

FRANCHISE DISCLOSURE DOCUMENT



Dill Dinkers Franchising, LLC
a Delaware limited liability company
9220 Rumsey Road, Suite 101
Columbia, Maryland 21045
866-592-3465
www.dilldinkersfranchising.com

As a Dill Dinkers regional developer, you will solicit franchises for the establishment and operation of, and you will provide services to, Dill Dinkers pickleball clubs under the “Dill Dinkers” trade name and business system.

The total investment necessary to begin operation of a Dill Dinkers regional developer business ranges from \$178,050 to \$866,050. This includes \$125,450 to \$750,450 that must be paid to the franchisor or its affiliates.

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

You may wish to receive this disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Dr. Ben Litalien at 9220 Rumsey Road, Suite 101, Columbia, Maryland 21045, blitalien@dilldinkers.com, 866-592-3465.

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

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

Your state also may have other laws on franchising. Ask your state agencies about them.

Issuance Date: October 15, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The regional developer agreement requires you to resolve disputes with the franchisor by litigation or arbitration only in Maryland. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in Maryland than in your home state.
2. **Spousal Liability**. The regional developer agreement may require your spouse (or domestic partner or other immediate family member) to sign a document that makes your spouse liable for all financial obligations under the regional developer agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

DISCLOSURES REQUIRED BY MICHIGAN LAW

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

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

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

The Franchisor, Its Parent, Predecessors, and Affiliates

We are a Delaware limited liability company formed on July 28, 2023. Our principal business address is 9220 Rumsey Road, Suite 101, Columbia, Maryland 21045. We do business under our corporate name and the trade name “Dill Dinkers.” We do not do business under any other name. We began offering franchises for Dill Dinkers regional developer businesses (and for Dill Dinkers pickleball clubs pursuant to a separate disclosure document) as of 2023. As of June 30, 2024 (the end of our last fiscal year), we do not have any open franchised pickleball clubs operating in the United States. We have not offered franchises in any other line of business, nor do we operate any business of the type being offered to you. Our agent for service in Delaware is The Corporation Trust Company, with a principal business address of 1209 Orange Street, Wilmington, Delaware 19801. Our agents for service of process in the states which require franchise registration are listed in Exhibit A to this Disclosure Document.

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

Our affiliate, Dill Dinkers, LLC, is a Maryland limited liability company formed on March 30, 2022. Dill Dinkers, LLC’s principal business address is 9836 Softwater Way, Columbia, Maryland 21046. Dill Dinkers, LLC owns and operates company-owned Dill Dinkers pickleball clubs. Dill Dinkers, LLC opened the first Dill Dinkers pickleball club in Columbia, Maryland, in November 2022. As of June 30, 2024, Dill Dinkers, LLC operates five company-owned Dill Dinkers pickleball clubs in the United States pursuant to franchise agreements with us. Dill Dinkers, LLC has never offered franchises in this or any other line of business.

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

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

The Franchised Business

Regional Developer Agreement

We offer franchises for businesses that assist us in operating our Dill Dinkers pickleball club franchise program (the “Regional Developer Business”). Qualified applicants that wish to establish and operate a Regional Developer Business must enter into a Dill Dinkers regional developer agreement (the “Regional Developer Agreement”), the current form of which is attached to this Disclosure Document as Exhibit C. Each Regional Developer must be organized as a corporation or limited liability company.

Each Regional Developer Business operates according to our “System,” the distinguishing characteristics of which include, among other things, one or more specially-designed indoor pickleball facilities; site

selection and layout criteria; distinctive interior and exterior image, design, décor, signage, color scheme, and furnishings, trade dress elements; proprietary products; standards, specifications, policies, and procedures for construction and management; quality, distinctiveness, and uniformity of products and services; standards, specifications, policies, and procedures for operations; training and assistance; and advertising and promotional programs, all as more particularly described and designated in our Regional Developer Manual and any other manuals (the “Manuals”) and all of which we may change, improve, and further develop at our option from time to time.

We identify the System by means of certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Dill Dinkers” and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated by us or our affiliate in writing) for use in connection with the System (the “Proprietary Marks” or “Marks”). We acquired the right to use and sublicense to franchisees the Proprietary Marks and the System under a license agreement with our affiliate, Dill Dinkers IP.

Dill Dinkers Clubs

We also offer and sell franchises for pickleball club businesses that offer dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events. Participants can play independently or with a membership that provides access to court reservations and other benefits. Each location will feature a reception/front desk area, a retail pro shop with a variety of pickleball related items for sale, ready-to-eat food and beverages offered from vending machines, and event space. We refer to these businesses generally as “Dill Dinkers Clubs.” The disclosures required for the offer of Dill Dinkers Clubs are contained in a separate Franchise Disclosure Document.

The Regional Developer Business

As a regional developer (“Regional Developer”), you will perform the following services on our behalf:

- (i) identify and qualify prospective franchisees for the establishment and operation of Dill Dinkers Clubs that will operate from physical premises and be assigned a marketing area that is within a geographic area designated in the Regional Developer Agreement (the “RD Territory”), and otherwise assist in the franchise sales process;
- (ii) provide site acquisition, review, and development services to franchisees located in the RD Territory;
- (iii) provide ongoing support, including marketing, operational, training, and field support services, to Dill Dinkers Clubs located in the RD Territory;
- (iv) assist us in supporting Dill Dinkers Clubs located in the RD Territory, monitoring and enforcing compliance with brand standards and operational requirements of Dill Dinkers Clubs located in the RD Territory, and operating the Dill Dinkers franchise network.

The Regional Developer Agreement grants you the right to (a) operate one Regional Developer Business, (b) to use, only in connection with the Regional Developer Business, the System and using the Proprietary Marks, as the System and Proprietary Marks may be changed, improved and further developed from time to time, and (c) to do so only for Dill Dinkers Clubs franchisees that operate from physical premises located within the RD Territory (the “RD Territory Franchisees”).

The Regional Developer Agreement requires that you ensure that a designated number of Dill Dinkers Clubs are opened and operating pursuant to a development schedule attached to the Regional Developer Agreement (the “Development Schedule”). Your failure to meet the Development Schedule will be considered a default under the Regional Developer Agreement. If you fail to comply with the Development Schedule, we may, at our option, terminate the Regional Developer Agreement, and all of your rights

granted under the Regional Developer Agreement will terminate. We also have the option to: (i) designate a third party to provide some or all of the Regional Developer Services (defined below) and to withhold all or part of any payments that we otherwise owe to you for those services; (ii) modify or completely eliminate the RD Territory; (iii) require you to temporarily close the Regional Developer Business and take all steps necessary to bring the Regional Developer Business into compliance with our standards and specifications before you may reopen it; (iv) assume complete operating control and possession of the Regional Developer Business and operate it in the capacity of a receiver; and/or (v) disable or remove all or any references to the Regional Developer Business or webpage(s) of the Regional Developer Business from any website we use or authorize you to use, until the default has been cured.

At the time that you sign the Regional Developer Agreement, you will also sign a franchise agreement for the establishment and operation of a Dill Dinkers Club owned by you to be located at a physical premises within the RD Territory. You must comply with the franchise agreement at all times and must continuously operate the Dill Dinkers Club throughout the term of the Regional Developer Agreement.

We will compensate you for your performance of services relating to the solicitation and recruitment of RD Territory Franchisees, as further described in the Regional Developer Agreement (“Sales Services”). We refer to this as “Sales Services Compensation.” We will also compensate you for your performance of support services relating to RD Territory Franchisees, including providing ongoing support and assistance to RD Territory Franchisees, promoting the Dill Dinkers brand in the RD Territory, resolving RD Territory Franchisee and customer issues and ensuring quality assurance and RD Territory Franchisee compliance with brand standards, as further described in the Regional Developer Agreement (“Support Services”). We refer to this as “Support Services Compensation.” Sales Services and Support Services are referred to collectively as “Regional Developer Services.” Sales Services Compensation and Support Services Compensation will be based on a portion of the fees that we collect from RD Territory Franchisees. Generally, so long as you fulfill your obligations, we will pay you Sales Services Compensation equal to 35% of the initial franchise fee and Support Services Compensation equal to 35% of the royalties paid to us by each RD Territory Franchisee in the RD Territory. You may not earn these fees on certain transactions including, for example, on any royalties paid to us by RD Territory Franchisees for whom you do not provide any Sales Services or Support Services.

You must open a support center (“Support Center”) within the RD Territory from which you will provide the Regional Developer Services (defined below). The Support Center may be located within a Dill Dinkers Club that you own, but it must have enough space to accommodate an office and a training area to train the RD Territory Franchisees in your RD Territory. Support Centers are typically 900 to 1,200 square feet. You must make your Support Center and Dill Dinkers Club available and use the Support Center and Dill Dinkers Club in connection with your performance of Sales Services and Support Services, as needed, including but not limited to conducting discovery day sessions for prospective franchisees, training new franchisees (requires your Dill Dinkers Club to be certified by us to conduct training), and participating in piloting new products or other changes we deem appropriate.

You will not have the right to approve prospective RD Territory Franchisees, sell Dill Dinkers Clubs or franchises, or negotiate or enter into franchise agreements or any other agreements on our behalf. Regional Developers are not a party to contracts between us and RD Territory Franchisees.

Market and Competition

The market for the Sales Services—that is, the solicitation and recruitment of potential franchisees—is highly competitive. You will compete with individuals and companies that are seeking qualified franchisees for their franchise systems. The market for recreational and competitive athletic activities and facilities, including pickleball, is well developed and competitive, while the market for pickleball-specific activities and facilities is developing quickly. The services offered by Dill Dinkers Clubs are used by people of all ages and are not limited to any specific submarket. Franchised Dill Dinkers Clubs will have to compete with other sports, fitness, recreational, and entertainment facilities, including other indoor and outdoor business featuring pickleball courts, most of which are individually or independently owned and operated, as well as outdoor pickleball courts owned and operated by local government agencies (Parks and Recreations Divisions). The market for the Support Services is specific to our brand, and specifically to the RD Territory Franchisees located within your RD Territory. Indoor pickleball facilities are subject to seasonal fluctuations comparable to other types of indoor athletic, fitness, or recreational facilities.

Industry-Specific Regulations

Your Regional Developer Business will be subject to federal laws and regulations, and laws and regulations in the county, state, or municipality in which it is located, including those laws and regulations related to the solicitation of prospective franchisees, the offer and sale of franchises, and ongoing franchise relationships. Regional Developers should be aware of the Federal Trade Commission regulations and various state laws that impact the offer and sale of franchises that may apply when acting as our agent in soliciting prospective franchisees, including the general obligation to disclose prospects with our then-current Franchise Disclosure Document for the single-unit franchise offering, as well as registration obligations. For example, you may not solicit prospective franchisees in any state that requires the registration of the franchise offering unless and until we have a currently effective registration or exemption in that state. In certain states (including Illinois, New York, and Washington), a regional developer who does not qualify as a subfranchisor (and you will not be a subfranchisor) must register as a franchisor broker or franchise sales agent in certain circumstances. You are advised to examine these laws and regulations before entering into the Regional Developer Agreement. If required under applicable law, you must, at your own expense, register as our franchise broker and provide us with proof of that registration.

The Regional Developer Business is subject to the laws and regulations in your county, state, or municipality regarding the operation of the Support Center. You are advised to examine these laws and regulations before purchasing a franchise from us. You must comply with all laws and regulations pertaining to businesses generally, including those regarding licensing and taxation, and any laws pertaining to the regulation of a Dill Dinkers Club, including those regarding foodservice operations generally, consumer protection, operations and licenses (including, for example, all government regulations relating to occupational hazards and health-trade regulations, workers' compensation, and unemployment insurance).

You are also subject to employment laws such as the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime, workers compensation, and working conditions. You will be subject to other laws or regulations that are not specific to the industry, but applicable to businesses generally, including labor laws, insurance requirements, business licensing laws and tax regulations, and the Americans with Disabilities Act. We have not investigated all of the laws or regulations applicable to your Regional Developer Business. You are solely responsible for investigating all applicable federal, state, and local laws and regulations, and your cost to comply with such laws and regulations, and you should do so before entering into a Regional Developer Agreement with us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to entering into a Regional Developer Agreement with us. Applicable laws and regulations are subject to change.

ITEM 2 BUSINESS EXPERIENCE

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

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

Co-Founder: Denise Richards

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

Chief Development Officer: Dr. Ben Litalien, CFE

Dr. Litalien has served as our Chief Development Officer since our inception in July 2023. He has been the Founder and President of Franchise Well, LLC in Stafford, Virginia, since October 2007. He has been Chief Development Officer for TruGolf Links Franchising, LLC since January 2024. He has been Chief Development Officer for POS Franchising, LLC, since November 2022. He has been Chief Development Officer of Daddy's Chicken Shack Franchising, LLC since February 2021. He has been Chief Development Officer of fit20 USA Franchising, LLC since March 2018, and President since December 2022. He served as a director of Zerorez Franchising System, Inc. from September 2017 until March 2022. He has been a director of Brain Balance Holdings, Inc. since June 2016 and a director of JIBU Holdings, L3C since January 2014. He served on the Board of Directors of the Institute of Certified Franchise Executives ("ICFE") from November 2015 until September 2019. He has also been an Adjunct Associate Professor at The University of Maryland Global Campus in College Park, Maryland since October 2010. Additionally, Dr. Litalien serves as Adjunct Instructor at Georgetown University in Washington, D.C., where he has taught the franchise management certificate program since September 2008, and as Adjunct Faculty at The University of Denver in Denver, Colorado, since July 2023. Except as otherwise stated, Dr. Litalien serves or served in the above positions from his offices in Stafford, Virginia.

Chief Financial Officer and Treasurer: Roy Tarash

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

Chief Pickleball Officer: Brian Lloyd

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

November 2019, and founder and owner of AJiLity, LLC in Ellicott City, Maryland, from March 2016 to March 2021.

Chief Marketing Officer: Erika Spalding

Ms. Spaulding has served as our Chief Marketing Officer since our inception in July 2023 and in that position for Dill Dinkers, LLC since February 2023. Prior to joining us, she was the Interim Executive Director for the Northern Virginia Food Rescue in Manassas, Virginia, from October 2022 to January 2023, the Chief Executive Officer of The ECSpalding Group LLC from April 2022 to June 2023, and the Vice President of Corporate Communications and Marketing for Didlake, Inc. in Manassas, Virginia, from November 2017 to August 2022. She served in all of these positions in Manassas, Virginia.

Chief Technology Officer: Rob Pless

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

Director of Operations: Richard P. Arnold

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

Director of Franchise Support: John Walker

Mr. Walker has served as our Director of Franchise Support since May 2024. Prior to that, he was a Franchise Business Consultant for us from September 2023 until May 2024. Prior to joining us, he was a Sales Engineer for Alteryx in Irvine, California, from September 2022 to September 2023. He also served as a Senior Data Analyst for Blackberry in Columbia, Maryland, from June 2013 to September 2022.

Director of Franchise Training: Rose McGill

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

Franchise Development Manager: Seth Martin

Mr. Martin has served as our Franchise Development Manager since January 2024. He has also served as a real estate agent for Better Homes and Gardens Real Estate since March 2021. From January 2020 to December 2020, he served as a Production Manager for Zerorez Franchising Systems, Inc. From April 2015 to November 2019, he was the owner of EdgeUp Landscaping. Unless otherwise specified, he serves or served in the above positions from Lubbock, Texas.

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

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

RD Territory Fee

You must pay us a regional developer territory fee in an amount equal to \$125,000, plus \$.125 for each person in excess of 1,000,000 in population residing in the RD Territory (based on 2020 U.S. Census Bureau figures), when you sign your Regional Developer Agreement (the “RD Territory Fee”). For example, if the RD Territory has a residential population of 1,150,000, the RD Territory Fee would be \$143,750 (\$125,000 plus 150,000 x \$.125). At present we do not anticipate granting any RD Territory such that the RD Territory Fee would exceed \$750,000. We may negotiate the RD Territory Fee based on the expertise and capital of each prospective Regional Developer.

The RD Territory Fee is fully earned when you sign the Regional Developer Agreement and is non-refundable in consideration of the administrative and other expenses incurred by us in granting this franchise and for our lost or deferred opportunity to franchise to others. Subject to the incentive reductions described above, the RD Territory Fee is uniformly applied.

Technology Fee

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$450 per month, beginning in the month before you open the Support Center and commence operations of the Regional Developer Business. We currently require you to obtain or access our required franchise sales management CRM platform through us. The Technology Fee is fully earned when paid, is non-refundable, and is uniformly applied.

**ITEM 6
OTHER FEES**

Type of Fee ¹	Amount	Due Date	Remarks
Technology Fee ²	Then-current fee (currently \$450 per month)	Monthly	Upon notice to you, we may increase or otherwise adjust this fee based on increases in our costs or changes in the technologies you must obtain through us.

