9671
<b>FLORIDA</b>			
Sarasota Tikis, LLC	23317 Airway Ave Punta Gorda, FL 33980	Crusin' Tikis - Sarasota, FL	609-289-7722
Cruisin Tikis Key West LLC	1200 Trumen Ave Apt 4 Key West, FL 33040	Crusin' Tikis - Key West, FL	833-845-4759
Cruisin Tikis West Palm Beach, LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - West Palm Beach/Jupiter, FL	502-609-1089
Cruisin Tikis West Palm Beach, LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - Islamorada, FL	502-609-1089
Destin Tikis, LLC	702 N Lakeside Dr Destin, FL 32541	Crusin' Tikis - Destin, FL	850-200-0573
Upper Keys Water Sports LLC	1 Bass Ave Key Largo, FL 33037	Crusin' Tikis - Key Largo, FL	734-395-9998
Tea Key Tikis, LLC	1116 Varela St Key West FL, 33040	Crusin' Tikis - St. Augustine, FL	954-328-9182
Cruisin Tiki's Clearwater, LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - Clearwater, FL	727-403-2914
Cruisin Tikis Tampa Bay LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - Tampa	727-403-2914
Tampa Bay Tiki's, LLC	10501 Chambers Dr Tampa, FL 33767	Crusin' Tikis - St Peter, FL	727-403-2914
Cruisin Tiki's Transportation Services LLC	3560 NW 53rd St Ft. Lauderdale, FL 33309	Crusin' Tikis - Fort Lauderdale, FL	833-386-8454
Mac Getaways, LLC	18117 Biscayne Blvd. #1160 Aventura, FL 33160	Crusin' Tikis - Miami, FL	305-222-8454
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Cape Coral, FL	630-615-9233
Tikis Lake Dora, LLC	15378 Sandfield Loop Winter Garden, FL 34787	Crusin' Tikis - Lake Dora, FL	321-287-3352

**Exhibit GH**  
**Franchisee List**

JW Cruisin, LLC	4738 White Bay Circle Wesley Chapel,, FL 33545	Crusin' Tikis - Port Charlotte, FL	352-424-1381
Space Coast Tikis, LLC	1872 E. Merritt Island Causeway Merritt Island, FL 32952	Crusin' Tikis - Space Coast, FL	321-514-5294
Bluulite, LLC	414 Arredondo Ave St. Augustine, FL 32080	Crusin' Tikis - Amelia Island, FL	720-476-8659
Panama City Beach Tikis, LLC	702 N Lake St Destin, FL 32541	Crusin' Tikis - Panama City, FL	336-287-2517
Treasure Coast Tikis LLC	122 Yacht view Ln Fort Pierce, FL 34946	Crusin' Tikis - Treasure Coast, FL	815-582-2044
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Fort Myers, FL	630-615-9233
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - Captiva, FL	630-615-9233
Tiki Time Rentals, Inc.	127 SE 31st Street Cape Coral, FL 33904	Crusin' Tikis - St James City, FL	630-615-9233
Sandford Tiki LLC	927 Gardenia Dr Delray Beach, FL 33483	Crusin' Tikis - Marathon, FL	609-290-4210
Beezin Doozin Cruisin, LLC	4028 W Alamo Dr Beverly Hills, FL 34465	Crusin' Tikis - Homossassa, FL	610-322-7395
Salty Dogs Holdings Group LLC	1408 Maldonado Dr Pensacola Beach, FL 32561	Crusin' Tikis - Pensacola, FL	850-384-4294
<b>MARYLAND</b>			
Bahia Marina, Inc.	2107 Herring Way Ocean City, MD 21842	Crusin' Tikis - Ocean City, MD	410-289-0990
Creek Cruises, LLC	696 Rockhold view Rd Deale, MD 20751	Crusin' Tikis - South County, MD (Deale)	<a href="tel:877-300-7990">877-300-7990</a>
Cruisin Solomons LLC	11205 Ruby Ct Lusby, MD 20657	Crusin' Tikis - Solomon Islands, MD	888-406-1716
<b>MISSISSIPPI</b>			
<a href="#">Salty Pirate Tours, LLC</a>	1900 Old Mandeville Ln Mandeville, LA 70448	Crusin' Tikis - Bay St. Louis, MS	305-504-3054
<b>NEW JERSEY</b>			
Capt Bob Tiki Cruises, LLC	430 Woodbine Rd Woodbine, NJ 08270	Crusin' Tikis - Sea Isle, NJ	609-780-7824
Cruisin Tiki's Long Beach Island	9 Lally lane West Creek, NJ 08092	Crusin' Tikis - Long Beach Island, NJ	609-290-4210