Type of Fee ¹	Amount	Due Date	Remarks
Transfer Fee	\$5,000 multiplied by the number of Dill Dinkers Clubs in your RD Territory	The earlier of (a) when the transferee signs the new regional developer agreement, or (b) when the transferee begins training.	The transfer fee is payable for our legal, accounting, training and other expenses incurred in connection with the transfer that would result in a change of control of the Regional Developer.
Offering Fee	\$10,000 or such greater amount as is necessary to reimburse us for our actual costs and expenses to review the proposed offering	Before materials for an offering of stock or partnership interests in you or in any of your affiliates is filed with any government agency.	
Local Advertising and Social Engagement ³	\$200 per month	As incurred.	
Indemnification Costs	Actual legal damages, fees, costs, and expenses.	As incurred.	You must pay for the cost of defending us against any liability as a result of your operations.
Insurance ⁴	Reimbursement for actual cost of premiums, plus administrative fee of 18%	Upon demand	We have the right to obtain insurance on your behalf at your expense if you fail to purchase or renew your required insurance and provide proof of coverage to us.
New Product, Service, Supplier Testing	Will not exceed our actual cost of the inspection and the actual cost of the test paid by you or the supplier	As incurred.	If you wish to purchase any services or products or any other items from an unapproved supplier, you must first submit to us a written request for such approval. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us for testing.
Replacement Training Fee	Our then-current training fee (currently \$500 per day) plus reimbursement for actual expenses	As incurred.	If your Operating Principal or General Manager (as defined in Item 15) ceases active management of or employment at your Regional Developer Business, you must enroll a qualified replacement in our initial training program. Training fee is subject to change.
Annual Convention	Our then-current convention registration fee (currently \$250). ⁵	Prior to convention or conference	

NOTES

1. Unless otherwise noted, all fees are payable to us and non-refundable. At our option, all payments to us must be made via Electronic Funds Transfer (“EFT”). We uniformly impose the fees described above.
2. The Technology Fee covers your access to certain technology systems, services, platforms, and software we require you to obtain or access through us, as we deem necessary and advisable, including, for example, licenses, subscriptions, development, maintenance, and/or access to our required franchise sales management CRM platform and a Dill Dinkers email address. We may make changes to the types, nature, and ultimate vendor of technology systems, services, platforms, and software we require you to obtain or access through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.
3. Once you have signed the Regional Developer Agreement, you must spend at least \$200 per month on local advertising and social engagement within the RD Territory to promote the Regional Developer Business and the System. Local advertising and social engagement consists of the direct costs of purchasing and producing advertising materials (including, for example, camera ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by you in the RD Territory, advertising agency fees and expenses, postage, shipping, telephone, and photocopying. The amounts you will pay for local advertising and social engagement will not include costs or expenses incurred by or on behalf of you in connection with: (a) salaries and expenses; (b) charitable, political, or other contributions or donations; or (c) the value of discounts provided to customers. You will not use any advertising or promotional plans or materials unless and until you have received written approval from us.
4. If you, for any reason, fail to obtain or maintain insurance required by your Regional Developer Agreement, as these requirements may be revised by us in the Manuals or otherwise in writing, we have the right and authority (but not the obligation) to immediately obtain such insurance and to charge the same to you, which charges, together with an administrative fee of 18%, will be payable by you immediately upon notice. Insurance costs are non-refundable. Insurance coverage requirements are uniformly imposed on all new franchisees. However, the costs of this coverage may not be uniform for all franchisees because premiums may vary according to the insurer, marketplace conditions, the location of the insured’s premises, the insurance requirements of applicable law, and other factors.
5. We may conduct an annual convention that our Regional Developers are required to attend. You will be responsible for your and any approved attendees’ costs and expenses to attend the convention, including transportation, meals, and lodging. We may charge our then-current registration fee for Regional Developers to attend the annual convention, which registration fee is subject to change.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure ¹	Amount	Method of Payment	When Due	To Whom Paid
RD Territory Fee ²	\$125,000 to \$750,000	Lump Sum	Upon signing	Us

Type of Expenditure ¹	Amount	Method of Payment	When Due	To Whom Paid
			Regional Developer Agreement	
Training Expenses	\$1,500 to \$2,500	As Incurred	As Agreed	Third Parties
Rent, Security & Utility Deposits ³	\$7,500 to \$14,500	As Agreed	Prior to Opening	Landlord Utilities and Service Providers
Leasehold Improvements ⁴	\$5,000 to \$35,000	As Agreed	Prior to Opening	Contractors or Third Parties
Furnishings, Fixtures, Supplies, and Equipment ⁵	\$8,500 to \$12,500	As Agreed	As Agreed	Approved Vendors
Computers System ⁶	\$2,250 to \$2,650	As Incurred	Prior to Opening	Us; Approved Vendors
Insurance ⁷	\$1,200 to \$2,500	As Arranged	As Agreed	Vendors
Business Licenses, Legal Fees, Other Professional Fees ⁸	\$1,500 to \$4,000	As Incurred	As Incurred	Various
Local Advertising and Social Engagement – Initial 3 Months ⁹	\$600 to \$2,400	As Incurred	As Incurred	Vendors
Additional Funds – Initial 3 Months ¹⁰	\$25,000 to \$40,000	Various	As Incurred	Various
TOTAL	\$178,050 to \$866,050			

NOTES

1. The chart above describes the estimated initial investment for a Regional Developer Business operated from a leased premises within the RD Territory (“Support Center”). Inflation may impact various costs. We do not offer any financing directly or indirectly for any part of the initial investment. We have no obligation to refund any fees or costs paid to us. Whether any third party will refund any costs will depend on the third party involved. The above estimates do not include the investment required to establish your own Dill Dinkers Club.
2. See Item 5 for description of RD Territory Fee.
3. You must operate your Regional Developer Business at and from the Support Center, which may be located within or adjacent to a Dill Dinkers Club that you own as long as there is sufficient space that meets our specification. If your owned Dill Dinkers Club does not have space that meets our requirements for a Support Center, you must obtain and maintain a separate premises within your RD Territory for the Support Center. If you are renting the space for the Support Center, rental rates will vary based on your Regional Developer Business’s location and size. The Support Center will likely range from 900 to 1,200 square feet. Because of a number of variables, the costs projected in the chart for rent, lease deposit, utilities deposits, and leasehold improvements are an estimate only, and your initial investment may be higher or lower. You should investigate all real estate costs thoroughly before signing a lease. The figures above include the estimated cost of three

months' rent for a premises of the Support Center that is separate from your Dill Dinkers Club.

4. The Support Center must conform to our standards and specifications for appearance, layout, and design. This estimate is based on the estimated cost of constructing or remodeling the interior finish of an existing building shell of a leased premises. We may provide you with a layout drawing for build-out of the Support Center, but you are ultimately responsible for the preparation of any architectural and working drawings necessary to complete construction and/or build-out the Support Center. We must approve all plans before you begin construction or build-out, and any subsequent, material changes to the plans and drawings. You must purchase architecture and contracting services for the construction of the Support Center that meet our minimum specifications. Any architect or contractor which you hire must be licensed and experienced in the county and state where your Support Center is located. The Support Center must have a reception area, a large conference room for training, office space for staff and storage space for supplies. It must also conform to the décor items and schemes that we prescribe in the Manuals. The costs incurred in connection with the design, remodeling, decorating, and/or construction of a Support Center will vary greatly depending on a number of factors, including the size and location of the facilities, as well as the amount of construction or remodeling needed and the prior use of the premises. If you obtain financing from a third party for some or all of the construction costs, you will also have to pay interest on the amount borrowed. The above estimate of the costs potentially associated with build-out and leasehold improvements include architecture and contractor services, site selection and design, adjusting walls, HVAC, electric, plumbing for restrooms, installing flooring, painting, and fire safety.
5. You must purchase or lease desks, chairs, a conference table with chairs, a lockable storage cabinet, a projector and screen, and other furniture, fixtures, and equipment we may prescribe in the Manuals for your Support Center in order to conduct franchisee trainings or meetings at the Support Center. We expect that much of the technology equipment that you use in the operation of your Dill Dinkers Club will also be used by your Regional Developer Business. The amounts described in the chart above reflect the additional costs that you will incur beyond that incurred in connection with your Dill Dinkers Club. See Item 11.
6. You must obtain and maintain a computer as prescribed in the Manuals for use within your Regional Developer Business. We expect that much of the computer system you use in the operation of your Dill Dinkers Club will also be used by your Regional Developer Business. In addition, beginning in the month before you open the Support Center and commence operations of the Regional Developer Business, you must begin paying the month Technology Fee described in Item 6 in exchange for obtaining or accessing any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. The current Technology Fee is \$450 per month. We currently require you to access our required franchise sales management CRM platform through us. The amounts described in the chart above reflect the additional costs that you will incur beyond that incurred in connection with your Dill Dinkers Club. See Item 11.
7. You must carry insurance for the types of coverages and in the amounts that we specify in the Regional Developer Agreement and the Manuals. The amount listed above represents our best estimate of the premiums required for certain types of insurance including commercial general liability and worker's compensation insurance during the first three months of operation of a Regional Developer Business. See Item 8. Insurance costs vary in different locations. If you have employees, you will incur expenses for workers' compensation insurance. If you do not obtain insurance as required under the Regional Developer Agreement, we may secure insurance for you and charge the cost to you.
8. This estimates the funds needed for professional advisors (attorneys, architects, real estate agents, and/or accountants) for the initial review and advice consistent with the start-up of a Regional

Developer Business (separate and apart from expenses related to start-up of your own Dill Dinkers Club and single-unit franchised business). We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity and related franchise and lease documents, if any. In addition, you may be required to obtain certain licenses or certifications to operate your business. Requirements vary by state.

9. You are required to spend at least \$200 per month on local advertising and social engagement, though we anticipate you may voluntarily elect to spend more, especially during your initial months of operation. See Item 6.
10. This is an estimate of miscellaneous expenses a Regional Developer will incur before operations begin and during the first three months of operating the Regional Developer Business. Many of the initial expenses, such as rent and insurance, will repeat on a monthly basis, and you should therefore make sure you have sufficient additional funds to meet the Regional Developer Business operation commitments during the first three months of operation. The estimate of additional funds is based upon an owner-operated business and does not include any salaries or benefits for employees or any allowance for an owner's draw. We base the estimate on the experiences of our regional developers as well as the personal experiences of our officers (including Dr. Litalien) with regional developer businesses developed and operated throughout the United States for other franchise brands, quotes we received from approved suppliers, and the general experiences of our affiliate (Dill Dinkers, LLC) and franchisees in developing and operating Dill Dinkers Clubs.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Operation Standards

To ensure that the highest degree of quality and service is maintained, you must operate the Regional Developer Business in compliance with your Regional Developer Agreement and in conformity with the methods, standards, and specifications as we may periodically prescribe in the Manuals or otherwise in writing. You must provide only and all Regional Developer Services as we expressly approve in writing and to provide Regional Developer Services only to RD Territory Franchisees. You must not deviate from our standards and specifications unless you have received our prior written consent. We may modify our standards and specifications from time to time. We will notify you of any changes to our standards and specifications.

You must purchase, lease, license, and install and use all equipment, computer systems, products, supplies, services, and materials in the Regional Developer Business solely from suppliers we approve in writing, which may be us or our affiliate. We may appoint only one supplier for any particular good or service, and we may designate ourselves or our affiliate as the only, or one of a limited number of, suppliers for any goods or services. We will provide you with a list of approved suppliers, which we may update from time to time. Current standards and specifications will be communicated to you in the Manuals, and may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands. We will provide our current standards and specifications to approved suppliers. We may modify our standards and specifications by providing you with written notification.

Except for certain officers' interest in us, none of our officers own an interest in any supplier from whom you are required to purchase as a Regional Developer.

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, will be approximately 95% of the total cost of establishing your Regional Developer Business and approximately 35% of the total cost of operating your Regional Developer Business after that time.

Approval of Alternative Products, Services, and Suppliers

If you desire to purchase any unapproved products or services or purchase any products or services from a supplier not previously approved, you must obtain our prior written approval. We or our representatives may inspect the unapproved products or services, or in the case of an unapproved supplier, the supplier's facilities, and may require samples of the products be delivered, either to us or to an independent laboratory we designate for testing. For approval of suppliers, we may also require that the supplier comply with such other requirements we may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other Regional Developers. If we elect to inspect the proposed supplier's facilities or test samples, you or the proposed supplier must reimburse us for the actual cost of the inspection and/or the actual cost of the test. We anticipate we will tell you within 30 days of our inspection, testing, or receipt of other information from the proposed supplier whether or not the proposed supplier will be approved. We may reinspect from time to time the facilities and products or services of any approved supplier and revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria or does not cooperate with us in our periodic re-approval process. Our determination regarding approval or disapproval is final.

In determining whether to grant or revoke approval of suppliers, we consider various factors, including, for example, whether the suppliers (i) can demonstrate the ability to meet our then-current standards and specifications for such products and services; (ii) possess adequate quality controls and capacity to supply your needs promptly and reliably; (iii) enable the network of Dill Dinkers Regional Developer Businesses to take advantage of marketplace efficiencies; and (iv) have been approved in writing by us prior to any purchases of such supplier's products or services by Regional Developers. The criteria we use in approving suppliers are available to franchisees upon written request.

Computer System, Software, and Other Technology

You must purchase, lease, license, and/or subscribe to solely from suppliers that we approve in writing (which may be us or our affiliate) certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware used by, between, or among Regional Developer Businesses, Dill Dinkers Clubs and us including: (a) back office and contact management or business management systems, franchise sales management CRM platform, data, audio, video, and voice storage, retrieval, and transmission systems; (b) printers and other peripheral devices; (c) archival back-up systems; (d) e-mail systems; and (e) Internet access mode and speed (collectively, the "Computer System"), and other technology equipment that meets our specifications, which are further detailed in Item 11, including any required hardware, software, projectors, and screens indicated in the Manuals. We may require that you purchase, lease, license, and/or subscribe to additional hardware, software, or other technology systems, services, or platforms we specify, meeting our minimum specifications, including any proprietary or customized software that we may develop or have developed on our behalf. Except for the franchise sales management CRM platform, we and our affiliates are not currently a supplier of the Computer System, though in the future we may designate ourselves or our affiliate as an approved or sole supplier of any aspect of the Computer System. You must maintain the latest available version of any required software.

If we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us, you must pay us a monthly Technology Fee, as further detailed in Item 6. The current Technology Fee is \$450 per month. We currently require you to obtain or access our required franchise sales management CRM platform through us. We may make changes to the types, nature, and ultimate vendor of any aspect of the Computer System or any technology systems, services, platforms, and software we require you to obtain or access from or through us. Your precise monthly Technology Fee may change if there are changes in any aspect of the Computer System or in the technology systems, services, platforms, and software we require you to obtain or access through us, or in our costs regarding such technology systems, services, platforms, and software.

Insurance

You must obtain and maintain at your own expense insurance policies with insurers reasonably satisfactory to us covering the items specified in the Regional Developer Agreement and/or Manuals, including comprehensive general liability, business income and extra expense, workers' compensation, commercial umbrella liability, and cyber liability. We may change the insurance coverages and policies we require from time to time. Each insurance policy must be issued by an insurance company or companies we approve, who must have an A.M. Best Rating of at least "A"- VII in the most recent Key Rating Guide published by the A.M. Best Company and who is licensed to do business in the state in which your Regional Developer Business is located. These policies must be primary and non-contributory to any policies we might carry and include a waiver of subrogation in our favor. The policies must list us and our affiliates, and our and their officers, directors, employees, partners, members, subsidiaries, employees and agents as additional named insureds. The policies must provide that we will receive written notice 30 days prior to cancellation, material change, or non-renewal. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect, or any other evidence of coverage that we may require, 30 days prior to commencement of any activities or operations pursuant to the Regional Developer Agreement, 30 days prior to the expiration of any such policy, on each anniversary of the effective date of the Regional Developer Agreement, and from time to time upon written request from us. If you do not provide proof of insurance to us as required under the Regional Developer Agreement, we may secure insurance for you and charge the actual cost to you plus an administrative fee equal to 18% of such costs. We require you to obtain the following coverages and amounts:

Insurance Policy Type	Required Coverage
Comprehensive General Liability	\$1 million aggregate / \$1 million per occurrence, including operations, products and completed operations, broad form contractual liability, personal injury, and advertising injury, as well as \$1,000,000 aggregate / \$100,000 per occurrence for sexual misconduct liability
Business Income and Extra Expense	Amount required to pay for continuing expenses for a limit of 50% of annual sales or 12 months actual loss
Automobile Liability	\$1 million per occurrence for bodily injury and property damage
Workers' Compensation and Employers' Liability	Statutory workers' compensation insurance and employer's liability insurance of \$1 million
Commercial Umbrella Liability	Amount with limits which bring the total of all primary underlying coverages to \$3 million
Cyber Liability	Amount we designate (currently \$1 million)
Other	Any other coverage required by your lease or by federal, state, or municipal law

Revenue from Regional Developer Purchases

We and our affiliates do not currently derive revenue or other material consideration from required purchases or leases by Regional Developers; however, we and our affiliates may become an approved or required supplier and earn revenue from Regional Developers' required purchases or leases in the future. In the fiscal year ended June 30, 2024, neither we nor our affiliates derived revenue or other material consideration from required purchases or leases by Regional Developers.

We and our affiliates do not currently receive payments, rebates, commissions, marketing or promotional allowances, discounts, and/or other consideration from suppliers based on Regional Developers' purchases from such approved suppliers; however, we and our affiliates reserve the right to do so in the future. If that occurs, we and/or our affiliates may retain all of the rebates, payments, commissions, allowances, discounts, or other consideration we or they are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate.

Cooperatives

We have no purchasing or distribution cooperatives applicable to Regional Developer Businesses.

Negotiated Prices

We may negotiate purchase arrangements with our designated or approved suppliers, including price terms, for the benefit of Regional Developers.

Material Benefits

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

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Regional Developer Agreement	Item(s) in Disclosure Document
a. Location selection and acquisition/lease	1.1 and 1.2	7 and 11
b. Pre-opening purchases/leases	5.1	7, 8 and 11
c. Location development and other pre-opening requirements	5.1 and 5.2	5, 6, 7, 8 and 11
d. Initial and ongoing training	5.3	7 and 11
e. Opening	5.2	7 and 11
f. Fees	3	5, 6 and 7
g. Compliance with standards, policies and manuals	5	8 and 11
h. Trademarks and proprietary information	8, 9, and 10	13 and 14
i. Restrictions on products and services offered	5.7	16
j. Warranty and customer service requirements	5.5 and 5.6	Not Applicable

Obligation	Section in Regional Developer Agreement	Item(s) in Disclosure Document
k. Territorial development and sales quotas	1, 5.18, and Exhibit B	12
l. Ongoing product and service purchases	4 and 5.7	8
m. Maintenance, appearance and remodeling requirements	5.6–5.9	11
n. Insurance	11	6, 8
o. Advertising	6 and 8	11
p. Indemnification	16	6
q. Owner’s participation, management and staffing	5.5, 5.6, and 5.15	11 and 15
r. Records and reports	4.8 and 7	Not Applicable
s. Inspections and audits	4.8, 5.7, 5.8, and 7.4	6
t. Transfer	12	6 and 17
u. Renewal	Not Applicable	17
v. Post-termination obligations	14	17
w. Non-competition covenants	10 and Exhibit F – Non-Disclosure Agreement	17
x. Dispute resolution	17	17

**ITEM 10
FINANCING**

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

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

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

Pre-Opening Obligations

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

1. Designate your RD Territory at the time you sign your Regional Developer Agreement (Regional Developer Agreement, Section 1.1.1).
2. We will provide pre-opening training in the Dill Dinkers System, including standards, methods, procedures, and techniques, at the times and places we designate for our training programs. (Regional Developer Agreement, Section 4.1). A description of that training appears later in this Item 11.
3. We will provide you pre-opening assistance in the manner we determine. (Regional Developer Agreement, Section 4.2).

4. We will loan you or otherwise provide you access to the Manuals, which may be in a digital format, as revised or updated from time to time. (Regional Developer Agreement, Section 4.3).
5. We will provide you with merchandising, marketing, and other related advice from time to time. (Regional Developer Agreement, Section 4.4).
6. We will provide you with periodic individual or group advice, consultation, and assistance, by personal visit, telephone, mail, or e-mail in the place, time, and manner we designate. (Regional Developer Agreement, Section 4.5).

Post-Opening Obligations

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

1. We will provide ongoing training at the times, places, and in the manner we designate. (Regional Developer Agreement, Section 4.1).
2. We will loan you or otherwise provide you access to the Manuals, which may be in a digital format, as revised or updated from time to time. (Regional Developer Agreement, Section 4.3).
3. We will provide merchandising, marketing, and other related advice we periodically develop. (Regional Developer Agreement, Section 4.4). An explanation of the advertising program appears in more detail later in this Item 11.
4. We will provide you with periodic individual or group advice, consultation, and assistance, by personal visit, telephone, mail, or e-mail in the place, time, and manner we designate. (Regional Developer Agreement, Section 4.5).
5. We will provide bulletins, brochures, and reports from time to time regarding our plans, policies, research, developments, and activities. (Regional Developer Agreement, Section 4.6).

Your Compensation

During the term of the Regional Developer Agreement, so long as you are in compliance with the Regional Developer Agreement, we will pay you, as compensation for the Regional Developer Services provided by you, the Sales Services Compensation on a monthly basis (except as otherwise described below) in the manner designated or prescribed by us. If you are solely responsible for the recruitment of an RD Territory Franchisee, we will pay to you Sales Services Compensation equal to 35% of the initial franchise fee paid by such RD Territory Franchisee that executes a franchise agreement during the term of this Agreement for a Dill Dinkers Club to be located in the RD Territory (each, a “Franchised Business”). We will have the sole right to determine your Sales Services Compensation if more than one party has recruited the RD Territory Franchisee. You will not be entitled to receive any Sales Services Compensation for an RD Territory Franchisee who has, in our determination, been recruited by us or a third party. (Regional Developer Agreement § 3.4).

Our obligation to pay you Sales Services Compensation is subject to the following conditions: (i) you are the first to submit to us an application pertaining to the prospective RD Territory Franchisee (“Applicant”), (ii) both us and the Applicant sign a franchise agreement, and the Applicant pays us the initial franchise fee; (iii) the sale is for a new Dill Dinkers Club, and not in connection with a transfer, resale, renewal, or grant of a successor franchise agreement; (iv) you use our contact management or business management system, or such other procedure(s) we prescribe in the Manuals or otherwise in writing, as applicable, to input, track, and maintain a detailed history of the communications and status of the Applicant’s progress, and you guide the Applicant through our required sales process, which includes your autonomous management of the lead from receipt of the contact information through all of our then-current sales process

steps culminating in your collaboration with us to obtain a signed franchise agreement and payment of the applicable initial franchise fee; (v) we have received and deposited the initial franchise fee from the Applicant; and (vi) you are in compliance with the Regional Developer Agreement. (Regional Developer Agreement § 3.4).

We will pay you Support Services Compensation equal to 35% of the royalty fees received by us during the term of the Regional Developer Agreement from every RD Territory Franchisee for Support Services rendered by you to those RD Territory Franchisees. Our obligation to pay you Support Services Compensation is subject to the following conditions: (i) you provide the Support Services as described in the Regional Developer Agreement and/or as otherwise designated or prescribed by us, and you perform the Support Services to our satisfaction; (ii) you are in compliance with the Regional Developer Agreement; and (iii) we have received the royalty fees from the RD Territory Franchisees. (Regional Developer Agreement § 3.4).

You may not solicit or accept fees payable under a franchise agreement between us and an RD Territory Franchisee. All such fees must be paid directly to us. If you receive a payment from an RD Territory Franchisee, you must promptly remit the payment to us and notify the RD Territory Franchisee to direct all future payments to us. You will not receive any portion of any transfer or renewal fees paid to us by RD Territory Franchisees. (Regional Developer Agreement § 3.5).

We will have the right, at our option, to waive, reduce, defer, and forgive any fees and payments due or payable by RD Territory Franchisees to us or our affiliates, including initial franchise fees, royalty fees, and training fees. You agree and acknowledge that you will not be entitled to any compensation relating to such waived, reduced, deferred or forgiven fees, unless and until such fees are, in fact, paid to us. We will have no obligation to undertake any collection efforts in the case of unpaid fees. We will have the right, at our option, to (i) terminate any franchise agreement, (ii) acquire the assets of any RD Territory Franchisee (including the franchise agreement), (iii) acquire an ownership interest in any RD Territory Franchisee, (iv) disapprove the transfer of any Franchised Business or an ownership interest in any RD Territory Franchisee, (v) refuse to renew a franchise agreement or to enter into a successor franchise agreement, and (vi) discontinue offering or granting franchises, in all cases without providing compensation to you. (Regional Developer Agreement § 3.6).

We will have the right, at our option to withhold all or any part of any of our payment to you if you fail to provide the Regional Developer Services to our satisfaction or as an offset against any amount you owe us under the Agreement or any related agreement. You will not be entitled to receive or earn Sales Services Compensation or Support Services Compensation at any time you are in uncured default of a noticed default of the Regional Developer Agreement. (Regional Developer Agreement § 3.7).

If there is a dispute between you and another Regional Developer, or if more than one party is responsible for recruiting or providing any of the Regional Developer Services described in the Agreement to an RD Territory Franchisee in the RD Territory, we shall have the right, in our sole judgment, to determine the share or allocation of fees for the provision of those Regional Developer Services. (Regional Developer Agreement § 3.9).

We will have the right, at our option, to approve or disapprove any Applicant regardless of whether the Applicant meets our franchisee criteria. We will have no obligation to sign a franchise agreement with any Applicant. We will also have the right to (1) negotiate the terms of franchise agreements with any Applicant, (2) waive any initial franchise fees, franchise royalty fees or other fees for any Applicant, and (3) enter into any franchise agreements, as we deem advisable. (Regional Developer Agreement § 5.19.6).

If the Regional Developer Agreement expires or is terminated, our obligation to pay you Sales Services Compensation and/or Support Services Compensation will end, and you will have no further right to payments, except for Sales Services Compensation and Support Services Compensation that you earned

prior to the date of expiration or termination of the Regional Developer Agreement. (Regional Developer Agreement § 14.1.11).

Location Selection and Opening

We designate a specific RD Territory for each Regional Developer Business. The factors that we consider in designating the RD Territory include the general characteristics and population density of the geographic area, demographic characteristics, and the estimated number of Dill Dinkers Clubs a RD Territory can hold (at least one Dill Dinkers Club within the RD Territory must be operated by you).

You must select the proposed Support Center location for your Regional Developer Business. We generally do not own, or lease to you, the real estate for your location. You must submit the location of the Support Center to us for our approval, together with all information we request relating to the location. We will send you written approval or rejection of the location within 45 days after our receipt of all relevant information. The failure to submit a suitable location that we approve in a timely fashion may result in the termination of the Regional Developer Agreement. The Support Center must satisfy our standards and specifications as described in the Manuals or otherwise in writing. The factors we consider in approving the location of your Support Center, whether within a Dill Dinkers Club that you own or a separate location, include whether it has sufficient space (approximately 900 to 1,200 square feet) to accommodate an office and a meeting area to meet with RD Territory Franchisees in your RD Territory.

The typical length of time from the signing of a Regional Developer Agreement to the commencement of operations by a Regional Developer is expected to be 90 days to 180 days. Factors affecting the length of time before opening usually include selecting and securing a Support Center, obtaining permits, and training. Your failure to timely open and commence operations (within 180 days after the date you sign the Regional Developer Agreement) at a location we approve will constitute an event of default under the Regional Developer Agreement, for which we may terminate your Regional Developer Business.

Advertising and Promotion

Advertising Fund

We have no obligation to conduct advertising under the Regional Developer Agreement, and we have no obligation to spend any amount on advertising in your area or territory. We do not have an advertising fund for Regional Developer Businesses.

Local Advertising and Social Engagement

You are required to spend at least \$200 per month on local advertising and social engagement. All of your local advertising and promotion must be conducted in the media, type, and format that we have approved, must be conducted in a dignified manner, and must conform to our standards and requirements.

Advertising Council

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

Advertising Cooperative

We do not have an advertising cooperative for Regional Developers.

Pricing

As a Regional Developer, you will not set or establish any prices to be paid by franchisees or others. Accordingly, we will not provide you assistance in establishing prices. You will receive Sales Services Compensation and Support Services Compensation from us based on the initial franchise fees and royalties we receive from RD Territory Franchisees in your RD Territory. The initial franchise fees and royalties paid by RD Territory Franchisees will be set by and in accordance with such RD Territory Franchisees' franchise agreements.

Computer Systems

We expect that the total cost to purchase or lease the Computer System (defined in Item 8) will range from \$1,800 to \$2,200.

In addition, you must pay us a monthly Technology Fee if we require you to obtain or access any aspects of the Computer System or related technology systems, services, platforms, and software from or through us. The current Technology Fee is \$450 per month. We currently require you to access our required franchise sales management CRM platform through us. See Item 6 for additional information regarding the Technology Fee.

You must upgrade or update your Computer System, including the purchase of additional equipment if necessary, as specified by us from time to time. There is no contractual limitation on the frequency and costs of such obligations. You must obtain and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You will be solely responsible for the cost of ongoing maintenance, updating, upgrading, and support contracts for the Computer System. Neither we, our affiliates, nor any third parties are responsible for such costs. We estimate your annual cost of maintenance, updating, upgrading, and support contracts related to the Computer System will be at least \$250 per year. The precise cost of maintenance, updating, upgrading, and support contracts related to the Computer System cannot be estimated at this time because it will depend on, among other factors, your repair history, local costs of computer maintenance and service in your area, and technological advances that we cannot predict. We expect that much of the computer and technology equipment that you use in the operation of your Dill Dinkers Club will also be used by your Regional Developer Business. The range above reflects the additional costs that you will incur beyond that incurred in connection with your Dill Dinkers Club.

We may independently remotely access your computer at any time to retrieve and use data and information generated and stored in your Computer System and download information to update your software. There are no contractual limitations on our right to access such information.

We or our affiliate may establish an Internet website that provides information about the System and the products and services offered by Support Centers. If established, we or our affiliate will have sole discretion and control over the website (including timing, design, contents and continuation). We and/or our affiliate may, but are not obligated to, create interior pages on our website(s) that contain information about your Support Center and other Dill Dinkers Club locations. If we do create these pages, we may require you to prepare all or a portion of the page for your Support Center, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting.

We have the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System. We and/or our affiliates are the lawful, rightful and sole owner of the Internet domain names www.dilldinkers.com and www.dilldinkersfranchising.com as well as any other Internet domain names registered by us, and you unconditionally disclaim any ownership interest in such domain names and any similar Internet domain names.

Remodeling and Upgrades

In addition to your obligation to maintain the Regional Developer Business, you must also undertake all periodic and ongoing remodeling and upgrading as we require in the Manuals or otherwise in writing. For example, you must make, from time to time, the upgrades and other changes to the Computer System, software and related equipment as we may request in writing (collectively, “Computer Upgrades”). We have the right to require any Computer Upgrades we deem necessary for your Regional Developer Business. Other than as stated in this paragraph, there are no other limitations on our ability to require you to upgrade the Regional Developer Business.

Manuals

We will provide you with a copy of our Manual. The Manual contain mandatory and suggested specifications, standards, operating procedures, programs, and rules we prescribe periodically, as well as information relative to your obligations under the Regional Developer Agreement and the operation of your Regional Developer Business. The table of contents for our Manual is attached to this Disclosure Document as Exhibit G. The Manual contains 154 pages.

Training

Your Operating Principal and general manager (“General Manager”) must complete our initial training program to our satisfaction, no later than 30 days after the date you sign the lease for your Support Center. An “Operating Principal” is an individual who has completed all of our required training program, is approved by us to supervise the day-to-day operations of the Regional Developer Business and owns at least 5% of the equity interest in you. There is no fee for two attendees/trainees to attend the initial training program. However, you must pay for all costs and expenses, like salaries, wages, supplies, rooms, meals, and transportation for you and each of your attendees participating in the training program. We may permit additional individuals to attend initial training, at our option. The classroom portion of the initial training program will be held at facilities in Columbia, Maryland, or another location designated by us. The on-the-job training will be held at our company-operated Dill Dinkers in Columbia, Maryland, or another location designated by us. Classroom and on-the-job trainings are generally held as needed. We may require you, your Operating Principal and/or other individuals we designate to attend refresher courses, seminars, and other training programs as we may reasonably specify from time to time, including up to 10 days of refresher programs each year during the term of the Agreement. In addition, we may require you and other individuals we designate to attend our annual convention at your expense for up to three days per year.

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

TRAINING PROGRAM

Subject	Hours of Classroom training	Hours of on-the-job training	Location
Day 1			
General: Understanding the FTC Rule on Franchising	4	0	Columbia, Maryland, or another location we designate
General: Presenting the Dill Dinkers franchise offer	2	2	Columbia, Maryland, or another location we designate

Subject	Hours of Classroom training	Hours of on-the-job training	Location
Total hours Day 1	6 hours	2 hours	
Day 2			
General: Overcoming Objections	1	1	Columbia, Maryland, or another location we designate
General: Conducting Discovery Day Sessions	1	1	Columbia, Maryland, or another location we designate
Real Estate: Support Center Site Selection and Real Estate	2	2	Columbia, Maryland, or another location we designate
Total hours day 2	4 hours	4 hours	
Day 3			
General: Support Center site visits and compliance	3	2	Columbia, Maryland, or another location we designate
Marketing: sales, service & communication	3	0	Columbia, Maryland, or another location we designate
Total hours day 3	6 hours	2 hours	
Total hours in 3 days	16 hours	8	

Our training programs are overseen by Dr. Ben Litalien, CFE, our Chief Development Officer. He has over 31 years of experience in the franchise industry, training, operations, and franchise support, and has been with Dill Dinkers since July 2023. We may use additional or substitute instructors as needed, in our discretion. The training materials include our Manuals and other written materials that will be provided. Details of instruction and times for particular sessions may vary according to availability of staff, areas of concentration needed by trainees, and other factors. We may, but are not required to, provide you and your employees with additional training at your request. You are responsible for all costs and expenses of such additional training.

If any of your trainees fail to complete the Regional Developer Training Program to our satisfaction, at our option, the trainee may repeat the course, or in the case of a General Manager, you may designate a replacement General Manager (the “Replacement Personnel”) and send such individual to the next available Regional Developer Training Program. We may charge our then-current training fee for such Replacement Personnel attending the Regional Developer Training Program. Failure by you to complete the Regional Developer Training Program to our satisfaction triggers our right to terminate the Regional Developer Agreement. (Regional Developer Agreement § 5.3).

ITEM 12 TERRITORY

We will grant you the right to operate one Regional Developer Business at or from a physical Support Center that we approve, located within the RD Territory. You may not perform any Regional Developer Services outside your RD Territory without our express written permission. You may not solicit or accept requests for Regional Developer Services from current or prospective franchisees outside your RD Territory without our express written permission, including through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing. You may not relocate your Support Center (which may be within a Dill Dinkers Club you own or operate) or change your RD Territory without our prior written approval. We have not established conditions under which we will approve the relocation of your Support Center or RD Territory. If you wish to relocate your Regional Developer Business, you must request to do so in writing. We anticipate we will approve or deny any such request, subject to reasonable conditions we may impose, within 30 days of the time you submit your request. We do not grant you options, rights of first refusal, or similar rights to acquire additional Regional Developer Businesses.

The RD Territory is the area described in Exhibit B to the Regional Developer Agreement. We will determine the boundaries of the RD Territory based on several factors, including, among other factors, the number of Dill Dinkers Clubs included in your Development Schedule; the population base; density of population; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; traffic generators, driving times; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas. We anticipate that each RD Territory will be sized to include one Dill Dinkers Club per approximately 100,000 people in population.

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

Except as otherwise described in the Regional Developer Agreement, for so long as you are in full compliance with the Regional Developer Agreement, we will not, during the term of the Regional Developer Agreement, license others to provide the Regional Developer Services to RD Territory Franchisees. We retain all other rights not expressly granted to you, including the right to grant franchises, and we and our affiliates may solicit and/or conduct business within the RD Territory without any compensation to you. For example, without obligation to you, we and our affiliates may, among other things, and without any compensation or other recourse to you, regardless of location (e.g., within and/or outside the RD Territory) or economic impact upon you or the Regional Developer Business:

- (a) Advertise and promote the System;
- (b) Offer, sell, operate, and authorize or license others to operate, Dill Dinkers Clubs within and outside the RD Territory; provided, however that if you are in full compliance with the Regional Developer Agreement and we desire to enter into a franchise agreement for the establishment and operation of a traditional Dill Dinkers Club at a physical premises that is not an Alternative Point of Distribution (as defined in the Franchise Agreement) located

within the RD Territory, we will so notify you and offer you the right to execute our then-current form of franchise agreement for the Dill Dinkers Club. You must notify us in writing, not later than 10 days after receipt of notice from us, informing us of your desire to enter into our then-current form of franchise agreement for the Dill Dinkers Club. Your failure to provide timely notice will be deemed to constitute an irrevocable rejection of the offer. If you timely provide notice of your desire to enter into such franchise agreement, you must return to us a fully executed copy of the franchise agreement and remit all initial fees payable under it, not later than 30 days after your receipt of the above-described notice from us. Your failure to return to us a fully executed copy of the franchise agreement, and remit all initial fees payable under it will be deemed to constitute an irrevocable rejection of the offer;

- (c) License others to operate Regional Developer Businesses at any location outside the RD Territory, including at locations that are adjacent to the RD Territory;
- (d) Offer and sell any products or services (including Regional Developer Services), under any marks (including the Proprietary Marks) within and outside the RD Territory to any party (including RD Territory Franchisees), and through any means;
- (e) Offer and sell, and authorize others to offer and sell, approved collateral products and services, including those offered and sold at the Dill Dinkers Clubs (such as pickleball equipment and paraphrenia, clothing, and other branded merchandise and memorabilia), under the Proprietary Marks or other marks at or from any location (including within the RD Territory) or through any channel of distribution (including, but not limited to, retail stores, infomercials, catalogs, the Internet, e-commerce, direct response marketing campaigns, or similar marketing channels or initiatives) and provide a limited number or representative sample of the products and services normally offered by the Dill Dinkers Clubs;
- (f) Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and or offer or sell franchises under such concepts;
- (g) Acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the RD Territory: (i) convert the other businesses to Dill Dinkers Club; (ii) permit the other businesses to continue to operate under another name; and/or (iii) permit the other businesses to operate under another name and convert existing Dill Dinkers Clubs to such other name; or
- (h) Engage in any other activity, action or undertaking that we or our affiliates are not expressly prohibited from taking under the Regional Developer Agreement.

You must cause Franchised Businesses to be opened and continuously operating, according to the Development Schedule. Your failure to adhere to the Development Schedule will constitute a default under the Regional Developer Agreement. Except as described above, the continuation of your rights to operate your Regional Developer Business does not depend on the achievement of a certain sales volume, market penetration, or any other contingency. If you commit a material breach of the Regional Developer Agreement that entitles us to terminate the Regional Developer Agreement, we may, in lieu of termination, modify or eliminate the RD Territory.

Neither we nor any affiliate operates, franchises, or plans to operate or franchise any business under a different trademark that offers or sells, or offer or will sell, services or products similar to those of Regional

Developer Businesses, but we and our affiliates have the right to do so under the Regional Developer Agreement.

ITEM 13 TRADEMARKS

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

Our affiliate, Dill Dinkers IP, following an assignment from William Richards, owns the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”). Dill Dinkers IP has renewed or intends to renew the registrations for the Marks listed below. All required affidavits have been filed.

Mark	Registration Number	Registration Date
Dill Dinkers	7358079	April 16, 2024

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Proprietary Marks that is relevant to its ownership, use, or licensing.

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

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

William Richards assigned all of his right, title, and interest in the Proprietary Marks and System to Dill Dinkers IP on August 31, 2023. Dill Dinkers LLC initially licensed to Dill Dinkers IP the right to use and sublicense the System and related intellectual property on August 31, 2023. Dill Dinkers LLC thereafter assigned all of its right, title, and interest in the Proprietary Marks and System to Dill Dinkers IP on October 6, 2023.

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

Proprietary Marks and System to any franchisees and regional developers subject to the terms of the applicable sublicense with the franchisee or regional developer (including any franchise agreement or regional developer agreement).