**Exhibit GH**  
**Franchisee List**

Capt Bob's Tiki Cruises LLC	43 Woodbine Rd Woodbine, NJ 08270	Crusin' Tikis - Margate, NJ	609-780-7824
MJ Charters LLC	9 Lally Lane West Creek, NJ 08092	Crusin' Tikis - Point Pleasant, NJ	609-290-4210
<b>NORTH CAROLINA</b>			
Carolina Adventures, LLC	2650 Liberty Lane SW Supply, NC 28462	Crusin' Tikis - Holden Beach, NC	910-408-9829
<b>PENNSYLVANIA</b>			
Pittsburgh Tikis LLC	4017 Washington Rd Suite 120 McMurray PA 15317	Crusin' Tikis - Pittsburgh, PA	412-853-5046
<b>SOUTH CAROLINA</b>			
Cruisin Tikis Charleston, LLC	625 Antebellum Lane Mount Pleasant, SC 29464	Crusin' Tikis - Charleston, SC	843-452-9124
Myrtle Beach Tikis, LLC	1973 Bay Road Milford, DE 19963	Crusin' Tikis - Myrtle Beach, SC	843-902-8454
<b>TENNESSEE</b>			
Jab Boating, LLC	5790 Benders Ferry Rd Mt.Juliet, TN 37122	Crusin' Tikis - Nashville, TN	615-686-0109
<b>TEXAS</b>			
Lake Conroe Tikis, LLC	18910 Shaw Rd Cypress, TX 77429	Crusin' Tikis - Lake Conroe, TX	281-215-5134
Starla's Adventures, LLC	353 Los Santos Dr Garland TX 75043	Crusin' Tikis - Lake Ray Hubbard, TX	214-649-8781
<b>VIRGINIA</b>			
Ship Faced Charters LLC	207 Memosa Ave Colonial Beach, VA 22443	Crusin' Tikis - Colonial Beach, VA	877-228-4547
<b>WISCONSIN</b>			
Oshkosh Tikis, LLC	233 Oak Manor Drive Oshkosh, WI 54904	Crusin' Tikis - Oshkosh, WI	920-203-3152

## GENERAL RELEASE

**THIS GENERAL RELEASE (“Release”)** is executed on \_\_\_\_\_ by \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_ (“**Guarantors**”) as a condition of [PICK ONE: the transfer of a TourScale Business between Franchisee and TOURSCALE FRANCHISING, LLC (“**TourScale**”) [or] the renewal of a Franchise Agreement between TourScale and Franchisee dated \_\_\_\_\_ (“**Franchise Agreement**”) between Franchisee and TourScale [or] the termination of a TourScale Business Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) between Franchisee and TOURSCALE FRANCHISING, LLC (“**TourScale**”)].

**1. Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, “**Franchisee Releasers**”) freely and without any influence forever release and covenant not to sue TourScale and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively “**TourScale Releasees**”) with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “**Claims**”), which any Franchisee Releaser ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releaser and any TourScale Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasers) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIM OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

**2. Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

**3. No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

**4. Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

**5. Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

**6. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of TourScale and each Franchisee Releasor.

**7. Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. TourScale, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where TourScale's principal offices are located. TourScale may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

## **8. Miscellaneous**

A. This Release constitutes the entire, full and complete agreement between the parties concerning the release of Claims by the parties and supersedes any and all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

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

**Exhibit HI**  
**General Release**

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

The above does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURES ON FOLLOWING PAGE]

**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed this Release as of the date shown below.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

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

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

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

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

**Exhibit HJ**  
**Financial Statements**

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

**TourScale Franchising**  
**Balance Sheet**  
As of June 30, 2025

	Total
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Bank Accounts</b>	
Bill.com Money In Clearing	200.00
BOA - TourScale - #9345	45,706.81
<b>Total Bank Accounts</b>	<b>\$ 45,906.81</b>
<b>Accounts Receivable</b>	
Accounts Receivable (A/R)	101,863.35
<b>Total Accounts Receivable</b>	<b>\$ 101,863.35</b>
<b>Total Current Assets</b>	<b>\$ 147,770.16</b>
<b>TOTAL ASSETS</b>	<b>\$ 147,770.16</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
Accounts Payable (A/P)	884.63
<b>Total Accounts Payable</b>	<b>\$ 884.63</b>
<b>Credit Cards</b>	
CC - BOA - 8294	9,999.86
<b>Total Credit Cards</b>	<b>\$ 9,999.86</b>
<b>Other Current Liabilities</b>	
Deferred Revenue - Franchise Fees	330,076.03
<b>Total Other Current Liabilities</b>	<b>\$ 330,076.03</b>
<b>Total Current Liabilities</b>	<b>\$ 340,960.52</b>
<b>Long-Term Liabilities</b>	
Option Deposits	25,000.00
<b>Total Long-Term Liabilities</b>	<b>\$ 25,000.00</b>
<b>Total Liabilities</b>	<b>\$ 365,960.52</b>
<b>Equity</b>	
Kaapro & Cole Ventures - Distributions	-902,375.04
Opening Balance Equity	-199,150.47
Owner's Investment	10,100.00
Retained Earnings	618,999.71
Net Income	254,235.44
<b>Total Equity</b>	<b>-\$ 218,190.36</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 147,770.16</b>

**TourScale Franchising  
Profit and Loss  
January - June, 2025**

	<b>Total</b>
<b>Income</b>	
<b>Income</b>	
Franchise Fees	16,894.46
Franchise Royalties	262,662.86
Tech Fees	36,363.76
Xola Rebates	46,764.67
<b>Total Income</b>	<b>\$362,685.75</b>
Misc Service Fees	0.00
<b>Total Income</b>	<b>\$362,685.75</b>
<b>Gross Profit</b>	<b>\$362,685.75</b>
<b>Expenses</b>	
<b>Legal &amp; Professional Services</b>	
Law Firms	4,606.30
<b>Total Legal &amp; Professional Services</b>	<b>\$ 4,606.30</b>
Management Fee - Kaapro & Cole Ventures	103,844.01
<b>Total Expenses</b>	<b>\$108,450.31</b>
<b>Net Operating Income</b>	<b>\$254,235.44</b>
<b>Net Income</b>	<b>\$254,235.44</b>