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. As between you and us, we have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. As between you and us, we also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We have no obligation to protect or defend your right to use the Proprietary Marks or protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks, although we intend to do so when in the best interest of the System. If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and do the things as may, in our counsel's opinion, be necessary to carry out that defense or prosecution, such as becoming a nominal party to any legal action. Unless the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Regional Developer Agreement, we will reimburse you for your out-of-pocket costs in doing these things (although you will still be responsible for the salary costs of your employees) and we will bear the costs of any judgment or settlement. However, if the litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Regional Developer Agreement, then you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement. We do not have to indemnify you against, or reimburse you for, any damages in any proceeding arising out of the use of any name or Proprietary Mark or for any costs incurred by you in the defense of any of those claims.

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

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents and do not have any pending patent applications that are material to the Regional Developer Business or a Dill Dinkers Club.

We do not own any copyrights and do not have any pending copyright applications that are material to the franchise. However, we or our affiliate, Dill Dinkers, LLC, do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence, and communications with our franchisees, training, advertising, and promotional materials, and other written materials relating to the operation of Dill Dinkers Clubs, Regional Developer Businesses, and the System. We consider the Manuals and related materials to be confidential and proprietary. You may use them only in the operation of your Regional Developer Business as provided in the Regional Developer Agreement. You may not use our and our affiliate's confidential and proprietary information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others. Your right to use those materials continues as long as the Regional Developer Agreement remains in effect.

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

During the term of the Regional Developer Agreement, you will receive information that we consider to be our trade secrets and confidential information, including confidential information, trade secrets, knowledge, or know how concerning the System or the methods of operation of your Regional Developer Business, which may be communicated to you or which you may be apprised of by virtue of your operation under the terms of the Regional Developer Agreement (“Confidential Information”). You may only divulge Confidential Information to your owners, directors, members, officers, managers, or employees as must have access to it in order to operate your Regional Developer Business.

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

We do not require you to participate personally in the direct operation of your Dill Dinkers Club, but we do recommend it. An Operating Principal must participate personally in the direct operation of the Regional Developer Business. You must notify us promptly if the individual serving as the Operating Principal for the Regional Developer Business no longer serves as an employee of Regional Developer or no longer meets the requirements of being an Operating Principal for the Regional Developer Business. “Operating Principal” means an individual who: (1) has completed our required training program, (2) we have approved to supervise the day-to-day operations of the Regional Developer Business, and (3) owns at least 5% of the equity interest in Regional Developer.

You must also designate a Regional Developer Business general manager, subject to approval by us, and satisfactory completion of our training programs, who will be responsible for the direct oversight and management of the day-to-day operations and personnel at the Regional Developer Business (the “General Manager”). The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties and is approved by us.

You will control and be solely responsible for the day-to-day operation of the Regional Developer Business and the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees.

We may require that you, any and all of your owners holding a 5% or greater interest in you, the Operating Principal, the General Manager, and any spouse (or domestic partner or other immediate family member) of an owner and each person who is actively involved in the operation of the franchise, execute an agreement in the form provided by us, under which each agree not to divulge any of our trade secrets or confidential or proprietary information, including the contents of any of our manuals.

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

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide only and all Regional Developer Services that we have approved. You must provide all Regional Developer Services as we specify and Provide Regional Developer Services only to RD Territory Franchisees in the RD Territory. You may not perform any Regional Developer Services outside your RD Territory. You must discontinue providing any Regional Developer Services that we may disapprove, in writing, at any time.

You must keep your Regional Developer Business open and in normal operation for such hours and days as we may from time to time specify in the Manuals or as we may otherwise approve in writing.

From time to time we may change or modify the System as we deem appropriate, including to reflect the changing market and/or to meet new and changing customer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Dill Dinkers Clubs. Our changes to the System may include the adoption and use of new or modified products, services, equipment and furnishings and new techniques and methodologies relating to the preparation, sale, promotion and marketing of products and services, and new trademarks, service marks and copyrighted materials. You must, upon reasonable notice, accept, implement, use in the operation of the Regional Developer Business any such changes in the System, at your sole expense. There are no limits on our right to make changes.

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

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Regional Developer Agreement	Summary
a. Term of the franchise	2	The term expires 10 years after the effective date of the Regional Developer Agreement.
b. Renewal or extension of the term	Not applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable, subject to state law.
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	13	We may terminate upon default.
g. "Cause" defined – defaults which can be cured	13.3	You have 30 days to cure operational defaults and 5 days to cure monetary defaults.

Provision	Section in Regional Developer Agreement	Summary
h. “Cause” defined – defaults which cannot be cured	13.1–13.2	The term “cause,” among other defaults, includes danger to health or safety; bankruptcy; assignment for the benefit of creditors; felony conviction; repeated violations; execution of levy not discharged within five days; attachment of property; failure to obtain approval of the site for your office; failure to complete initial training; abandonment of the Regional Developer Business; fraud; unauthorized transfer; failure to comply with non-compete and confidentiality obligations; default under any other agreement between you and us or our affiliates; and termination or expiration of the franchise agreement for your Dill Dinkers Club (provided a renewal or replacement agreement is not entered into for the uninterrupted operation of the Dill Dinkers Club). (Termination for cause of your Regional Development Agreement is grounds for termination of the franchise agreement for your Dill Dinkers Club.)
i. Your obligations on termination and non-renewal	14	Among other obligations, you must cease to operate the Regional Developer Business, pay amounts due, cease the use of the System and Proprietary Marks, return the Manuals, comply with the post-term covenant not to compete, and pay our damages and costs.
j. Assignment of contract by us	12.1	The Regional Developer Agreement imposes no restriction on our right to assign.
k. “Transfer” by you – definition	12.3	The term “transfer” includes the transfer of the Regional Developer Agreement or any rights or obligations under it, all or substantially all of the assets of the Regional Developer Business, and any direct or indirect ownership interest in you.
l. Our approval of transfer by you	12.4	We have the right to approve all transfers; we will not withhold our consent unreasonably.
m. Conditions for our approval of transfer	12.4	Among other conditions, no default may exist and you pay all amounts due, sign a general release and pay a transfer fee. The transferee must complete our training and meet all of our qualifications and other requirements and sign our then-current form of Regional Developer Agreement.
n. Our right of first refusal to acquire your business	12.6	We have the option for 30 days to purchase you, all or substantially all of your assets, or any direct or indirect interest in you, upon same terms and conditions offered to or from the third party.
o. Our option to purchase your business	14.1.8	We have the option to purchase any or all of your equipment and inventory upon the termination or expiration of your Regional Developer Agreement.

Provision	Section in Regional Developer Agreement	Summary
p. Your death or disability	12.7 and 12.8	Within six months the death or disability of you or an owner, you or your owner's (as applicable) interest in the Regional Developer Agreement, or in you, must be transferred to a third party whom we approve.
q. Non-competition covenants during the term of the franchise	10.5	You cannot divert business to a competitor. You cannot own, maintain, operate, have an interest in or provide assistance to a "Competitive Business," which means any business that, as determined by Franchisor in its sole determination, is the same as or substantially similar to the Franchised Business or the Dill Dinkers brand, including, without limitation, any business that is primarily related to pickleball or that provides facilities for paddle ball games played on a court, within the United States (subject to state law).
r. Non-competition covenants after the franchise terminates or expires	10.6	For a period of two years, you cannot own, maintain, operate, have an interest in or provide assistance to a Competitive Business that is located within the RD Territory or within 10 miles of any Dill Dinkers Club, or do or perform any act injurious to the System (subject to state law).
s. Modification of the agreement	23	No changes to agreement can take place unless mutually agreed to in writing, except we can unilaterally modify the Manual and System.
t. Integration / merger clause	23	Only the written terms of the Regional Developer Agreement and exhibits bind the parties (subject to applicable state law). Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits, and amendments.
u. Dispute resolution by arbitration or mediation	17.4	The parties must arbitrate any controversy or claim, except that either party may file for temporary or preliminary injunctive relief, a restraining order, or order of specific performance, including, for example, injunctive relief pertaining to the use of the Dill Dinkers System.
v. Choice of forum	17.2 and 17.3	All litigation must take place in federal or state court encompassing Columbia, Maryland, and all arbitration must take place in the Columbia, Maryland metropolitan area, subject to applicable state law. See Exhibit D
w. Choice of law	17.1	Maryland law applies, subject to applicable state law. See Exhibit D.

ITEM 18 PUBLIC FIGURES

Collin Johns, one of the top pickleball athletes in the world, is a brand ambassador for Dill Dinkers. Mr. Johns will be involved in promoting the Dill Dinkers brand, which may involve endorsing or recommending franchises to prospective franchisees. He may appear in marketing materials or social media ads, and may make personal promotional appearances or provide instructional clinics on our behalf. Mr. Johns is not involved in the management or control of us, and has not made any direct investment in us. Our parent, Dill Dinkers Holdings, will issue Mr. Johns stock options to purchase up to 34,500 shares of common stock of Dill Dinkers Holdings, subject to a vesting schedule. As such, he will have an indirect interest in us and may receive an indirect financial benefit from fees paid to us. Mr. Johns will also receive travel reimbursements, a nationwide Dill Dinkers family membership, and Dill Dinkers' gear, clothing, and swag.

Martina Kochli, one of the leading female pickleball athletes in the world, is a brand ambassador for Dill Dinkers. Ms. Kochli will be involved in promoting the Dill Dinkers brand, which may involve endorsing or recommending franchises to prospective franchisees. She may appear in marketing materials or social media ads and may make personal promotional appearances or provide instructional clinics on our behalf. Ms. Kochli is not involved in the management or control of us, and has not made any direct investment in us. Our parent, Dill Dinkers Holdings, will issue Ms. Kochli stock options to purchase up to 34,500 shares of common stock of Dill Dinkers Holdings, subject to a vesting schedule. As such, she will have an indirect interest in us and may receive an indirect financial benefit from fees paid to us. Ms. Kochli will also receive travel reimbursements, a nationwide Dill Dinkers family membership, and Dill Dinkers' gear, clothing, and swag.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a regional developer's future financial performance or the past financial performance of company-owned or franchised regional developer businesses. 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 Regional Developer Business, however, we may provide you with the actual records of that business. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dr. Ben Litalien, at 9220 Rumsey Road, Suite 101, Columbia, Maryland 21045, blitalien@dilldinkers.com or 866-592-3465, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION***

**TABLE NO. 1
SYSTEM-WIDE OUTLET SUMMARY
FOR FISCAL YEARS 2022 TO 2024**

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	17	+17
Company-Owned*	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	17	+17

*Note: This system-wide outlet summary describes our system of Regional Developer Businesses. Any “outlets” listed in this Item 20 describe Regional Developer Businesses operating under a Regional Developer Agreement. The outlet summary for Dill Dinkers Clubs is described in our separate Single-Unit Franchise Disclosure Document.

**TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR FISCAL YEARS 2022 TO 2024**

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0

**TABLE NO. 3
FRANCHISED OUTLETS STATUS SUMMARY
FOR FISCAL YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2022	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Connecticut	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
DC	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Delaware	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Florida	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Georgia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Maryland	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
North Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Virginia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2024	0	17	0	0	0	0	17

**TABLE NO. 4
COMPANY-OWNED OUTLETS STATUS SUMMARY
FOR FISCAL YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets At End of Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**TABLE NO. 5
PROJECTED OPENINGS
AS OF JUNE 30, 2024**

State	Regional Developer Agreement Signed But Outlet Not Opened	Projected New Regional Developer Businesses in the Next Fiscal Year	Projected New Company-Owned Regional Developer Businesses in the Next Fiscal Year
Florida	0	2	0
New Jersey	0	2	0
Pennsylvania	0	2	0
Texas	0	2	0
Virginia	0	2	0
Totals	0	10	0

Our fiscal year ends on June 30th.

Lists of Current and Former Regional Developers

Exhibit E to this Disclosure Document reflects the name of each of our regional developers and the address and telephone numbers of their businesses as of June 30, 2024. Exhibit E also reflects the name, city, state, and current business telephone number of every regional developer who ceased to do business under the Regional Developer Agreement or had a Regional Developer Business terminated, canceled, not renewed, or transferred within the last fiscal year ended June 30, 2024, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

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

Purchase of Previously-Owned Franchise

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

Confidentiality Clauses

During the last three fiscal years, regional developers have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Dill Dinkers. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Trademark-Specific Franchisee Organizations

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

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit B to this Disclosure Document is our audited financial statements as of June 30, 2024. We have not been in business for three years or more, and therefore cannot include all financial statements otherwise required to be disclosed in this Item. In addition, we have included unaudited financial statements for the period beginning July 1, 2024 through September 30, 2024. Our fiscal year ends June 30th.

ITEM 22 CONTRACTS

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

Exhibit C	Regional Developer Agreement
Exhibit D	State Specific Addenda
Exhibit F	Form of General Release

ITEM 23 RECEIPTS

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

**EXHIBIT A
TO THE FRANCHISE DISCLOSURE DOCUMENT**

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

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

EXHIBIT B
TO THE FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
FINANCIAL STATEMENTS
PERIOD FROM JULY 28, 2023 (INCEPTION)
THROUGH JUNE 30, 2024

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
FOR THE PERIOD FROM JULY 28, 2023 (INCEPTION)
THROUGH JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Member
Dill Dinkers Franchising, LLC

Opinion

We have audited the accompanying financial statements of Dill Dinkers Franchising, LLC (a limited liability company) (the "Company"), which comprise the balance sheet as of June 30, 2024, and the related statements of operations and changes in member's deficit and cashflows for the period from July 28, 2023 (inception) through June 30, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Dill Dinkers Franchising, LLC as of June 30, 2024, and the results of its operations and its cash flows for the period from July 28, 2023 (inception) through June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 Dill Dinkers 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.

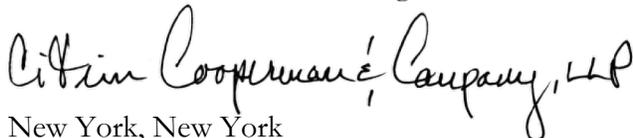
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



New York, New York
October 11, 2024

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
BALANCE SHEET
JUNE 30, 2024

ASSETS

Current assets:	
Cash	\$ 146,616
Accounts receivable	38,993
Franchise fees receivable	517,500
Due from Parent	4,000
Deferred charges	5,000
Prepaid expenses and other current assets	<u>21,607</u>
Total current assets	<u>733,716</u>
Property and equipment, net	<u>104,187</u>
Operating lease right-of-use asset	<u>286,024</u>
Other assets:	
Franchise fees receivable, net of current portion	350,000
Deferred charges, net of current portion	43,750
Security deposit	<u>4,750</u>
Total other assets	<u>398,500</u>
TOTAL ASSETS	<u><u>\$ 1,522,427</u></u>

LIABILITIES AND MEMBER'S DEFICIT

Current liabilities:	
Accounts payable and accrued expenses	\$ 210,946
Deferred revenues	429,450
Operating lease liability	57,428
Due to related party	<u>20,991</u>
Total current liabilities	<u>718,815</u>
Long-term liabilities:	
Deferred revenues, net of current portion	2,291,971
Operating lease liability, net of current portion	<u>229,731</u>
Total long-term liabilities	<u>2,521,702</u>
Total liabilities	3,240,517
Commitments (Notes 8 and 9)	
Member's deficit	<u>(1,718,090)</u>
TOTAL LIABILITIES AND MEMBER'S DEFICIT	<u><u>\$ 1,522,427</u></u>

See accompanying notes to financial statements.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT
FOR THE PERIOD FROM JULY 28, 2023 (INCEPTION)
THROUGH JUNE 30, 2024

Revenues:	
Franchise fee and regional developer fee income	\$ 116,079
Royalty income	89,801
Technology fee income	49,150
Other income	<u>14,437</u>
Total revenues	269,467
Selling, general and administrative expenses	<u>2,342,152</u>
Loss from operations	(2,072,685)
Other income:	
Interest income	<u>10,147</u>
Net loss	(2,062,538)
Member's equity - beginning	-
Member contributions	100,000
Equity compensation expense (Note 11)	<u>244,448</u>
MEMBER'S DEFICIT - ENDING	<u><u>\$ (1,718,090)</u></u>

See accompanying notes to financial statements.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 28, 2023 (INCEPTION)
THROUGH JUNE 30, 2024

Cash flows from operating activities:	
Net loss	\$ (2,062,538)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	5,761
Non cash lease expense	15,385
Stock-based compensation	244,448
Changes in operating assets and liabilities:	
Accounts receivable	(38,994)
Franchise fee receivable	(867,500)
Due from Parent	(4,000)
Deferred charges	(48,750)
Prepaid expense and other current assets	(21,607)
Security deposit	(4,750)
Accounts payable and accrued expenses	210,947
Deferred revenues	2,721,421
Operating lease liabilities	(14,250)
Due to related party	<u>20,991</u>
Net cash provided by operating activities	156,564
Cash used in investing activities:	
Purchase of property and equipment	(109,948)
Cash provided by financing activities:	
Member contributions	<u>100,000</u>
Net increase in cash	146,616
Cash - beginning	<u>-</u>
CASH - ENDING	<u>\$ 146,616</u>
Supplemental schedule of non-cash investing activities:	
Operating lease liability and right-of-use asset recognized in connection with operating lease	<u>\$ 298,538</u>

See accompanying notes to financial statements.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Dill Dinkers Franchising, LLC (the "Company"), a wholly-owned subsidiary of Dill Dinkers Holdings, Inc. (the "Parent"), was formed on July 28, 2023, as a Delaware limited liability company, to sell franchises pursuant to a license agreement dated August 31, 2023, between the Company and Dill Dinkers IP, LLC (the "Licensor"), an entity related to the Company by common ownership and control of the Parent. Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Dill Dinkers" name and system that offers dedicated indoor pickleball facilities with a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Variable interest entities

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

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has determined that the related parties affiliated through common ownership and control, as described in Note 10, meet the conditions under the standard, and accordingly, is not required to include the accounts of the related parties in the Company's financial statements.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the Company's financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue recognition

The Company derives its revenues from franchise fee revenue, regional developer fee revenue, royalty revenue, technology fees and transfer fees.

Franchise fees, regional developer fees, royalties and other franchise-related fees

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

The Company's primary performance obligations under the franchise agreement include granting certain rights to the Company's intellectual property in addition to a variety of activities relating to opening a franchise unit. Those services include training and other such activities commonly referred to collectively as "pre-opening activities." Pre-opening activities consistent with those under FASB ASU No. 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606) ("ASU 2021-02"), are recognized as a single performance obligation. For all other pre-opening activities, if any, the Company determines if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a company-branded franchise unit. The portion of pre-opening activities, if any, that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's intellectual property and therefore accounted for as a separate performance obligation. All other pre-opening activities are determined to be highly interrelated to the use of the Company's intellectual property and therefore accounted for as a component of a single performance obligation which is satisfied along with granting of certain rights to use the Company's intellectual property over the term of each franchise agreement.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, other than those included under ASU 2021-02, which are not brand specific are recognized when those performance obligations are satisfied. Consideration allocated to pre-opening activities included under ASU 2021-02 is recognized when those performance obligations are satisfied.

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

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

Brand development fund

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

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

Other revenues

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

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Incremental costs of obtaining a contract

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

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts receivable and its contract assets on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of franchisees based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions are considered in adjusting the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted. The Company had no allowance for credit loss at June 30, 2024.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation, are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computers and other equipment	3 years
Furniture and fixtures	4 - 5 years

Long-lived assets

Long-lived assets, including right-of-use asset, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. These events or circumstances would include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business, or other factors.

The Company uses undiscounted cash flows to determine whether impairment exists and measures any impairment loss by approximating fair value using acceptable valuation techniques, including discounted cash flow models and comparable company analyses. Management believes that there were no such indicators of impairment at June 30, 2024.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Company has an operating lease agreement for office space expiring in September 2029. The Company determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the balance sheet.

Lease terms include the noncancelable portion of the underlying lease along with any reasonably certain lease periods. The Company uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

The lease contains fixed and determinable escalation clauses for which the Company recognizes rental expense under the lease on the straight-line basis over the lease term, which includes the period of time from when the Company takes possession of the leased space and the cumulative expense recognized on the straight-line basis in excess of the cumulative payments. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Income taxes

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

Uncertain tax positions

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at June 30, 2024.

Stock-based compensation

The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of FASB ASC 718, *Compensation - Stock Compensation*. Stock-based compensation expense for all stock-based payment awards is based on the fair value estimated at the date of grant in accordance with U.S. GAAP. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. Option valuation models require the input of highly subjective assumptions, including the expected life of the option. Such assumptions can materially affect the fair value estimate. The fair values of stock-based payment awards are estimated using the Black-Scholes-Merton option pricing model. Stock-based compensation expense is recognized based upon awards ultimately expected to vest.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through October 11, 2024, the date on which these financial statements were available to be issued. Except as disclosed in Note 3, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. LIQUIDITY

The Company has sustained net losses and has accumulated member's deficit of \$2,062,538 and \$1,718,090, respectively. Since inception, the Company's operations have been funded primarily through its own operating cash flows and contributions from the Parent. Management has indicated that the Company is growing and, as such, is incurring expenditures in the near term to benefit the future as it expects to grow the franchisee base and expand into new markets. Such expenses could be reduced or eliminated in order to improve operating cash flows as needed in the future.

During and subsequent to the year ended June 30, 2024, the Company has continued to focus on expanding the franchisee base and growing revenue. Management projects that revenues from both existing and new franchisees will increase, with the franchised units that opened during fiscal 2024 expected to operate for a full year in 2025 and beyond. Additionally, subsequent to year end, the Company has signed six franchise and five regional developer agreements and management expects that the Company will continue to sign new franchise and regional developer agreements. Management believes these actions will provide sufficient liquidity to continue operations for at least the next 12 months from the date these financial statements are available to be issued.

NOTE 4. FRANCHISED OUTLETS

The following data reflects the status of the Company's franchises as of June 30, 2024:

Franchises sold	28
Franchises purchased	-
Franchised outlets in operation	5
Franchisor-owned outlets in operations	-

NOTE 5. REVENUES AND RELATED CONTRACT BALANCES

Disaggregated revenues

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Disaggregated revenues (continued)

Revenues by timing of recognition for the period from July 28, 2023 (inception) through June 30, 2024, were as follows:

Point in time:

Royalty income	\$ 89,801
Technology fee income	49,150
Other income	<u>14,437</u>
Total point in time	153,388

Over time:

Franchise fee and regional developer fee income	<u>116,079</u>
Total revenues	<u>\$ 269,467</u>

Contract balances

Contract assets include accounts and franchise fees receivable. The balances as of June 30, 2024, amounted to \$906,493.

Contract liabilities are comprised of unamortized initial franchise fees received from franchisees and regional developer fees, which are presented as "Deferred revenues" in the accompanying balance sheet. A summary of significant changes in deferred revenues during the period from July 28, 2023 (inception) through June 30, 2024, are as follows:

Deferred revenues - beginning of year	\$ -
Current year deferred revenue additions	2,837,500
Revenue recognized during the year	<u>(116,079)</u>
Deferred revenues - end of year	<u>\$ 2,721,421</u>

At June 30, 2024, deferred revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$ 429,450
2026	260,450
2027	260,450
2028	260,450
2029	260,450
Thereafter	<u>1,250,171</u>
Total	<u>\$ 2,721,421</u>

Deferred revenues at June 30, 2024, consisted of the following:

Franchise units not yet opened	\$ 2,721,421
Opened franchise units	<u>-</u>
Total	<u>\$ 2,721,421</u>

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)

Contract balances (continued)

The direct and incremental costs, principally consisting of commissions, are included in "Deferred charges" in the accompanying balance sheet. The direct and incremental costs expected to be recognized over the remaining term of the associated franchise agreements at June 30, 2024, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$ 5,000
2026	5,000
2027	5,000
2028	5,000
2029	5,000
Thereafter	<u>23,750</u>
Total	<u>\$ 48,750</u>

NOTE 6. CONCENTRATIONS OF CREDIT RISK

Cash

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash. The Company's cash is placed with a major financial institution. At times, amounts held with this financial institution may exceed federally-insured limits. Management believes that this policy limits the Company's exposure to credit risk.

Accounts and franchise fees receivable and revenues

At June 30, 2024, approximately 84% of the Company's receivables were derived from three franchisees. For the period from July 28, 2023 (inception) through June 30, 2024, one franchisee accounted for approximately 44% of the Company's total revenues.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Computers and other equipment	\$ 47,658
Furniture and fixtures	<u>62,290</u>
	109,948
Less: accumulated depreciation	<u>5,761</u>
Property and equipment, net	<u>\$ 104,187</u>

Depreciation expense amounted to \$5,761 for the period from July 28, 2023 (inception) through June 30, 2024.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8. BRAND DEVELOPMENT AND LOCAL MARKETING COOPERATIVE FUNDS

Brand development fund

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

Local marketing cooperative fund

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

NOTE 9. COMMITMENTS

Operating leases

The Company has an operating lease for an office space expiring on September 30, 2029. Total operating lease expense for the period from July 28, 2023 (inception) through June 30, 2024 amounted to \$15,385.

Maturities of lease liabilities at June 30, 2024, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2025	\$ 57,428
2026	59,150
2027	60,925
2028	62,753
2029	64,635
Thereafter	<u>16,520</u>
Total minimum lease payments	321,411
Less: amount representing interest	<u>(34,252)</u>
Present value of net minimum lease payments	287,159
Less: current portion	<u>57,428</u>
Long-term portion	<u>\$ 229,731</u>

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating leases (continued)

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash flows from operating leases	\$ <u>14,250</u>
Weighted-average lease term and discount rate for the operating lease were as follows:	
Weighted-average remaining lease term (years)	<u>5.25</u>
Weighted-average discount rate	<u>4.34</u> %

NOTE 10. RELATED-PARTY TRANSACTIONS

License agreement

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

Related-party revenues

The Company receives royalties and technology fees from outlets owned by Dill Dinkers LLC ("DDL"), an entity related through common ownership and control of the Parent. For the period from July 28, 2023 (inception) through June 30, 2024, royalties and technology fees earned from DDL amounted to \$85,652 and \$33,750, respectively.

Receivables related to royalties and technology fees owed from DDL totaled \$12,832 at June 30, 2024, and are reported as "Accounts receivable" in the accompanying balance sheet.

Due from Parent

In the ordinary course of business, the Company advances funds to and from the Parent. The amount due from the Parent at June 30, 2024 was \$4,000 and is reported as "Due from Parent" in the accompanying balance sheet. No interest is charged on these advances. Advances to and from the Parent are unsecured and have no specific repayment terms. Management expects balances due from the Parent to be settled within the next year.

Due to related party

In the ordinary course of business, the Company advances funds to and from DDL. The amount due to DDL at June 30, 2024 was \$20,991 and is reported as "Due to related party" in the accompanying balance sheet. No interest is charged on these advances. Advances to and from DDL are unsecured and have no specific repayment terms. Management expects balances due to DDL to be settled within the next year.

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11. EQUITY BASED COMPENSATION

During the current year, the Parent adopted a stock-based compensation plan (the "Stock Plan") that provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, and restricted stock units (together referred to as "Awards"). The Parent's board of directors has the authority to (i) determine the eligible persons to whom and the time or times at which Awards shall be granted; (ii) determine the types of Awards to be granted; (iii) determine the number of shares to be covered by or used for reference purposes for Awards, and the price, exercise price and conversion ratio; (iv) impose such terms, limitations, restrictions and conditions upon any such Awards as the board of directors shall deem appropriate; (v) modify, amend, extend, or renew outstanding Awards, or accept the surrender of outstanding Awards and substitute new Awards; and (vi) accelerate or otherwise change the time in which Awards may be exercised. At the time of the adoption, the maximum number of common shares authorized for issuance under the Stock Plan was 300,000.

The fair value of options is estimated using the Black-Scholes-Merton model with the following assumptions:

Dividend yield - No dividends were assumed in the grant date fair value calculations as the Parent does not intend to pay cash dividends on common stock for the foreseeable future.

Expected term - The expected term, which represents the period of time that options granted are expected to be outstanding.

Volatility - The Parent uses an average of historical volatility of similar publicly-traded companies over the expected term.

Risk-free interest rate - The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve.

Stock options

As disclosed above, the Stock Plan adopted by the Parent includes options granted to both employees of the Company and non-employees, which may include board members, investors, and other individuals who provide services to the Company. The related stock-based compensation expense is allocated to the Company based on the portion of services rendered by those individuals to the Company's operations.

The following table summarizes the weighted average assumptions used in the Parent's fair value calculations at the time of the grants for the period from July 28, 2023 (inception) through June 30, 2024:

Dividend yield	0%
Expected life (years)	5.7
Risk-free interest rate	4.13%
Volatility	48.661%

DILL DINKERS FRANCHISING, LLC
(A Limited Liability Company)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11. EQUITY BASED COMPENSATION (CONTINUED)

The following table summarizes the Company's portion of the activity in the Stock Plan for the period from July 28, 2023 (inception) through June 30, 2024:

	Shares	Weighted- Average Exercise Price	Weighted- Average Contractual Term
Outstanding at July 28, 2023	-	\$ -	
Options granted	<u>240,306</u>	\$ 7.22	
Outstanding at June 30, 2024	<u>240,306</u>	\$ 7.22	9.7 years
Exercisable at June 30, 2024	<u>56,411</u>	\$ 7.00	9.7 years

The following table summarizes the Company's portion of the activity for the nonvested options for the period from July 28, 2023 (inception) through June 30, 2024:

	Shares	Weighted- Average Grant Date Fair Value Per Share
Outstanding at July 28, 2023	-	\$ -
Options granted	240,306	\$ 3.65
Options vested	<u>(56,411)</u>	\$ 3.48
Outstanding at June 30, 2024	<u>183,895</u>	\$ 3.70

The Company's portion of the total stock option expense under the Plan for the period from July 28, 2023 (inception) through June 30, 2024 was \$244,448, which was charged to compensation expense. The weighted-average remaining vesting period is approximately 2.5 years at June 30, 2024.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Dill Dinkers Franchising LLC

Balance Sheet

As of September 30, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10000 Sandy Spring	10,582.65
10005 Sandy Spring Savings DDF	2,383.85
Total Bank Accounts	\$12,966.50
Accounts Receivable	
11000 Accounts Receivable (A/R)	2,670,626.51
Total Accounts Receivable	\$2,670,626.51
Other Current Assets	
12000 Due to/from DD llc	33,304.10
12050 Due to/from DDH	-178,000.00
12060 Advances to RD/Franchisee	22,500.00
14000 Prepaid expenses	20,543.68
Total Other Current Assets	\$ -101,652.22
Total Current Assets	\$2,581,940.79
Fixed Assets	
15000 Furniture & fixtures	58,634.66
15010 Improvements	3,654.86
15020 Equipment - Computers Copiers Etc	48,869.25
16000 Accumulated depreciation	-5,760.55
Tools, machinery, and equipment	3,004.33
Total Fixed Assets	\$108,402.55
Other Assets	
17000 Security deposits	4,750.00
Total Other Assets	\$4,750.00
TOTAL ASSETS	\$2,695,093.34
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable (A/P)	218,611.84
Total Accounts Payable	\$218,611.84
Credit Cards	
20010 American Express	20,130.89

	TOTAL
Total Credit Cards	\$20,130.89
Other Current Liabilities	
21000 Accrued Payroll	0.00
21010 AMEX LOC	30,000.00
21100 Payroll wages and tax to pay	
Payroll tax to pay	114.29
Total 21100 Payroll wages and tax to pay	114.29
Total Other Current Liabilities	\$30,114.29
Total Current Liabilities	\$268,857.02
Total Liabilities	\$268,857.02
Equity	
30001 Partner investments	100,000.00
31000 Retained Earnings	1,883,292.97
Net Income	442,943.35
Total Equity	\$2,426,236.32
TOTAL LIABILITIES AND EQUITY	\$2,695,093.34

Dill Dinkers Franchising LLC

Profit and Loss

July - September, 2024

	TOTAL
<hr/>	
Income	
40000 Sales	
40020 Franchise Fee	325,000.00
40040 Regional Developer Fee	800,000.00
40050 Technology Fee - Franchisee	38,750.00
40051 Technology Fee - Regional Developer	10,800.00
40060 Training Fee	45,000.00
40070 Royalty	68,666.97
40080 Nets	27,000.00
Total 40000 Sales	1,315,216.97
Sales of Product Income	5,513.15
Total Income	\$1,320,730.12
Cost of Goods Sold	
50050 Technology Fee Costs	
50051 Tech Fee - Court Reserve	12,078.00
50052 Tech Fee - Letesoft	4,350.00
50054 Tech Fee - Phone Service - Ring Central	2,621.27
50057 Tech Fee - LMS - Lightspeed	900.00
50058 Tech Fee - SOCI	21,940.00
Total 50050 Technology Fee Costs	41,889.27
50060 Sales Services Compensation	25,000.00
50070 Support Services Compensation	10,706.91
50100 Cost of goods sold	
50080 Cost of Goods Sold - Nets	24,488.26
Total 50100 Cost of goods sold	24,488.26
Total Cost of Goods Sold	\$102,084.44
GROSS PROFIT	\$1,218,645.68
Expenses	
60000 Advertising & marketing	19,911.73
60010 Social media	38,869.86
60020 Website ads	8,796.00
Total 60000 Advertising & marketing	67,577.59
60130 Office expenses	135.07
60132 Software & apps	3,750.00
60170 Merchant account fees	272.60
60380 Printing & photocopying	619.04
60390 Shipping & postage	1,776.71
63700 Office supplies	566.04
Small tools & equipment	6,149.01
Total 60130 Office expenses	13,268.47
60250 Interest paid	275.32

	TOTAL
60280 Legal & accounting services	
60290 Accounting fees	13,682.60
60300 Consulting	67,500.00
60310 Legal fees	54,571.24
Total 60280 Legal & accounting services	135,753.84
60320 Meals	216.30
60330 Meals with clients	1,938.35
60340 Team meals	913.89
Total 60320 Meals	3,068.54
60450 Rent	
Building & land rent	14,250.00
Total 60450 Rent	14,250.00
60490 Repairs & maintenance	2,716.73
60492 Office Cleaning	1,605.50
Total 60490 Repairs & maintenance	4,322.23
60560 Training Expense	4,950.00
60570 Travel	
60580 Airfare	4,639.22
60590 Hotels	4,884.66
60595 Travel Meals	1,226.59
60600 Taxis or shared rides	1,043.63
60610 Vehicle rental	456.22
Total 60570 Travel	12,250.32
60630 Utilities	
60640 Disposal & waste fees	448.50
60650 Heating & cooling	1,187.11
60660 Internet & TV services	416.42
Total 60630 Utilities	2,052.03
Business Development	
60352 Conference/Trade Show	71,603.19
60353 Discovery Day Expenses	8,674.58
Total Business Development	80,277.77
Contributions to charities	1,771.71
Employee benefits & Payroll Taxes	
60100 Health insurance & accident plans	-20,059.81
60110 Workers' compensation insurance	521.46
60545 Employer Payroll taxes	31,178.60
Total Employee benefits & Payroll Taxes	11,640.25
Entertainment	940.22
General business expenses	
60140 Bank fees & service charges	99.00
60160 Memberships & subscriptions	1,320.89
60620 Uniforms	190.91
Total General business expenses	1,610.80
Insurance	
60230 Liability insurance	1,063.73
Total Insurance	1,063.73

	TOTAL
Payroll expenses	
60410 Payroll	
60412 Payroll Processing Fee	1,208.78
Total 60410 Payroll	1,208.78
60440 Salaries and Wages	
60441 Salaries - Admin	39,118.88
60442 Salaries - Training	32,846.14
60443 Salaries - Executive	132,692.28
60444 Salaries - Franchise Consultants	100,384.62
60445 Salaries - Onboarding	9,230.78
60446 Salaries - Marketing	102,688.55
Total 60440 Salaries and Wages	416,961.25
Total Payroll expenses	418,170.03
Supplies	
60550 Supplies & materials	2,411.80
Total Supplies	2,411.80
Total Expenses	\$775,654.65
NET OPERATING INCOME	\$442,991.03
Other Income	
Interest earned	236.67
Total Other Income	\$236.67
Other Expenses	
Vehicle expenses	
Parking & tolls	53.35
Vehicle gas & fuel	231.00
Total Vehicle expenses	284.35
Total Other Expenses	\$284.35
NET OTHER INCOME	\$ -47.68
NET INCOME	\$442,943.35

EXHIBIT C
TO THE FRANCHISE DISCLOSURE DOCUMENT
REGIONAL DEVELOPER AGREEMENT

DILL DINKERS[®]

PICKLEBALL



DILL DINKERS FRANCHISING, LLC

REGIONAL DEVELOPER AGREEMENT

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EXHIBITS:

- A Identification of Regional Developer
- B RD Territory and Development Schedule
- C Authorization Agreement for Prearranged Payments (Direct Debits)
- D Statement of Ownership Interests
- E Guarantee, Indemnification, and Acknowledgment
- F Non-Disclosure Agreement

REGIONAL DEVELOPER AGREEMENT

Dill Dinkers Franchising, LLC (“Franchisor”) and the undersigned (the “Regional Developer”) enter into this Regional Developer Agreement (this “Agreement”) as of the ____ day of _____, 20____ (the “Effective Date”).

RECITALS

A. Franchisor, as the result of the expenditure of significant time, skill, effort, and money, has developed a distinctive and proprietary system (the “Dill Dinkers System” or “System”) for:

(1) establishing and operating businesses that provide dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events, and which locations feature indoor pickleball facilities, a retail pro shop with a variety of pickleball-related items for sale, ready-to-eat food and beverages, and event space (“Dill Dinkers Services and Products”); and

(2) establishing and operating businesses that offer third parties the opportunity to:

(i) solicit franchises for Dill Dinkers Clubs (as defined below) to prospective franchisees on behalf of Franchisor;

(ii) provide ongoing support to Dill Dinkers Clubs; and

(iii) otherwise assist Franchisor in supporting Dill Dinkers Clubs and operating the Dill Dinkers franchise network.

Collectively, this franchise opportunity is described as the “Dill Dinkers Regional Developer Business” or “Regional Developer Business” and the services provided by the Regional Developer (including the Sales Services and Support Services described in Section 5.19 below) are described as the “Regional Developer Services.” The franchisees that have been assigned by Franchisor a designated area that is located within the RD Territory (defined below in Section 1.1.1), to and for whom Franchisor has authorized Regional Developer to provide the Regional Developer Services, and prospective Franchisees who will be assigned such designated areas, are defined collectively in this Agreement as the “RD Territory Franchisees.”