**TOURSCALE FRANCHISING, LLC**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2024 and 2023**

TOURSCALE FRANCHISING, LLC

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December 31, 2024

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INDEPENDENT AUDITORS' REPORT

Christopher A. Tikvart, CPA  
Timothy E. Noser, CPA  
Shayne Beasley, CPA  
Michael D. Clonch, CPA



James E. Neal, CPA, CVA, CFE



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MEMBERS

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Public Accountants

North Carolina Association of  
Certified Public Accountants

Associations of Certified  
Fraud Examiners

National Association of Certified  
Valuation Analysts

To the Members  
TourScale Franchising, LLC  
Raleigh, North Carolina

We have audited the accompanying Financial Statements of TourScale Franchising, LLC (an Arizona Limited Liability Company), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of income, members' capital, 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 TourScale Franchising, LLC 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 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 this report. We are required to be independent of TourScale Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial 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; 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 TourScale Franchising, LLC'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of TourScale Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about TourScale Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Neal, Bradsher & Taylor*

CERTIFIED PUBLIC ACCOUNTANTS  
Durham, North Carolina

April 23, 2025



TOURSCALE FRANCHISING, LLC  
BALANCE SHEET  
For the Years Ended December 31, 2024 and 2023

	<b>ASSETS</b>	
	2024	2023
<b>CURRENT ASSETS:</b>		
Cash	\$ 16,205	\$ 473
Accounts receivable	5,849	2,043
Due from Kaapro and Cole Ventures, LLC	98,460	65,620
Total Current Assets	120,514	68,136
 <b>OTHER ASSETS:</b>		
Website, net of amortization	3,667	4,667
Total Assets	\$ 124,181	\$ 72,803
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,192	\$ 39,648
Options deposit	30,000	30,000
Notes payable	-	26,951
Deferred revenue – Other	6,723	8,711
Deferred franchise revenue	30,711	18,000
Total Current Liabilities	85,626	123,310
 <b>LONG-TERM LIABILITIES:</b>		
Deferred franchise revenue	183,049	142,963
Total Liabilities	268,675	266,273
 <b>MEMBER CAPITAL:</b>		
Total Liabilities and Member Capital	( 144,494 )	( 193,470 )

See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
INCOME STATEMENT  
For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUE:		
Franchise fee	\$ 30 000	\$ 13 333
Royalty income	214 822	171 964
Service income	631	4 878
Tech fee income	68 538	46 371
Sale of product income	-	497
Rebate income	86 417	82 747
Total Revenue	400 408	319 790
OPERATING EXPENSES:		
General and administrative expenses	270 000	248 636
Travel	-	6 135
Amortization expense	1 000	333
Interest paid	2 833	995
Total Expenses	273 833	256 099
NET INCOME	\$ 126 575	\$ 63 691

See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
STATEMENT OF MEMBERS' CAPITAL  
For the Years Ended December 31, 2024 and 2023

Balance - January 1, 2023	\$ ( 72 176)
Income	63 691
Withdrawals	<u>( 184 985)</u>
Balance – December 31, 2023	( 193 470)
Income	126 575
Withdrawals	<u>( 77 599)</u>
Balance – December 31, 2024	<u>\$ ( 144 494)</u>

See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2024 and 2023

	2024	2023
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash Flows from Operating Activities:		
Cash received from franchises	\$ 364 800	\$ 368 774
Cash received from other income	82 611	85 324
Cash paid for interest	( 2 833)	( 995)
Cash paid to suppliers and vendors	( 291 456)	( 215 123)
Net Cash Provided by Operating Activities	153 122	237 980
Cash Flows from Investing Activities:		
Cash paid for intangibles	-	( 5 000)
Cash Flows from Financing Activities:		
Cash received from affiliates	-	3 774
Cash paid to affiliates	( 32 840)	( 83 775)
Cash paid for member withdrawals	( 77 599)	( 184 985)
Cash received from loan	-	30 000
Cash paid for loan	( 26 951)	( 3 049)
Net Cash Used by Financing Activities	( 137 390)	( 238 035)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15 732	( 5 055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	473	5 528
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16 204	\$ 473
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 126 575	\$ 63 691
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Amortization expense	1 000	333
(Increase) decrease in Current Assets:		
Accounts receivable	( 3 806)	2 080
Increase (decrease) in Liabilities Assets:		
Accounts payable	( 21 456)	39 648
Options deposit	-	30 000
Deferred revenue – Other	( 1 988)	3 727
Deferred franchise revenue	52 797	98 501
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 153 122	\$ 237 980

See Notes to Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**1. NATURE OF OPERATIONS:**

TourScale Franchising, LLC is a subsidiary of Kaapro & Cole Ventures, LLC.

The Company was organized in Arizona on April 27, 2020 and derives its revenues through the franchising of Trolley Pub and Paddle Pub businesses throughout the United States.

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

CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

REVENUE RECOGNITION

Revenue from franchise fees are recognized on a straight-line basis of the life of the agreement, which is normally 10 years. Royalties and tech fees are recognized in the month earned. All revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

ACCOUNTS RECEIVABLE

Accounts Receivables are recorded when invoices are issued and are presented in the balance sheet. Account receivables are written off when they are deemed uncollectible. The Company believes no allowance for doubtful accounts are necessary as of December 31, 2024 and 2023.

WEBSITE

Web development is stated at cost and amortized when placed in service. Amortization is calculated using straight-line method over the estimated useful lives of the asset. Ongoing maintenance is charged to expense when incurred. The balance in web development as of December 31, 2024 and 2023 is as follows:

	2024	2023
Web development	\$ 5 000	\$ 5 000
Accumulated amortization	( 1 333)	( 333)
Total	\$ 3 667	\$ 4 667

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

USE OF ESTIMATES

Management uses estimates and assumptions in preparing this financial statement in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates that were used.

INCOME TAX STATUS

TourScale Franchising, LLC is solely owned by Kaapro & Cole Ventures, LLC so all company activity is reported as a separate activity on the tax return of Kaapro & Cole Ventures, LLC. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

FINANCIAL STATEMENT PRESENTATION

The financial statements are reported on an accrual basis of accounting and only include the activity of TourScale Franchising, LLC.

**3. RELATED PARTY TRANSACTIONS:**

Kaapro and Cole Ventures, LLC owed TourScale, LLC \$98,460 and \$65,620 as of December 31, 2024 and 2023, respectively.

The Company has shared expenses with the related parties such as rent, equipment, travel, and other office expenses that are charged in the form of a management fee. Management fees paid as of December 31, 2024 and 2023 were \$270,000 and \$168,000, respectively.

Kaapro & Cole Ventures, LLC owns wholly or partially 11 franchises. These franchises paid royalties and technology fees in the amount of \$79,054 and \$128,347 for the years ended December 31, 2024 and 2023, respectively.

TourScale Franchising, LLC is under common control of Kaapro and Cole Ventures, LLC. If the entities were reported in combination, the results of the balance sheet and income statement would be significantly different.

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2024 and 2023

**4. OPTIONS DEPOSIT:**

Options deposits consist of amounts collected by TourScale Franchising, LLC from potential franchisees. The amount is refundable if the purchase of the franchise is not completed. The balance sheet reflected \$30,000 and \$30,000 as of December 31, 2024 and 2023, respectively.

**5. DEFERRED REVENUE:**

The initial fees received from the franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 10 years.

**6. NOTES PAYABLE:**

On November 2, 2023, TourScale Franchising, LLC received a loan in the amount of \$30,000 payable in monthly payments of \$3,711.88 starting December 2, 2023 and bearing interest of 26.50%. The payments will continue through August 2, 2024. The balance at December 31, 2024 and 2023 was \$0 and \$26,951, respectively.

**7. CONCENTRATION OF CREDIT RISK:**

The Company maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC). There were no amounts in excess of insured limits as of December 31, 2024 and 2023.

**8. SUBSEQUENT EVENTS:**

The Company evaluated the effect subsequent events would have on the financial statements through the date of the report, April 23, 2025, which is the date the financial statements were available to be issued.

TOURSCALE FRANCHISING, LLC

FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

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TOURSCALE FRANCHISING, LLC

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**INDEPENDENT AUDITORS' REPORT**

Christopher A. Tikvart, CPA  
Timothy E. Noser, CPA  
Shayne Beasley, CPA  
Michael D. Clonch, CPA



James E. Neal, CPA, CVA, CFE



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Fraud Examiners

National Association of Certified  
Valuation Analysts

To the Members  
TourScale Franchising, LLC  
Raleigh, North Carolina

We have audited the accompanying Financial Statements of TourScale Franchising, LLC (an Arizona Limited Liability Company), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of income, members' capital, and cash flows for the years then ended, and the related notes to the financial statements.

**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 this report. We are required to be independent of TourScale Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial 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; 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 TourScale Franchising, LLC'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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of TourScale Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about TourScale Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.



CERTIFIED PUBLIC ACCOUNTANTS  
Durham, North Carolina

April 23, 2025



TOURSCALE FRANCHISING, LLC  
BALANCE SHEET  
For the Years Ended December 31, 2024 and 2023

	<b>ASSETS</b>	
	2024	2023
<b>CURRENT ASSETS:</b>		
Cash	\$ 16,205	\$ 473
Accounts receivable	5,849	2,043
Due from Kaapro and Cole Ventures, LLC	98,460	65,620
Total Current Assets	120,514	68,136
 <b>OTHER ASSETS:</b>		
Website, net of amortization	3,667	4,667
Total Assets	\$ 124,181	\$ 72,803

**LIABILITIES AND MEMBERS' CAPITAL**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 18,192	\$ 39,648
Options deposit	30,000	30,000
Notes payable	-	26,951
Deferred revenue – Other	6,723	8,711
Deferred franchise revenue	30,711	18,000
Total Current Liabilities	85,626	123,310
 <b>LONG-TERM LIABILITIES:</b>		
Deferred franchise revenue	183,049	142,963
Total Liabilities	268,675	266,273
 <b>MEMBER CAPITAL:</b>		
Total Liabilities and Member Capital	( 144,494 )	( 193,470 )
Total Liabilities and Member Capital	\$ 124,181	\$ 72,803

See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
INCOME STATEMENT  
For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUE:		
Franchise fee	\$ 30 000	\$ 13 333
Royalty income	214 822	171 964
Service income	631	4 878
Tech fee income	68 538	46 371
Sale of product income	-	497
Rebate income	86 417	82 747
Total Revenue	400 408	319 790
OPERATING EXPENSES:		
General and administrative expenses	270 000	248 636
Travel	-	6 135
Amortization expense	1 000	333
Interest paid	2 833	995
Total Expenses	273 833	256 099
NET INCOME	\$ 126 575	\$ 63 691

See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
STATEMENT OF MEMBERS' CAPITAL  
For the Years Ended December 31, 2024 and 2023

Balance - January 1, 2023	\$ ( 72 176)
Income	63 691
Withdrawals	<u>( 184 985)</u>
Balance – December 31, 2023	( 193 470)
Income	126 575
Withdrawals	<u>( 77 599)</u>
Balance – December 31, 2024	<u>\$ ( 144 494)</u>

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See Notes to Financial Statement.