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

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

and under the System, and to represent the System’s high standards of cleanliness, quality, appearance, and service;

D. Franchisor is in the business of franchising others to operate (i) pickleball clubs that sell Dill Dinkers Services and Products and other products and services that Franchisor designates under the System and the Proprietary Marks (each a “Dill Dinkers Club”), and (ii) Dill Dinkers Regional Developer Businesses;

E. Regional Developer desires to operate a Dill Dinkers Regional Developer Business and to receive the training and other assistance provided by Franchisor in connection therewith; and

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

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

1. GRANT

1.1. Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Regional Developer the right, and Regional Developer accepts and undertakes the obligation, to: (a) establish and operate one (1) Dill Dinkers Regional Developer Business within the RD Territory; (b) to use, only in connection with the Regional Developer Business, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only within the RD Territory for RD Territory Franchisees.

1.1.1 RD Territory. Regional Developer shall offer and provide the Regional Developer Services only to RD Territory Franchisees and only within the RD Territory. “RD Territory” shall mean the area described in Exhibit B. Except as otherwise described in this Agreement, for so long as Regional Developer is in full compliance with this Agreement, Franchisor will not, during the term of this Agreement, license other third parties to provide the Regional Developer Services to RD Territory Franchisees. Franchisor retains all other rights not expressly granted in this Agreement, including the right to grant franchises. For example, without obligation to Regional Developer, Franchisor and its affiliates may, among other things, and without any compensation or other recourse to Regional Developer, regardless of location (e.g., within and/or outside the RD Territory) or economic impact upon Regional Developer or the Regional Developer Business:

1.1.1.1 Advertise and promote the System within and/or outside the RD Territory;

1.1.1.2 License others to operate Regional Developer Businesses at any location outside the RD Territory, including at locations that are adjacent to the RD Territory;

1.1.1.3 Offer, sell, operate, and authorize or license others to operate, Dill Dinkers Clubs within and outside the RD Territory; provided, however that if Regional Developer is in full compliance with this Agreement and Franchisor desires to enter into a franchise agreement for the establishment and operation of a traditional Dill Dinkers Club at a physical premises located within the RD Territory (excluding any location that is an Alternative Point of Distribution, as defined in the then-current form of franchise agreement), Franchisor shall so notify Regional Developer and offer Regional Developer the right to execute Franchisor’s then-current form of franchise agreement therefor. Regional Developer shall notify Franchisor in writing, not later than ten (10) days after receipt of notice from Franchisor,

informing Franchisor of Regional Developer's desire to enter into Franchisor's then-current form of franchise agreement therefor. Regional Developer's failure to provide timely notice shall be deemed to constitute an irrevocable rejection of the offer. If Regional Developer timely provides notice of its desire to enter into such franchise agreement, Regional Developer shall return to Franchisor a fully-executed copy thereof, and remit all initial fees payable thereunder, not later than thirty (30) days after Regional Developer's receipt of the above-described notice from Franchisor. Regional Developer's failure to return to Franchisor a fully-executed copy of the franchise agreement, and remit all initial fees payable thereunder, shall be deemed to constitute an irrevocable rejection of the offer;

1.1.1.4 Offer, sell, and provide any products or services (including directly providing Regional Developer Services to RD Territory Franchisees), under any marks (including the Proprietary Marks) within and outside the RD Territory to any party (including RD Territory Franchisees), and through any means;

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

1.1.1.6 Develop or become associated with other concepts (including other franchise systems), whether or not using the System and/or the Proprietary Marks, and/or offer or sell franchises under such other concepts;

1.1.1.7 Acquire, be acquired by, merge, affiliate with, or engage in any transaction with other businesses (whether competitive or not) with outlets located anywhere and, even if such businesses are located in the RD Territory: (i) convert the other businesses to Dill Dinkers Clubs; (ii) permit the other businesses to continue to operate under another name; and/or (iii) permit the other businesses to operate under another name and convert existing Dill Dinkers Clubs to such other name; or

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

1.2. Support Center Premises. Regional Developer must obtain the right to occupy a physical Support Center premises within the RD Territory and shall obtain Franchisor's approval thereof no later than forty-five (45) days after the Effective Date, but in no event later than the Opening (defined in Section 5.2 below) of the Regional Developer Business. The Support Center premises must satisfy Franchisor's standards and specifications as described in the Manuals or otherwise described in writing. Provided there is sufficient space for the Support Center within the RD Club (as defined in Section 5.21) that satisfies Franchisor's standards and specifications, the Support Center may be located within the RD Club. Once approved by Franchisor, the location of the Support Center will be specified in Exhibit A. Regional Developer shall not change the location of the Support Center without notifying Franchisor and obtaining Franchisor's prior written consent to such change. Regional Developer must operate the Regional Developer Business only at and from the Support Center.

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

2. TERM

Except as otherwise provided herein and unless sooner terminated in accordance with the provisions hereof, the term of this Agreement shall commence on the Effective Date and expire on the date that is ten (10) years after the Effective Date. There is no right to a renewal or successor term. Regional Developer accepts this Agreement with the full and complete understanding that the grant of rights to operate a franchise hereunder is not a promise or assurance that Regional Developer will be granted a renewal or successor regional developer agreement. In the event the parties continue to perform under this Agreement after expiration of the term without executing a new agreement, this Agreement will be deemed to extend on a month-to-month basis and both parties will have the right to terminate (and prevent further extensions of) this Agreement upon at least thirty (30) days' written notice.

3. FEES AND PAYMENTS

3.1. RD Territory Fee. Upon execution of this Agreement, Regional Developer shall pay to Franchisor an initial franchise fee in an amount equal to One Hundred Twenty-Five Thousand Dollars (\$125,000) plus Twelve and One/Half Cents (\$.125) for each person in excess of one million (1,000,000) in population residing in the RD Territory (based on 2020 U.S. Census Bureau figures). For example, if the RD Territory has a residential population of 1,150,000, the initial franchise fee would be \$143,750 (\$125,000 plus 150,000 x \$.125). The RD Territory Fee is fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to offer the rights to this franchise to others.

3.2. Payments on Behalf of Regional Developer Regional Developer shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Regional Developer, by consent or otherwise under this Agreement.

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

3.4. Regional Developer's Compensation. During the term of this Agreement, so long as Regional Developer is in compliance with this Agreement, Franchisor shall pay Regional Developer, as compensation for the Regional Developer Services provided by Regional Developer, the Sales Services Compensation and Support Services Compensation on a monthly basis (except as otherwise described below) in the manner designated or prescribed by Franchisor, based on a portion of the fees collected from RD Territory Franchisees provided the relevant fees are received by Franchisor from RD Territory Franchisees:

3.4.1 Sales Services Compensation. If Regional Developer is solely responsible for the recruitment of an RD Territory Franchisee, Franchisor shall pay to Regional Developer compensation equal to thirty-five percent (35%) of the initial franchise fee ("Initial Franchise Fee") received by Franchisor from a RD Territory Franchisee that executes a franchise agreement ("Franchise Agreement") during the term of this Agreement for a Dill Dinkers Club to be operated at and from a physical premises located in the RD Territory (each, a "Franchised Business") ("Sales Services Compensation"). Franchisor shall have the sole right to determine Regional Developer's Sales Services Compensation if more than one party (other than the third parties engaged by Franchisor as described above) has recruited the RD Territory Franchisee. For the avoidance of doubt, Regional Developer shall not be entitled to receive any Sales Services Compensation for an RD Territory Franchisee who has, in Franchisor's determination, been recruited by Franchisor or a third party.

3.4.1.1 Sales Services Required Conditions. Franchisor's obligation to pay Regional Developer Sales Services Compensation is subject to the following conditions: (i) Regional Developer is the first to submit to Franchisor an application pertaining to the prospective RD Territory Franchisee, (ii) both Franchisor and the Applicant (defined in Section 5.19 below) sign the Franchise Agreement and the Applicant pays Franchisor the Initial Franchise Fee; (iii) the sale is for a new Dill Dinkers Franchised Business, and is not a transfer or resale of an existing Dill Dinkers Franchised Business, the renewal of a Dill Dinkers Franchised Business, or the grant of a successor franchise agreement; (iv) Regional Developer uses Franchisor's contact management or business management system, or such other procedure(s) as Franchisor may prescribe in the Manuals or otherwise in writing, as applicable, to input, track, and maintain a detailed history of the communications and status of the Applicant's progress, and Regional Developer guides the Applicant through Franchisor's required sales process, which includes Regional Developer's autonomous management of the lead from receipt of the contact information through all of Franchisor's then-current sales process steps culminating in Regional Developer's collaboration with Franchisor to obtain a signed Franchise Agreement and payment of the applicable Initial Franchise Fee; (v) Franchisor has received and deposited the Initial Franchise Fee from the Applicant, are there are no outstanding sale contingencies; and (vi) Regional Developer is in compliance with this Agreement.

3.4.2 Support Services Compensation. Franchisor shall pay to Regional Developer compensation equal to thirty-five percent (35%) of the royalty fees ("Franchise Royalty Fees") received by Franchisor during the term of the Agreement from every RD Territory Franchisee for services rendered by Regional Developer to those RD Territory Franchisees ("Support Services Compensation").

3.4.2.1 Support Services Required Conditions. Except as otherwise provided in this Agreement, Franchisor's obligation to pay Regional Developer Support Services Compensation is subject to the following conditions: (i) Regional Developer provides the Support Services as described in Section 5.19 of this Agreement and/or as otherwise designated or prescribed by Franchisor, and performs such Support Services to Franchisor's satisfaction; (ii) Regional Developer is in compliance with this Agreement; and (iii) Franchisor has collected and/or received the Franchise Royalty Fees from the RD Territory Franchisees.

3.4.3 All Fees Payable Directly to Franchisor. Regional Developer shall not solicit or accept fees payable under a Franchise Agreement between Franchisor and an RD Territory Franchisee. All such fees must be paid directly to Franchisor. If Regional Developer receives a payment from an RD Territory Franchisee, Regional Developer shall promptly remit the payment to Franchisor and notify the RD Territory Franchisee to direct all future payments to Franchisor. No remittance shall be payable by Franchisor to Regional Developer for any transfer or renewal fees paid to Franchisor by RD Territory Franchisees.

3.5. Franchisor's Right to Waive, Reduce, Defer, and Forgive Franchise Fees. Franchisor shall have the right, at Franchisor's sole option, to waive, reduce, defer, and forgive any fees and payments due or payable by RD Territory Franchisees to Franchisor or its affiliates, including Initial Franchise Fees, Franchise Royalty Fees, and training fees. Regional Developer agrees and acknowledges that Regional Developer shall not be entitled to any remuneration relating to such waived, reduced, deferred, or forgiven fees, unless and until such fees are, in fact, paid to Franchisor. Franchisor shall have no obligation to undertake any collection efforts in the case of unpaid fees. Franchisor shall have the right, at Franchisor's option, to (i) terminate any Franchise Agreement, (ii) acquire the assets of any RD Territory Franchisee (including the Franchise Agreement), (iii) acquire an ownership interest in any RD Territory Franchisee, (iv) disapprove the transfer of any Dill Dinkers Franchised Business or an ownership interest in any RD Territory Franchisee, (v) refuse to renew a Franchise Agreement or to enter into a successor Franchise

Agreement, and (vi) discontinue offering or granting franchises. Regional Developer shall have no right to remuneration of any kind therefor.

3.6. Franchisor's Right to Withhold Payments to Regional Developer. Franchisor shall have the right, at Franchisor's option, to withhold all or any part of any payment described in this Section 3 to Regional Developer if Regional Developer fails to provide the services described in Section 5 to Franchisor's satisfaction or as an offset against any amount Regional Developer owes Franchisor under this Agreement or any related agreement. In addition, Regional Developer is not entitled to receive or earn Sales Services Compensation and/or Support Services Compensation at any time that Regional Developer is in uncured default of a noticed default of this Agreement.

3.7. Technology Fee. Regional Developer must pay Franchisor a monthly technology fee ("Technology Fee") in its then-current amount for access to and/or use of technology systems, services, platforms, and software that Franchisor requires Regional Developer to obtain or access through Franchisor, as Franchisor deems necessary and advisable in its sole determination, which may include, for example, licenses, subscriptions, development, maintenance, and/or access to Franchisor's franchise sales management CRM platform and a Dill Dinkers email address. Franchisor reserves the right to change, add to, remove from, or substitute the types, nature, and ultimate vendor of technology systems, services, platforms, and software that Regional Developer must obtain or access through Franchisor. Franchisor may increase or otherwise change the amount of the Technology Fee upon prior written notice to Regional Developer, including upon changes in the technology systems, services, platforms, and software that Regional Developer must obtain or access through or from Franchisor or changes in Franchisor's costs regarding such technology systems, services, platforms, and software.

3.8. Franchisor's Right to Allocate. If there is a dispute between Regional Developer and another regional developer, or if more than one party is responsible for recruiting or providing any of the services described in this Agreement to an RD Territory Franchisee in the RD Territory, Franchisor shall have the right, in its sole judgment, to determine the share or allocation of fees for the provision of those services.

4. SERVICES BY FRANCHISOR

4.1. Initial and Ongoing Assistance. Prior to the Opening of the Regional Developer Business (defined below in Section 5.2), Franchisor shall provide to Regional Developer, its Operating Principal (as defined in Section 5.15.4.1 below), and to such of Regional Developer's other employees of which Franchisor shall approve for training, such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisor shall be responsible for the cost of instruction and materials, subject to the terms set forth in Section 5.3.4 below.

4.2. Opening Assistance. Franchisor will provide such pre-opening assistance to Regional Developer as Franchisor deems advisable. The date, time, and nature of the pre-opening support will be determined by Franchisor at its sole option.

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

4.4. Merchandising and Marketing Advice. Franchisor shall provide Regional Developer such merchandising, marketing, and other related advice as Franchisor deems advisable and as Franchisor may develop from time to time.

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

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

4.7. Computer System. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, hardware, and software used by, between, or among Dill Dinkers Clubs, including: (a) back office and contact management or business management systems, franchise sales management CRM platform, client systems, data, audio, video, and voice storage, retrieval, and transmission systems for use in the Regional Developer Business, between or among Dill Dinkers Clubs, and between and among the Regional Developer Business and Franchisor and/or Regional Developer; (b) printers and other peripheral devices; (c) archival back-up systems; (d) e-mail systems; and (e) Internet access mode and speed (collectively, the “Computer System”).

4.8. Inspection. Franchisor shall have the right to inspect the Computer Systems and records and reports of the Regional Developer Business prior to the Opening of the Regional Developer Business and periodically throughout the term of the Agreement as described in Section 7.4 below. Regional Developer shall not commence operation of the Regional Developer Business without Franchisor’s prior written approval.

4.9. Delegation of Duties. Regional Developer acknowledges and agrees that any designee (including Regional Developer or another regional developer designated by Franchisor), employee, or agent of Franchisor may perform any duty or obligation imposed on or available to Franchisor by this Agreement, as Franchisor may direct.

5. OBLIGATIONS OF REGIONAL DEVELOPER; OPERATIONAL STANDARDS

5.1. System Standards and Development of the Regional Developer Business. Regional Developer understands and acknowledges that every detail of the Regional Developer Business is important to Regional Developer, Franchisor, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the Dill Dinkers brand, products, and services, and to protect Franchisor’s reputation and goodwill.

5.2. Regional Developer Business Opening. Regional Developer shall open the Regional Developer Business according to the requirements contained herein, no later than one hundred eighty (180) days after the Effective Date. “Opening” as defined in this Agreement means the date on which Regional Developer offers Regional Developer Services to RD Territory Franchisees. In connection with the Opening of the Regional Developer Business:

5.2.1 Regional Developer shall not open the Regional Developer Business for business without first complying with all of Franchisor’s pre-opening requirements and obligations contained in this Agreement and the Manuals, and obtaining Franchisor’s prior written consent.

5.2.2 Regional Developer shall not open the Regional Developer Business for business until on or after the date the Support Center opens. Regional Developer must open the Support Center within one hundred eighty (180) days after the Effective Date

5.2.3 Regional Developer shall not open the Regional Developer Business until Regional Developer's Operating Principal and General Manager have successfully completed all training required by Franchisor, and Regional Developer has hired and trained to Franchisor's standards a sufficient number of employees to service the anticipated level of the RD Territory Franchisees in the RD Territory.

5.2.4 Regional Developer shall not open the Regional Developer Business until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.3. Training. Regional Developer acknowledges that its owners and manager(s) must be knowledgeable regarding the operation of Dill Dinkers Clubs, including the provision of client service in accordance with the brand standards established by Franchisor, which may be modified by Franchisor from time to time. Regional Developer acknowledges that successful completion of Franchisor's training programs by Regional Developer's owners and managers is critical to properly own, operate and manage the Regional Developer Business. Regional Developer's employees must be covered by Regional Developer's workers' compensation insurance policy prior to commencing training with Franchisor, and Regional Developer must provide evidence of such coverage if requested by Franchisor. Prior to the Opening of the Regional Developer Business, Regional Developer's Operating Principal and General Manager shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor (the "Initial Training Program") no later than thirty (30) days after Regional Developer executes a lease for the Support Center and prior to Opening under Section 5.2. There is no fee for two attendees to attend the Initial Training Program. Franchisor may permit additional individuals to attend some or all of the initial training program, at Franchisor's option and upon payment of Franchisor's then-current training fee. All individuals who complete Franchisor's Initial Training Program are "Regional Developer's Principal Trainees". Initial training may require Regional Developer's Principal Trainees to successfully complete all examinations and tests administered by Franchisor. The training programs, including the Initial Training Program, shall be conducted at facilities designated by Franchisor, which may include company-owned Dill Dinkers Clubs, Dill Dinkers Clubs owned and operated by other franchisees, and other facilities. Regional Developer and/or its applicable personnel must successfully complete Franchisor's training program and receive Franchisor's certification. Failure to complete the Initial Training Program in accordance with this Section 5.3 may result in termination of this Agreement.

5.3.1 Operating Principal and General Manager. All aspects of the Regional Developer Business shall be conducted under the management and supervision of the Operating Principal. In addition, the daily operations of the Regional Developer Business shall be supervised under the active full-time management of the Operating Principal or General Manager who has successfully completed (to Franchisor's satisfaction) the Initial Training Program. If the Operating Principal or the General Manager cease active management of or employment at the Regional Developer Business, Regional Developer shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in the Initial Training Program not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the Initial Training Program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so. Regional Developer shall pay Franchisor's then-current training fees and per diem expenses.

5.3.2 Ongoing Training. The Regional Developer's Principal Trainees may also be required to attend such ongoing, additional, or refresher courses, seminars, and other training programs as Franchisor may reasonably specify from time to time, including up to ten (10) days of ongoing training or refresher training programs each year during the term of the Agreement. In addition, such of the Regional

Developer's Principal Trainees as Franchisor may require may be required to attend Franchisor's annual convention for up to three (3) days per year, at Regional Developer's expense.