TOURSCALE FRANCHISING, LLC  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2024 and 2023

	2024	2023
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash Flows from Operating Activities:		
Cash received from franchises	\$ 364 800	\$ 368 774
Cash received from other income	82 611	85 324
Cash paid for interest	( 2 833)	( 995)
Cash paid to suppliers and vendors	( 291 456)	( 215 123)
Net Cash Provided by Operating Activities	153 122	237 980
Cash Flows from Investing Activities:		
Cash paid for intangibles	-	( 5 000)
Cash Flows from Financing Activities:		
Cash received from affiliates	-	3 774
Cash paid to affiliates	( 32 840)	( 83 775)
Cash paid for member withdrawals	( 77 599)	( 184 985)
Cash received from loan	-	30 000
Cash paid for loan	( 26 951)	( 3 049)
Net Cash Used by Financing Activities	( 137 390)	( 238 035)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15 732	( 5 055)
<hr style="border: 1px solid red;"/>		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	473	5 528
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 16 204	\$ 473
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 126 575	\$ 63 691
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Amortization expense	1 000	333
(Increase) decrease in Current Assets:		
Accounts receivable	( 3 806)	2 080
Increase (decrease) in Liabilities Assets:		
Accounts payable	( 21 456)	39 648
Options deposit	-	30 000
Deferred revenue – Other	( 1 988)	3 727
Deferred franchise revenue	52 797	98 501
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 153 122	\$ 237 980

See Notes to Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**1. NATURE OF OPERATIONS:**

TourScale Franchising, LLC is a subsidiary of Kaapro & Cole Ventures, LLC.

The Company was organized in Arizona on April 27, 2020 and derives its revenues through the franchising of Trolley Pub and Paddle Pub businesses throughout the United States.

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

CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

REVENUE RECOGNITION

Revenue from franchise fees are recognized on a straight-line basis of the life of the agreement, which is normally 10 years. Royalties and tech fees are recognized in the month earned. All revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

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~~ACCOUNTS RECEIVABLE~~

Accounts Receivables are recorded when invoices are issued and are presented in the balance sheet. Account receivables are written off when they are deemed uncollectible. The Company believes no allowance for doubtful accounts are necessary as of December 31, 2024 and 2023.

WEBSITE

Web development is stated at cost and amortized when placed in service. Amortization is calculated using straight-line method over the estimated useful lives of the asset. Ongoing maintenance is charged to expense when incurred. The balance in web development as of December 31, 2024 and 2023 is as follows:

	2024	2023
Web development	\$ 5 000	\$ 5 000
Accumulated amortization	( 1 333)	( 333)
Total	\$ 3 667	\$ 4 667

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENT  
For the Years Ended December 31, 2024 and 2023

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

USE OF ESTIMATES

Management uses estimates and assumptions in preparing this financial statement in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates that were used.

INCOME TAX STATUS

TourScale Franchising, LLC is solely owned by Kaapro & Cole Ventures, LLC so all company activity is reported as a separate activity on the tax return of Kaapro & Cole Ventures, LLC. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

FINANCIAL STATEMENT PRESENTATION

The financial statements are reported on an accrual basis of accounting and only include the activity of TourScale Franchising, LLC.

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**3. RELATED PARTY TRANSACTIONS:**

Kaapro and Cole Ventures, LLC owed TourScale, LLC \$98,460 and \$65,620 as of December 31, 2024 and 2023, respectively.

The Company has shared expenses with the related parties such as rent, equipment, travel, and other office expenses that are charged in the form of a management fee. Management fees paid as of December 31, 2024 and 2023 were \$270,000 and \$168,000, respectively.

Kaapro & Cole Ventures, LLC owns wholly or partially 11 franchises. These franchises paid royalties and technology fees in the amount of \$79,054 and \$128,347 for the years ended December 31, 2024 and 2023, respectively.

TourScale Franchising, LLC is under common control of Kaapro and Cole Ventures, LLC. If the entities were reported in combination, the results of the balance sheet and income statement would be significantly different.

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2024 and 2023

**4. OPTIONS DEPOSIT:**

Options deposits consist of amounts collected by TourScale Franchising, LLC from potential franchisees. The amount is refundable if the purchase of the franchise is not completed. The balance sheet reflected \$30,000 and \$30,000 as of December 31, 2024 and 2023, respectively.

**5. DEFERRED REVENUE:**

The initial fees received from the franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 10 years.

**6. NOTES PAYABLE:**

On November 2, 2023, TourScale Franchising, LLC received a loan in the amount of \$30,000 payable in monthly payments of \$3,711.88 starting December 2, 2023 and bearing interest of 26.50%. The payments will continue through August 2, 2024. The balance at December 31, 2024 and 2023 was \$0 and \$26,951, respectively.

**7. CONCENTRATION OF CREDIT RISK:**

~~The Company maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC). There were no amounts in excess of insured limits as of December 31, 2024 and 2023.~~

**8. SUBSEQUENT EVENTS:**

The Company evaluated the effect subsequent events would have on the financial statements through the date of the report, April 23, 2025, which is the date the financial statements were available to be issued.

TOURSCALE FRANCHISING, LLC

FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

TOURSCALE FRANCHISING, LLC

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December 31, 2023

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**MEMBERS**

American Institute of Certified  
Public Accountants

North Carolina Association of  
Certified Public Accountants

Associations of Certified  
Fraud Examiners

National Association of Certified  
Valuation Analysts

**INDEPENDENT AUDITORS' REPORT**

To the Members  
TourScale Franchising, LLC  
Raleigh, North Carolina

**Opinion**

We have audited the accompanying financial statements of TourScale Franchising, LLC (an Arizona Limited Liability Company), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of income, member's capital, 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 TourScale Franchising, LLC as of December 31, 2023 and 2022, 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 TourScale Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial 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; 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 TourScale Franchising, LLC'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, including omissions, 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 purposes of expressing an opinion on the effectiveness of TourScale Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TourScale Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Neal, Bradsher & Taylor*

CERTIFIED PUBLIC ACCOUNTANTS  
Durham, North Carolina

July 4, 2024



TOURSCALE FRANCHISING, LLC  
BALANCE SHEETS  
December 31, 2023 and 2022

**ASSETS**

	2023	2022
CURRENT ASSETS:		
Cash	\$ 473	\$ 5 528
Accounts receivable, as restated	2 043	4 123
Due from Kaapro and Cole Ventures, LLC	65 620	-
Total Current Assets	68 136	9 651
OTHER ASSETS:		
Website, net of amortization	4 667	-
Total Assets	\$ 72 803	\$ 9 651

**LIABILITIES AND MEMBER CAPITAL**

CURRENT LIABILITIES:		
Due to TourScale Leasing, LLC	\$ -	\$ 4 909
Due to Kaapro and Cole Ventures, LLC	-	9 472
Accounts payable	39 648	-
Options deposit	30 000	-
Notes payable	26 951	-
Deferred revenue – Other, as restated	8 711	4 984
Deferred franchise revenue	18 000	13 333
Total Current Liabilities	123 310	32 698
LONG-TERM LIABILITIES:		
Deferred franchise revenue	142 963	49 129
Total Liabilities	266 273	81 827
MEMBER CAPITAL:	( 193 470)	( 72 176)
Total Liabilities and Member Capital	\$ 72 803	\$ 9 651

See Notes to Financial Statements

TOURSCALE FRANCHISING, LLC  
INCOME STATEMENTS  
For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE:		
Franchise fee	\$ 13 333	\$ 22 988
Royalty income	171 964	128 537
Service income	4 878	-
Tech fee income	46 371	5 280
Sale of product income	497	-
Rebate income, as restated	82 747	142 332
Total Revenue	319 790	299 137
OPERATING EXPENSES:		
General and administrative expenses	248 636	191 636
Travel	6 135	204
Amortization expense	333	-
Interest paid	995	-
Total Operating Expenses	256 099	191 840
Net Income, as restated	\$ 63 691	\$ 107 297

See Notes to Financial Statements

TOURSCALE FRANCHISING, LLC  
STATEMENTS OF MEMBER'S CAPITAL  
For the Years Ended December 31, 2023 and 2022

BALANCE JANUARY 1, 2022:	\$ ( 37 973 )
Income, as restated	107 297
Withdrawals	<u>( 141 500 )</u>
BALANCE DECEMBER 31, 2022:	\$ ( 72 176 )
Income	63 691
Withdrawals	<u>( 184 985 )</u>
BALANCE DECEMBER 31, 2023:	<u>\$ ( 193 470 )</u>

See Notes to Financial Statements

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TOURSCALE FRANCHISING, LLC  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2023 and 2022

	2023	2022
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash Flows From Operating Activities:		
Cash received from franchisees	\$ 368 774	\$ 157 235
Cash received from other income	85 324	146 971
Cash paid for interest	( 995)	-
Cash paid to suppliers and vendors	<u>( 215 123)</u>	<u>( 191 840)</u>
Net Cash Provided by Operating Activities	<u>237 980</u>	<u>112 366</u>
Cash Flow From Investing Activities:		
Cash paid for intangibles	( 5 000)	-
Cash Flows From Financing Activities:		
Cash received from affiliates	3 774	17 100
Cash paid to affiliates	( 83 775)	( 110 000)
Cash paid for member withdrawals	( 184 985)	( 141 500)
Cash received from loan	30 000	-
Cash paid for loan	<u>( 3 049)</u>	<u>-</u>
Net Cash Used by Financing Activities	<u>( 238 035)</u>	<u>( 234 400)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	( 5 055)	( 122 034)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5 528</u>	<u>127 562</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 473</u>	<u>\$ 5 528</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 63 691	\$ 107 297
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization expense	333	-
(Increase) Decrease in Current Assets:		
Accounts receivable, as restated	2 080	( 345)
(Increase) Decrease in Current Liabilities:		
Accounts payable	39 648	-
Options deposit	30 000	-
Deferred revenue – Other, as restated	3 727	4 984
Deferred franchise revenue	<u>98 501</u>	<u>430</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 237 980</u>	<u>\$ 112 366</u>

See Notes to Financial Statements

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022

**1. NATURE OF OPERATIONS:**

TourScale Franchising, LLC is a subsidiary of Kaapro & Cole Ventures, LLC.

The Company was organized in Arizona on April 27, 2020 and derives its revenues through the franchising of Trolley Pub and Paddle Pub businesses throughout the United States.