5.3.3 Annual Convention. If Franchisor elects to hold an annual convention, Regional Developer's Operating Principal (and any other designated Principal Trainees) shall attend Franchisor's annual convention, and attend the annual convention at Regional Developer's expense. Regional Developer shall be responsible for Regional Developer and any approved attendees' costs and expenses to attend the convention, including transportation, meals, and lodging. Franchisor reserves the right to charge a registration fee for franchisees to attend the annual conference in the future.

5.3.4 Training Costs. The cost of all initial training instruction and required materials shall be borne by Franchisor. All other expenses incurred in connection with training or attendance at any Franchisor's annual convention, including the costs of transportation, lodging, meals, wages, workers' compensation insurance, and trainees' meals during training sessions, for Regional Developer, its investors, and all of its employees, shall be borne by Regional Developer.

5.4. Hours of Operation. Regional Developer shall keep the Regional Developer Business open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals or as Franchisor may otherwise approve in writing

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

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

5.6.1 To provide only and all Regional Developer Services as have been expressly approved in writing by Franchisor; to provide all Regional Developer Services as specified by Franchisor; to provide Regional Developer Services only to RD Territory Franchisees; to refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue providing any Regional Developer Services which Franchisor shall have the right to disapprove, in writing, at any time.

5.6.2 To offer and provide at all times only such services as conform to Franchisor's written standards and specifications, and to refrain from deviating therefrom by the use or offer of any non-conforming items without Franchisor's specific prior written consent.

1.1 Suppliers. Regional Developer shall purchase, lease, or license and install at the Support Center and/or otherwise use in connection with the Regional Developer Business all equipment (including the Computer System, projectors, screens, and physical, electronic, and other security systems), products, supplies, services, and materials used in the Regional Developer Business solely from suppliers that Franchisor has approved in writing, which may be Franchisor or its affiliate. In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including whether the supplier is an entity: who can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Regional Developer's needs promptly and reliably; who would enable the system, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who has been approved in writing by Franchisor prior to any purchases by Regional Developer from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, service providers, manufacturers, distributors, resellers, and other vendors. Regional Developer recognizes that Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular service or product, and that Franchisor may so designate itself or its affiliate. For any services or products that Franchisor deems to be proprietary to the System, Franchisor reserves the right to designate one (1) supplier, which supplier may be Franchisor or an affiliate.

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

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

5.6.5 Notwithstanding anything to the contrary contained in this Agreement, Regional Developer acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Regional Developer Businesses with some or all of the equipment, products, and services that Franchisor requires for use and/or sale in the development and/or operation of Regional Developer Businesses. Such suppliers may be affiliates of Franchisor. In this event, Franchisor may limit the number of approved suppliers with whom Regional Developer may deal, designate sources that Regional Developer must use for some or all equipment, services, and products, and/or refuse any of

Regional Developer's requests if Franchisor believes that this action is in the best interests of the System or the network of Regional Developer Businesses or Dill Dinkers Clubs. Franchisor shall have the sole option to approve or disapprove of the suppliers who may be permitted to sell equipment, services, and products to Regional Developer.

5.6.6 Regional Developer shall comply with all terms, conditions, and obligations of all contracts and arrangements with suppliers, including contracts and arrangements negotiated by Franchisor or third parties as part of a network or multiple-franchise or multiple-Dill Dinkers Franchised Business supply and distribution arrangement, and Regional Developer's contracts with and obligations to suppliers. Regional Developer shall promptly pay all suppliers in accordance with the agreed-upon terms. In the event Regional Developer fails to promptly pay one or more suppliers as required, Franchisor may, but is not required to, pay such supplier(s) on behalf of Regional Developer, and Regional Developer shall promptly reimburse Franchisor for such payment following notice from Franchisor.

5.6.7 Regional Developer acknowledges and agrees that all functions of the Regional Developer Business shall be provided by Regional Developer or Regional Developer's employees.

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

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

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

power lines, and other related facilities, as Franchisor directs periodically in writing. Regional Developer shall provide to Franchisor, upon Franchisor's request, all e-mail lists and customer lists used or maintained by Regional Developer on the Computer System or elsewhere.

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

5.8.3 Regional Developer agrees to install and use the Computer System and Required Software in the manner that Franchisor requires and to use only the Computer System and Required Software that Franchisor designates.

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

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

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

5.8.7 Because changes to technology are dynamic and not predictable during the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, Regional Developer agrees: (a) that Franchisor will have the right to establish, in writing, reasonable new standards to address new technologies, whether published in the Manuals or otherwise in writing, and that Franchisor has the right to implement those changes in technology into the System; and (b) to abide by Franchisor's reasonable new standards as if this Section 5.9, and other technology provisions in this Agreement, were periodically revised for that purpose.

5.9. RD Territory Franchisee and Customer Data. Regional Developer agrees that all data that it collects from RD Territory Franchisees and RD Territory Franchisees' customers in connection with the Regional Developer Business ("RD Territory Franchisee and Customer Data") is deemed to be owned exclusively by Franchisor. Regional Developer has the right to use RD Territory Franchisee and Customer Data while this Agreement or a successor or renewal Regional Developer Agreement is in effect, but only in connection with operating the Regional Developer Business and only in accordance with the policies that Franchisor establishes from time to time. Regional Developer may not sell, transfer, or use RD Territory Franchisee and Customer Data for any purpose other than operating the Regional Developer Business and marketing the Dill Dinkers brand's products and services. However, if Regional Developer Transfers the Regional Developer Business (as provided in Section 12.3 below), as part of the Transfer, Regional Developer must also Transfer use of the RD Territory Franchisee and Customer Data to the buyer as part of the total purchase price paid for the Regional Developer Business. Regional Developer must secure from its vendors, customers, prospective customers, and others all consents and authorizations, and provide them all disclosures, that applicable law (including any Applicable Data Protection Laws) requires to transmit

the Customer Data to Franchisor and its affiliates and for Franchisor and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

5.10. Data Protection Obligations. For purposes of this Section 5.11, “Personal Information” means information that identifies, relates to, or could reasonably be linked to individuals, including but not limited to, Regional Developer’s customers, employees, independent contractors, and business contacts, and/or otherwise including particular elements of “personal information” as defined under Cal. Civ. Code § 1798.140.

5.10.1 Regional Developer acknowledges and agrees that it will collect, process, and otherwise use Personal Information, and transfer Personal Information to Franchisor, in compliance with all applicable laws, rules, and regulations applicable to privacy and security of Personal Information, including, but not limited to, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act (“Applicable Data Protection Laws”). Regional Developer agrees to hold Franchisor and its affiliates harmless of any liability and losses and expenses incurred, suffered or sustained by Franchisor and its affiliates, shareholders, officers, directors, employees and agents, as a result of Regional Developer’s non-compliance with Applicable Data Protection Laws.

5.10.2 Regional Developer agrees to comply with Franchisor’s standards and policies pertaining to Applicable Data Protection Laws. If there is a conflict between Franchisor’s standards and policies pertaining to Applicable Data Protection Laws and actual applicable law, Regional Developer shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet its standards and policies pertaining to Applicable Data Protection Laws within the bounds of applicable law. Regional Developer agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor’s prior written consent as to said policy.

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

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

5.10.3.2 Assist Franchisor with the resolution of any request or inquiries that Franchisor receives from individuals and/or data protection regulators relating to Regional Developer’s processing of Personal Information and, if and to the extent requested by Franchisor, cooperate with any regulators’ requests.

5.10.3.3 Implement and maintain reasonable and appropriate physical, technical, and administrative safeguards, procedures, and practices to protect and maintain the confidentiality, security, accuracy, integrity, availability, and authenticity of Personal Information.

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

5.10.3.5 Require any service provider, sub-processor, subcontractor, or other vendor that receives Personal Information to agree to provisions materially similar to those found within this Section 5.11.

5.10.3.6 Notify Franchisor if it believes that it can no longer meet the obligations of this Section 5.11.

5.10.3.7 Allow and contribute to reasonable audits by Franchisor, including inspections by the Franchisor or its auditor, to verify Regional Developer's compliance with data processing and security obligations and Applicable Data Protection Laws.

5.10.4 For purposes of this Section 5.11, "Security Incident" means any actual or reasonably suspected unauthorized disclosure, release, access, or acquisition of Personal Information. In the event of any Security Incident, Regional Developer shall notify Franchisor immediately but no later than forty-eight (48) hours after Regional Developer or any of its vendors become aware of a Security Incident. Such notifications shall include, at a minimum, the following information to the extent known by Regional Developer and as it becomes available: (i) detailed description of the Security Incident, (ii) the date or estimated date of the Security Incident, (iii) the date range of the Security Incident within which the Security Incident occurred, (iv) the type of Personal Information that was the subject of the Security Incident, whether the notification was delayed as a result of a law enforcement investigation, and (v) the identity of each impacted individual. Regional Developer shall take immediate action to investigate the Security Incident and shall use industry standard, reasonable efforts to mitigate the effects of any such Security Incident. Regional Developer shall also provide Franchisor with reasonable assistance to satisfy any legal obligations (including obligations to notify impacted individuals and any data protection regulator) of Franchisor in relation to such Security Incident.

5.10.5 To the extent Regional Developer's activities require a restricted transfer (as such term is defined under Applicable Data Protection Laws) of Personal Information to Franchisor, such restricted transfer shall be undertaken pursuant to a legal mechanism for transfer as approved under Applicable Data Protection Laws (which legal mechanism may include, without limitation, the entry into standard contract clauses for restricted transfers).

5.10.6 Regional Developer further agrees and certifies that it will not:

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

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

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

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

5.10.7 This Section 5.11 will survive expiration or termination of this Agreement and any other agreement(s) that may exist between Regional Developer and Franchisor (or its subsidiaries or affiliates). Existing terms in such agreement(s) remain in effect except that this Section 5.11 controls in the event of a conflict with such terms. In the event of a breach of this Section 5.11, Franchisor may take reasonable and appropriate steps to stop and remediate the unauthorized use by Regional Developer of Personal Information. Regional Developer will make available to Daddy's Chicken Shack all information requested by Daddy's Chicken Shack to demonstrate Regional Developer's compliance with the obligations set out in this Section 5.11.

5.11. Website. Franchisor will maintain a Website for the benefit of Franchisor, its franchisees, and the Dill Dinkers brand and System. Regional Developer shall not establish a Website or permit any other party to establish a Website that relates in any manner to the Regional Developer Business or refers to the Proprietary Marks without Franchisor's prior written consent. Franchisor has the right, but not the obligation, to provide one or more references or webpage(s) to Regional Developer's Regional Developer Business, as Franchisor may periodically designate, within Franchisor's Website. (The term "Website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, social networking sites (including Facebook, X (formerly known as Twitter), LinkedIn, Instagram, YouTube, etc.), blogs, vlogs, and other applications, etc.). Regional Developer agrees, if Franchisor so requires, to establish, maintain, and update a Website other than or in addition to the Dill Dinkers Website for the Regional Developer Business, and/or to engage the supplier(s) that Franchisor may, at its option, designate to establish, maintain, and update such Website on Regional Developer's behalf. If Franchisor approves in writing a request for Regional Developer to use a Website, or if Franchisor instructs Regional Developer to establish and maintain a Website for the Regional Developer Business, then Franchisor shall have the right to require that Regional Developer meet any or all of the following requirements (but this provision is not meant to imply that Franchisor is obligated to permit Regional Developer to have its own Website):

5.11.1 Regional Developer agrees that any Website that is maintained for Regional Developer's benefit or that Regional Developer owns will be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's prior written approval pursuant to Section 6 below.

5.11.2 Regional Developer agrees not to use or modify any such Website without Franchisor's prior written approval as to such proposed use or modification.

5.11.3 Regional Developer agrees, in addition to any other applicable requirements, to comply with Franchisor's written standards and specifications for Websites, whether set forth in the Manuals or otherwise.

5.11.4 Regional Developer shall sign any agreements that Franchisor may require in connection with the Website.

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

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

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

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

5.12.4 The consent given above in this Section 5.13 will not apply to the provision of formal notices under this Agreement by either party using e-mail unless and until the parties have otherwise agreed, in a pen-and-paper writing that both parties have signed.

5.13. Compliance with Laws and Good Business Practices. Regional Developer shall operate the Regional Developer Business in full compliance, subject to its right to contest, with all applicable laws, ordinances, and regulations, including all government regulations relating to occupational hazards and health, workers' compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. All advertising and promotion by Regional Developer shall be factually accurate and conform to the highest standards of ethical advertising. Regional Developer shall in all dealings with RD Territory Franchisees, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Regional Developer shall refrain from any business or advertising practice that may be injurious to the business of Franchisor and the goodwill associated with the Proprietary Marks, brand, and other regional developers and franchisees.

5.14. Regional Developer Structure; Operating Principal and Owners.

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

5.14.2 If Regional Developer is a partnership or limited liability partnership, it shall: (i) be newly organized, and confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Regional Developer Business; (ii) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (iii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Regional Developer, which list shall be amended to reflect changes in ownership, as permitted under this Agreement; and (iv) maintain stop transfer instructions on its records and in its partnership agreement against the transfer of partnership interests and equity securities, and shall only issue securities or partnership interests with documentation which bears a notice or legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

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

5.14.4 Regional Developer shall designate, subject to the review and approval or disapproval by Franchisor, individuals to serve in the following positions:

5.14.4.1 Operating Principal. An Operating Principal shall participate personally in the direct operation of the Regional Developer Business. Regional Developer shall notify Franchisor promptly if the individual serving as the Operating Principal for the Regional Developer Business no longer serves as an employee of Regional Developer or no longer meets the requirements of being an Operating Principal for the Regional Developer Business. “Operating Principal” shall mean an individual who: (1) has completed Franchisor’s required training program, (2) Franchisor has approved to supervise the day-to-day operations of the Regional Developer Business, and (3) owns at least five percent (5%) of the equity interest in Regional Developer.

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

5.14.4.3 General Manager. Regional Developer shall designate a Regional Developer Business general manager, subject to approval by Franchisor, and satisfactory completion of Franchisor's training programs, who shall be responsible for the direct oversight and management of the day-to-day operations and personnel at the Regional Developer Business (the "General Manager"). The General Manager and the Operating Principal may be the same person, if he/she is qualified to perform both roles and duties, and is approved by Franchisor.

5.15. Personal Guarantee, Indemnification, and Acknowledgement. Concurrent with its execution of this Agreement, each owner shall execute the Guarantee, Indemnification, and Acknowledgement in the form attached to this Agreement as Exhibit E; provided, however, that no guarantee shall be required from a person who acquires Regional Developer's securities (other than a controlling interest) if and after Regional Developer becomes registered under the Securities Exchange Act of 1934. In addition, Franchisor may require that the spouse (or domestic partner or other immediate family member) of an owner sign the Guarantee, Indemnification, and Acknowledgment.

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

5.17. Development Schedule. Recognizing that time is of the essence, Regional Developer agrees to cause Franchised Businesses to be opened and continuously operating, according to the Development Schedule; that is, during each Development Period (as set forth in Exhibit B), RD Territory Franchisees (which may be Regional Developer or a third-party Franchisee approved by Franchisee) must open, each pursuant to a separate Franchise Agreement, the number of Franchised Businesses set forth in Exhibit B in the RD Territory, and by the end of each Development Period, there must be open and operating by RD Territory Franchisees the cumulative number of Franchised Businesses set forth in Exhibit B within the RD Territory. Failure by Regional Developer to adhere to the Development Schedule shall constitute a default under this Agreement as provided in Section 13 hereof. Any Franchised Businesses opened during a given period in excess of the minimum number of Franchised Businesses required to be opened upon expiration of that period, may, at Franchisor's option, be credited to Regional Developer's obligation during the next succeeding period, if any.

5.18. Regional Developer's Sales Services and Support Services. Regional Developer must comply with applicable law in the solicitation and recruitment of RD Territory Franchisees as described in this Section 5.19 (the "Sales Services"). Regional Developer shall also provide to RD Territory Franchisees the services described below in this Section 5.19 and in the manner Franchisor designates or prescribes in

the Manuals or otherwise in writing, including providing site acquisition, review, and development services to RD Territory Franchisees, providing ongoing support and assistance to RD Territory Franchisees (including, without limitation, marketing, operational, training, and field support services), promoting the Dill Dinkers brand in the RD Territory, resolving RD Territory Franchisee and customer issues, and monitoring and ensuring quality assurance and RD Territory Franchisees' compliance with brand standards and operational requirements (the "Support Services"). Regional Developer accepts the following obligations regarding the Sales Services and Support Services:

5.18.1 Summary of Sales Services. Regional Developer shall: (i) advertise, market, and recruit RD Territory Franchisees; (ii) at Franchisor's request, deliver to all RD Territory Franchisees franchise disclosure documents ("FDDs") provided by Franchisor and such other documents prescribed by Franchisor, within the times prescribed by applicable law; and (iii) submit to Franchisor, at the times requested by Franchisor, complete and accurate information as Franchisor requires to prepare FDDs and such other documents prescribed by Franchisor, register Regional Developer as a broker (or, upon Franchisor's direction, Regional Developer will register itself as a broker and provide proof of such registration to Franchisor), register Franchisor's franchise offerings, file or register franchise sales advertisements, and maintain such FDDs and registrations or exemptions in compliance with applicable law.

5.18.2 Recruitment Subject to Local Laws. Regional Developer shall not recruit RD Territory Franchisees in a jurisdiction which requires Franchisor to be registered to offer and sell franchises or exempt from offering and selling franchises unless the applicable offering is registered or exempt in the jurisdiction at the time of recruitment. Upon receipt of notice from Franchisor, Regional Developer shall immediately suspend all franchise recruiting activities and not resume them until Franchisor notifies Regional Developer that any required franchise registrations or exemptions are effective. Franchisor may require Regional Developer to re-disclose RD Territory Franchisees that have already been disclosed. Any suspension in Regional Developer's right to recruit RD Territory Franchisees for the purpose of compliance with applicable laws shall not affect Regional Developer's duty to comply with Regional Developer's other obligations under this Agreement (including, without limitation Regional Developer's obligations regarding Support Services, pre-opening support, and training), nor shall Regional Developer be entitled to any remuneration or other compensation from Franchisor as a result of any such suspension, regardless of the cause thereof.

5.18.3 Distribution of Franchise Documents. Regional Developer shall not distribute a franchise agreement or other agreement, FDD, advertisement, warranty, or financial performance representation or earnings claim, unless Franchisor has given its prior written approval to such use and has not subsequently withdrawn its prior written approval.

5.18.4 No Financial Performance Representations and Earnings Claims. Regional Developer shall make no representations to RD Territory Franchisees, including any oral, written, or visual representation, that states, expressly or by implication, a specific level or range of actual or potential sales, income, gross profits, or net profits (financial performance representations), unless those financial performance representations are made in a manner which complies with all applicable laws and are pre-approved by Franchisor in writing.

5.18.5 Applicant Materials. Regional Developer will submit to each qualified RD Territory Franchisee (an "Applicant"), an application or application link, in such form and manner as Franchisor may prescribe. All such Applicants shall meet Franchisor's criteria for RD Territory Franchisees or owners of RD Territory Franchisees, as set forth in the Manuals or otherwise in writing. Each application must be submitted to Franchisor with all information respecting the Applicant, the owners of the Applicant,

if applicable, the physical premises of the Applicant's proposed Franchised Business, if known, and all other information Franchisor then requires, including financial statements and other information.