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

CASH AND CASH EQUIVALENTS

For purpose of the Statement of Cash Flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

REVENUE RECOGNITION

Revenue from franchise fees are recognized on a straight-line basis of the life of the agreement, which is normally 10 years. Royalties and tech fees are recognized in the month earned. All revenue is recognized under ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

ACCOUNTS RECEIVABLE

Accounts Receivables are recorded when invoices are issued and are presented in the balance sheet. Account receivables are written off when they are deemed uncollectible. The Company believes no allowance for doubtful accounts are necessary as of December 31, 2023 and 2022.

WEBSITE

Web development is stated at cost and amortized when placed in service. Amortization is calculated using straight-line method over the estimated useful lives of the asset. Ongoing maintenance is charged to expense when incurred. The balance in web development as of December 31, 2023 and 2022 is as follows:

	2023	2022
Web development	\$ 5 000	\$ -
Accumulated amortization	( 333)	-
Total	\$ 4 667	\$ -

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

USE OF ESTIMATES

Management uses estimates and assumptions in preparing this financial statement in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates that were used.

INCOME TAX STATUS

TourScale Franchising, LLC is solely owned by Kaapro & Cole Ventures, LLC so all company activity is reported as a separate activity on the tax return of Kaapro & Cole Ventures, LLC. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

FINANCIAL STATEMENT PRESENTATION

The financial statements are reported on an accrual basis of accounting and only include the activity of TourScale Franchising, LLC.

**3. RELATED PARTY TRANSACTIONS:**

As of December 31, 2023 and 2022, the Company had a liability due to Kaapro & Cole Ventures, LLC of \$0 and \$9,472, respectively. The Company is also related to TourScale Leasing, LLC as both companies are subsidiaries of TourScale, LLC. As of December 31, 2023 and 2022, TourScale Franchising, LLC had a payable due to TourScale Leasing, LLC of \$0 and \$4,909, respectively. Kaapro and Cole Ventures, LLC owed TourScale, LLC \$65,620 and \$0 as of December 31, 2023 and 2022, respectively.

The Company has shared expenses with the related parties such as rent, equipment, travel, and other office expenses that are charged in the form of a management fee. Management fees paid as of December 31, 2023 and 2022 were \$168,000 and \$168,000, respectively.

Kaapro & Cole Ventures, LLC owns wholly or partially 14 franchises. These franchises paid royalties and technology fees in the amount of \$128,347 and \$70,744 for the years ended December 31, 2023 and 2022, respectively.

TourScale Franchising, LLC is under common control of Kaapro and Cole Ventures, LLC. If the entities were reported in combination, the results of the balance sheet and income statement would be significantly different.

TOURSCALE FRANCHISING, LLC  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022

**4. OPTIONS DEPOSIT:**

Options deposits consist of amounts collected by TourScale Franchising, LLC from potential franchisees. The amount is refundable if the purchase of the franchise is not completed. The balance sheet reflected \$30,000 and \$-0- as of December 31, 2023 and 2022, respectively.

**5. DEFERRED REVENUE:**

The initial fees received from the franchisees are recognized as revenue on a straight-line basis over the term of each respective franchise agreement, which is typically 10 years.

**6. NOTES PAYABLE:**

On November 2, 2023, TourScale Franchising, LLC received a loan in the amount of \$30,000 payable in monthly payments of \$3,711.88 starting December 2, 2023 and bearing interest of 26.50%. The payments will continue through August 2, 2024. The balance at December 31, 2023 and 2022 was \$26,951 and \$-0-, respectively.

**7. CONCENTRATION OF CREDIT RISK:**

The Company maintains deposits in a financial institution that at times exceed the insured amounts of \$250,000 provided by the U.S. Federal Deposit Insurance Company (FDIC). There were no amounts in excess of insured limits as of December 31, 2023 and 2022.

**8. RECLASSIFICATION:**

Deferred revenue has been reclassified to reflect current year presentation. No adjustments to capital were necessary.

**9. CORRECTION OF ERROR:**

During the year ended December 31, 2022, an overstatement of accounts receivable was discovered. The effect of the correction was a decrease in member capital by \$3,778 and a decrease in accounts receivable by the same amount. December 31, 2022 has been restated to reflect the changes.

**10. SUBSEQUENT EVENTS:**

The Company evaluated the effect subsequent events would have on the financial statements through the date of the report, July 4, 2024, which is the date the financial statements were available to be issued.

## COMPLIANCE QUESTIONNAIRE

**This Questionnaire does not apply to franchises who intend to operate the franchised business in the State of California. Do not complete this Questionnaire or respond to any of the questions contained in the Questionnaire if you intend to operate the franchised business in the State of California.**

Questionnaire is not applicable in Maryland. Do not sign this Statement if you are a resident of Maryland or the business is to be operated in Maryland.

The Questionnaire is not applicable in Washington and Washington franchisees should not sign the Questionnaire.

Pursuant to RCW 19.100, 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 waiving any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

As you know, TourScale Franchising, LLC and you are preparing to enter into a Franchise Agreement for the establishment and operation of a TourScale Business in a Protected Territory where you will operate an agreed number of TourScale Businesses (“**Franchised Business**”). The purpose of this Compliance Questionnaire is to determine whether any statements or promises were made to you that TourScale has not authorized and that may be untrue, inaccurate or misleading. Please review each question and statement carefully and provide honest and complete responses to each question and statement.

Question	Yes	No
1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
2. Have you received and personally reviewed the Disclosure Document we provided?		
3. Did you sign a receipt for the Disclosure Document indicating the date you received it?		
4. Do you understand all of the information contained in the Disclosure Document and all of the terms of the Franchise Agreement?		
5. Have you reviewed the Disclosure Document and the Franchise Agreement with a lawyer, accountant, or other professional advisor?		
6. Have you discussed the benefits and risks of developing and operating a TourScale Business Franchised Business with existing TourScale Business Franchises?		
7. Do you understand the risks of developing and operating a TourScale Franchised Business?		
8. Do you understand that the success or failure of your TourScale Franchised Business 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 weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		

**Exhibit JK**  
**Compliance Questionnaire**

Question	Yes	No
9. Do you understand that, subject to applicable state law, any applicable mediation, arbitration or litigation must take place in Arizona?		
10. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating a TourScale Franchised Business, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
11. Do you agree that no employee or other person speaking on our behalf has 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 TourScale Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
12. Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement and the Disclosure Document contain the entire agreement between us and you concerning your purchase of a TourScale Franchised Business and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?		

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

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**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION AND STATEMENT CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS AND STATEMENTS.**

FRANCHISE APPLICANT

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Printed Name

\_\_\_\_\_, 20\_\_\_\_\_  
Date

### 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:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending
Wisconsin	May 8, 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.

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 TourScale Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make payment to, TourScale Franchising, LLC or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

New York and Rhode Island require that TourScale Franchising, LLC 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 TourScale Franchising, LLC 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 TourScale Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

Issuance Date: May 1, 2025 as amended on September 17, 2025

The franchise sellers for this offering are TourScale Franchising, LLC, Kai Kaapro, 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601 and \_\_\_\_\_.

TourScale Franchising, LLC authorizes the respective state agencies listed in Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 1, 2025 as amended on September 17, 2025 that included the following exhibits:

- |  |  |  |
|--|--|--|
| <del>A. List of State Administrators</del><br><u>A. List of State Administrators</u>                                   | <del>List of State Administrators</del>                  | <del>H. Franchisee List</del><br><u>H. Franchisee List</u>                   |
| <del>B. List of Agents for Service of Process</del><br><u>B. List of Agents for Service of Process</u>                 | <del>List of Agents for Service of Process</del>         | <del>I. General Release</del><br><u>I. General Release</u>                   |
| <del>C. Franchise Agreement</del><br><u>C. Franchise Agreement</u>   | <del>Franchise Agreement</del>                           | <del>J. Financial Statements</del><br><u>J. Financial Statements</u>         |
| <del>D. Area Development Agreement</del><br><u>D. Area Development Agreement</u>                                       | <del>Confidentiality Agreement</del>                     | <del>K. Compliance Questionnaire</del><br><u>K. Compliance Questionnaire</u> |
| <del>E. Confidentiality Agreement</del><br><u>E. Confidentiality Agreement</u>   | <del>Table of Contents-TourScale Operations Manual</del> | <del>L. State Effective Dates</del><br><u>L. State Effective Dates</u>       |
| <del>F. Table of Contents-TourScale Operations Manual</del><br><u>F. Table of Contents-TourScale Operations Manual</u> | <del>Addenda Required by Certain States</del>            | <del>M. Receipts (2 Copies)</del><br><u>M. Receipts (2 Copies)</u>           |
| <del>G. Addenda Required by Certain States</del><br><u>G. Addenda Required by Certain States</u>                       |  |  |

Date of Receipt: \_\_\_\_\_

\_\_\_\_\_  
Signature

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

**Exhibit LM  
Receipt**

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
City, State

\_\_\_\_\_  
Zip Code

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 TourScale Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make payment to, TourScale Franchising, LLC or its affiliates in connection with the proposed sale or sooner if required by applicable state law.

New York and Rhode Island require that TourScale Franchising, LLC 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 TourScale Franchising, LLC 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 TourScale Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

Issuance Date: May 1, 2025 as amended on September 17, 2025

The franchise sellers for this offering are TourScale Franchising, LLC, Kai Kaapro, 323 West Davie ~~Street~~Street, Raleigh, North Carolina 27601 and \_\_\_\_\_.

TourScale Franchising, LLC authorizes the respective state agencies listed in Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 1, 2025 as amended on September 17, 2025 that included the following exhibits:

- |   |  |
|---|--|
| <del>A. List of State Administrators</del><br><del>A. List of State Administrators</del>                          | <del>H. Franchisee List</del><br><del>G. Franchisee List</del>                   |
| <del>B. List of Agents for Service of Process</del><br><del>B. List of Agents for Service of Process</del>        | <del>I. General Release</del><br><del>H. General Release</del>                   |
| <del>C. Franchise Agreement</del><br><del>C. Franchise Agreement</del>  | <del>J. Financial Statements</del><br><del>I. Financial Statements</del>         |
| <del>D. Area Development Agreement</del><br><del>D. Confidentiality Agreement</del>                               | <del>K. Compliance Questionnaire</del><br><del>J. Compliance Questionnaire</del> |
| <del>E. Confidentiality Agreement</del><br><del>E. Table of Contents - TourScale Operations Manual</del>          | <del>L. State Effective Dates</del><br><del>K. State Effective Dates</del>       |
| <del>F. Table of Contents - TourScale Operations Manual</del><br><del>F. Addenda Required by Certain States</del> | <del>M. Receipts (2 Copies)</del><br><del>L. Receipts (2 Copies)</del>           |
| <del>G. Addenda Required by Certain States</del><br><del>G. Date of Receipt: _____</del>                          |  |

\_\_\_\_\_  
Signature

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

**Exhibit EM  
Receipt**

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
City, State

\_\_\_\_\_  
Zip Code