5.18.6 Franchisor's Rights Regarding Applicants and Franchise Agreements. Franchisor shall have the right, at its sole option, to approve or disapprove any Applicant, regardless of whether the Applicant meets Franchisor's franchisee criteria. Franchisor shall have no obligation to sign a franchise agreement with any Applicant. Franchisor shall also have the right to (1) negotiate the terms of franchise agreements with any Applicant, (2) waive any Initial Franchise Fees, Franchise Royalty Fees, or other fees for any Applicant, and (3) enter into any franchise agreements, as Franchisor deems advisable.

5.18.7 Advertise for RD Territory Franchisees. Regional Developer shall actively advertise for RD Territory Franchisees in the RD Territory at Regional Developer's expense. Regional Developer shall submit to Franchisor for Franchisor's prior written approval samples of all advertising and promotional materials that Franchisor has not prepared or previously approved. Where required by applicable law, Regional Developer will cooperate with Franchisor to file or register franchise sales advertisements with relevant governmental authorities, and Regional Developer will not use such franchise sale advertisements until expressly authorized by Franchisor.

5.18.8 Assist with Pre-Opening Support. Regional Developer shall provide RD Territory Franchisees with such pre-opening support as and in the manner Franchisor may designate or prescribe in the Manuals or otherwise in writing.

5.18.9 Initial and Ongoing Training. Regional Developer shall provide to each RD Territory Franchisee in the RD Territory (or facilitate the provision of) such initial and ongoing training as Franchisor designates or prescribes in the Manuals or otherwise in writing in compliance with Franchisor's specifications regarding the location, duration, and content of such training. Regional Developer agrees that as part of the Support Services, Regional Developer may be required by Franchisor to assist with trainings at locations both inside and outside of the RD Territory, including training at RD Territory Franchisee meetings and conventions. Franchisor shall prescribe the requirements for such offsite trainings in the Manuals or otherwise in writing, including travel costs and expenses and training coverage requirements.

5.18.10 Do Not Solicit or Accept Commissions or "Kickbacks". Regional Developer shall neither solicit nor accept any bribe, kickback, commission, or other payment payable from any RD Territory Franchisee or any vendor selling to Regional Developer. Regional Developer shall not participate financially in or with any vendor selling to an RD Territory Franchisee nor shall Regional Developer sell or lease any items to an RD Territory Franchisee without full and prior disclosure of the details of Regional Developer's involvement in the affairs or ownership of the vendor to Franchisor, and without Franchisor's prior written approval.

5.18.11 Compliance. All Sales Services and Support Services provided by Regional Developer under this Section 5.19 shall be provided in compliance with all applicable laws and the Manuals.

5.19. No Third-Party Management. The Regional Developer Business shall be operated under the control and supervision of Regional Developer, its Operating Principal, the General Manager, or another general manager hired by and employed by Regional Developer and approved by Franchisor. Regional Developer shall not hire or retain a management company, manager (other than a manager employed by Regional Developer who has completed the Initial Training Program), or third party to undertake any of the management or operational functions of the Regional Developer Business.

5.20. Execution of Franchise Agreement and Operation of Dill Dinkers Club. Contemporaneous with the execution of this Agreement, Regional Developer shall execute Franchisor's current form of

franchise agreement (the “RD Franchise Agreement”) for the establishment and operation of one (1) Dill Dinkers Club to be located at a physical premises within the RD Territory (the “RD Club”). Regional Developer shall at all times comply with the terms of the RD Franchise Agreement and, upon opening the RD Club, shall continuously operate the RD Club throughout the term of this Agreement, in accordance with the RD Franchise Agreement. Regional Developer shall make the RD Club available and shall utilize the RD Club for the performance of Sales Services and Support Services as needed.

5.21. Equipment Upgrades. Regional Developer shall make, from time to time, such upgrades, replacements, or other changes to the equipment utilized in the Regional Developer Business and the Computer System as Franchisor may request in writing (collectively, “Equipment Upgrades”). Franchisor shall have the right to require any Equipment Upgrades it deems necessary for Regional Developer’s Regional Developer Business.

6. ADVERTISING AND MARKETING

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

6.1. Local Advertising and Social Engagement. Commencing on the Effective Date, Regional Developer must spend at least Two Hundred Dollars (\$200) per month on local advertising and social engagement (defined below in Section 6.2) (the “Local Advertising and Social Engagement Amount”) within the RD Territory. All local advertising and social engagement by Regional Developer shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; shall conform to such standards and requirements as Franchisor may specify; and shall comply with all applicable laws. Regional Developer shall not use any advertising or promotional plans or materials unless and until Regional Developer has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 6.3 below. Regional Developer shall comply with all of Franchisor’s written instructions, policies, procedures, and restrictions regarding advertising and marketing.

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

6.2.1 Salaries and expenses of any employees of Regional Developer, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees;

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

6.2.3 The value of discounts provided to customers.

6.3. Approvals. For all proposed local advertising and social engagement, Regional Developer shall submit samples of such plans and materials to Franchisor in the manner that Franchisor prescribes, for

Franchisor's review and prior written approval. If written approval is not received by Regional Developer from Franchisor within fifteen (15) days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have disapproved them. Regional Developer acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by or on behalf of Regional Developer shall be the sole property of Franchisor, and Regional Developer agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

6.4. Promotional Materials. Franchisor may make available to Regional Developer from time to time, at Regional Developer's expense, advertising plans and promotional materials, including newspaper mats, merchandising materials, sales aids, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and social engagement. Franchisor may provide periodic marketing assistance to Regional Developer, including telephone and e-mail marketing assistance, and templates or other materials for e-mail-based marketing. Franchisor shall have the right to require all advertising and promotional materials and accessories, signs, decorations, all forms and stationery used in the Regional Developer Business, and other items which may be designated by Franchisor, to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

7. RECORDS AND REPORTS

7.1. Records. Regional Developer shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles, as required by law, and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. Regional Developer shall prepare and maintain all books and records required under this Agreement and as prescribed by Franchisor during each fiscal year during the term of this Agreement and for the three (3) years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Franchisor or its designee without special hardware or software.

7.2. Periodic Reports. Regional Developer shall, at its expense, provide to Franchisor, in a format specified by Franchisor, such financial and operating reports that Franchisor prescribes.

7.3. Reporting Requirements. Regional Developer shall submit to Franchisor such forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing.

7.4. Audit. Franchisor or its designee shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor's expense, all books, records, and sales and income tax returns of Regional Developer. Regional Developer shall cooperate fully with all audits and requests for information made by Franchisor or its designees. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Regional Developer.

7.5. Data. All data provided by Regional Developer in any form, and whether required by this Section 7.5 or any other requirement under the System or in the Manuals, including data uploaded to Franchisor's computer system from Regional Developer's Computer System, and/or downloaded from the Regional Developer's Computer System to Franchisor's computer system, is and will be owned exclusively

by Franchisor, including without limitation, RD Territory Franchisee and Customer Data (described in Section 5.10 above), customer lists, and e-mail lists, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Regional Developer. In addition, all other data created or collected by Regional Developer in connection with the System, or in connection with Regional Developer's operation of the business (including but not limited to customer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Regional Developer, at no additional cost, solely for the term of this Agreement and solely for Regional Developer's use in connection with the business franchised under this Agreement. Franchisor may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, and providing information to prospective franchisees, and/or in complying with government regulations.

8. PROPRIETARY MARKS

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

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

8.1.2 Regional Developer shall use the Proprietary Marks only for the operation of the business franchised hereunder, or in Franchisor-approved advertising for the business conducted within the RD Territory.

8.1.3 Regional Developer shall identify itself (in a manner reasonably acceptable to Franchisor) as the independent owner of the franchised Regional Developer Business in conjunction with any use of the Proprietary Marks, including uses on invoices, order forms, receipts, and contracts, as Franchisor may designate in writing.

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

8.1.5 Regional Developer shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor.

8.1.6 Regional Developer shall not use the Proprietary Marks or any variant thereof as part of its corporate or other legal name, or as part of any e-mail address, domain name, websites, or other identification of Regional Developer in any electronic medium (including e-mail addresses, account names in a social media site, and the like) of Regional Developer or the Regional Developer Business in any forum or medium.

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

8.1.8 With respect to litigation or action involving the Proprietary Marks, the parties agree that:

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

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

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

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

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

8.2.2 Neither Regional Developer nor any owner of Regional Developer shall directly or indirectly contest the validity of ownership of the Proprietary Marks by Franchisor or its affiliate, or Franchisor's license to use and sublicense the Proprietary Marks. Nor shall Regional Developer or any owner of Regional Developer, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with the express prior written consent of Franchisor. Regional Developer shall not grant, or attempt to grant, a security interest in, or otherwise encumber, any Proprietary Marks or record any security interest or encumbrance against any application or registration regarding any Proprietary Marks.

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

8.2.4 Any and all goodwill arising from Regional Developer's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor. This Agreement does not confer any goodwill or other interests in Proprietary Marks upon Regional Developer other than the limited right to

operate the Regional Developer Business in compliance with this Agreement. Upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Regional Developers' use of the System or the Proprietary Marks.

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

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

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

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

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

9. MANUALS

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

9.2. Confidentiality of the Manuals. Regional Developer shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Regional Developer Business, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential, protect it from viewing by others, and treat the Manuals with the same degree of care as it would treat its most highly confidential documents. Regional Developer shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

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

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

10. CONFIDENTIALITY AND COVENANTS NOT TO COMPETE

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

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

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

10.4. Full Time and Best Efforts. During the term of this Agreement, except as otherwise approved in writing by Franchisor, the Operating Principal or a General Manager appointed in accordance

with Section 5 shall devote full time, energy, and best efforts to the management and operation of the Regional Developer Business.

10.5. In-Term Covenants. Regional Developer specifically acknowledges that, pursuant to this Agreement, Regional Developer will receive valuable trade secrets, specialized training and Confidential Information, including information regarding Franchisor's operational, sales, promotional, and marketing methods and techniques and the System. During the term of this Agreement, except as otherwise approved in writing by Franchisor, Regional Developer shall not within anywhere in the United States, either directly or indirectly, for Regional Developer, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

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

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

10.6. Post-Term Covenants. Except as otherwise approved in writing by Franchisor, Regional Developer shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12.3 below; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 10.6, either (1) directly or indirectly own, maintain, operate, engage in, have any interest in, or provide any assistance to (whether as owner, stockholder, partner, officer, director, employee, consultant, franchisor, franchisee, lessor, or otherwise) any Competitive Business which is, or is intended to be, located: (a) within the RD Territory or (b) within ten (10) miles of any Dill Dinkers Club owned and/or operated or under construction by Franchisor, Franchisor's affiliate, or a franchisee or licensee of Franchisor as of the time that the obligations under this Section 10.6 commence, or (2) do or perform, directly or indirectly, any act injurious to the goodwill associated with the Proprietary Marks and the System. If Regional Developer does not comply with the post-term covenants as specified in this Section 10.6, the post-term non-compete period shall not begin to run until Regional Developer begins to comply.

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

10.8. Individual Covenants. Regional Developer shall require and obtain execution of covenants similar to those set forth in Sections 8, 9, 10, 12, and 14 (as modified to apply to an individual, if applicable) from any or all of Regional Developer's owners holding a five percent (5%) or greater interest in Regional Developer, the Operating Principal, and the General Manager; provided, only those individuals with an

ownership interest in Regional Developer must agree to covenants similar to those set forth in Sections 10.5.2 and 10.6. The covenants required by this Section 10.8 shall be in the form provided in Exhibit E and/or Exhibit F to this Agreement. Regional Developer shall deliver to Franchisor copies of such executed covenants immediately upon Franchisor's request. Failure by Regional Developer to obtain execution of a covenant required by this Section 10.8 shall constitute a default under this Section 10.

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

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

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

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

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

11. INSURANCE

11.1. Regional Developer shall comply with the following insurance provisions:

1.1.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Regional Developer shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Regional Developer's expense, the following insurance policy or policies in connection with the Regional Developer Business. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A"- VII in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Regional Developer Business is located. All policies will be primary and non-contributory to any insurance Franchisor may carry and include a waiver of subrogation in Franchisor's favor. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all

regional developers from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

11.1.1.1 Comprehensive General Liability. A comprehensive general liability policy in the amount of not less than \$1,000,000 bodily injury aggregate and \$1,000,000 per occurrence, including operations, products, and completed operations, broad form contractual liability, personal injury, and advertising liability. This coverage part will also include sexual misconduct liability coverage for not less than \$100,000 per occurrence.

11.1.1.2 Business Income and Extra Expense. Business income and extra expense insurance in an amount not less than adequate to pay for continuing expenses for a limit of fifty percent (50%) of annual sales or twelve (12) months actual loss sustained basis.

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

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

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

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

11.1.1.7 Other Insurance. Any other insurance coverage that is required by Regional Developer's lease for the Support Center and by federal, state, or municipal law.

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

11.3. Policy Cancellation. In the event of cancellation, modification, expiration, or non-renewal of any policy, thirty (30) days' advance written notice must be provided to Franchisor in the manner provided in Section 11.6 below. Regional Developer shall arrange for a copy of such notification to be sent to Franchisor by the insurance company.

11.4. No Waiver of Obligations. Regional Developer's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any

insurance which may be maintained by Franchisor, nor shall Regional Developer's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 16.1.3 below.

11.5. Franchisor to be Additional Named Insured. All insurance policies shall list Franchisor and its affiliates, and their respective officers, directors, partners, members, subsidiaries, employees, and agents as additional named insureds, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Regional Developer or its servants, agents, or employees. Additional insured status shall include coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20-26 or such equivalent form that Franchisor approves in writing that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) Franchisor's negligent acts, errors, or omissions or other additional insureds. Regional Developer shall maintain such additional insured status for Franchisor on Regional Developer's liability policies continuously during the term of the Regional Developer Agreement.

11.6. Evidence of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Regional Developer, and thereafter at least thirty (30) days prior to the expiration or renewal of any such policy, Regional Developer shall deliver to Franchisor, certificates of insurance, endorsements, insurance declarations, and/or other documents requested by Franchisor (collectively, "certificates"), evidencing the required minimum coverage required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of cancellation, modification, expiration, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1.1 above shall expressly provide that any interest of same therein shall not be affected by any breach by Regional Developer of any policy provisions for which such certificates evidence coverage. In the event that Regional Developer fails to obtain the required insurance or to provide evidence reasonably satisfactory to Franchisor of the insurance policies required by Section 11, Franchisor shall have the right, but not the obligation, to obtain such required policies on Regional Developer's behalf, and Regional Developer agrees that it will promptly reimburse Franchisor for all costs related to obtaining such policies, and pay Franchisor an administrative fee equal to eighteen percent (18%) of such costs, upon notice from Franchisor.

11.7. Proof of Insurance. In addition to its obligations under Section 11.6 above, on the first (1st) anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Regional Developer shall provide Franchisor with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require.

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

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

12. TRANSFER OF INTEREST

12.1. Franchisor Transfers. Franchisor has the right to transfer or assign this Agreement, the System, Confidential Information, and all or any part of Franchisor's rights or obligations under this Agreement or Franchisor's interest in the System and Confidential Information to any person or legal entity

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

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

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

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

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

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

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

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

12.4.1.1 Regional Developer and the proposed transferee shall comply with Franchisor's then-current transfer policies. Regional Developer and the proposed transferee shall provide Franchisor with all information and documents requested by Franchisor for its evaluation of the proposed transfer, transaction, and transferee, including the business and financial terms of the proposed transaction, financial and operational information regarding the proposed transferee, and evidence of any

financing that may be required to complete the transaction and/or fund the transferee's operation after the transfer.

12.4.1.2 Regional Developer and its owners shall execute a general release (which shall include a release from the transferor, Regional Developer, Regional Developer's owners, and guarantors), in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective owners, directors, officers, shareholders, equity holders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including claims arising under this Agreement, any other agreement between Franchisor and Regional Developer or their affiliates, and federal, state, and local laws and rules.

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

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

12.4.1.5 At Franchisor's option, the transferee shall execute the regional developer agreement then being offered to new regional developers, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement, including higher local advertising obligations, different Sales Services Compensation or Support Services Compensation, and a different or modified RD Territory, provided however that the term of such regional developer agreement shall be equal to the then unexpired term of this Agreement.

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

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

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

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

12.4.1.10 To compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Regional Developer shall pay Franchisor a non-refundable transfer fee in the amount of Five Thousand Dollars (\$5,000) per each Dill Dinkers Club in the RD Territory. The transfer fee shall be paid at the earlier of (a) when the transferee signs the new regional developer agreement, or (b) when the transferee begins training. The transfer fee is non-refundable. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Regional Developer or the proposed transferee shall reimburse Franchisor for all of Franchisor's costs and expenses incurred in connection with Franchisor's evaluation of the proposed transfer, including attorneys' and accountants' fees, background checks, and training, if applicable, to the extent the portion of the transfer fee paid does not cover those costs and expenses.

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

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

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

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

12.5.2 Regional Developer and Regional Developer's owners shall own all of the outstanding equity interests in the new regional developer entity, and shall own the same percentage ownership interests in the new regional developer entity as they own in Regional Developer.

12.5.3 Each owner who owns at least twenty percent (20%) of the outstanding equity interests in the new regional developer entity shall execute a Guarantee, Indemnification, and Acknowledgment in the form attached as Exhibit E hereto.

12.5.4 Regional Developer and Regional Developer's owners shall comply with the provisions of Sections 12.4.1, 12.4.2, 12.4.6, 12.4.7, and 12.4.11 of this Agreement, and the new entity and its owners shall comply with Sections 5.15 and 5.16 of this Agreement.

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

12.6. Right of First Refusal.

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

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

12.6.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Regional Developer, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Regional Developer. The cost of any such appraisal shall be shared equally by Franchisor and Regional Developer. If Franchisor elects to exercise its right under this Section 12.6, Franchisor shall have the right to set off all amounts due from Regional Developer, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

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

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

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

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

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

12.12. Securities Offerings. All materials for an offering of stock or partnership interests in Regional Developer or any of Regional Developer's affiliates which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Regional Developer or any of Regional Developer's affiliates shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Regional Developer or Regional Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Regional Developer and any subsidiaries and affiliates, if applicable, and shall not constitute any opinion as to any legal requirement. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Regional Developer (and the offeror if not Regional Developer), the owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and shall execute any and all documents required by Franchisor to endorse such indemnification; provided, there will be no indemnification for Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. For each proposed offering, Regional Developer shall pay Franchisor a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse

Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Regional Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12 commences. Any such offering shall be subject to all of the other provisions of this Section 12; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Regional Developer, if Regional Developer is not the offeror) after the financing is completed.

13. DEFAULT AND TERMINATION

13.1. Automatic Termination. Regional Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Regional Developer, if Regional Developer shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Regional Developer or such a petition is filed against and not opposed by Regional Developer; or if Regional Developer is adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for Regional Developer's business or assets is filed and consented to by Regional Developer; or if a receiver or other custodian (permanent or temporary) of Regional Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Regional Developer; or if a final judgment of Ten Thousand Dollars (\$10,000) or more against Regional Developer or Regional Developer's affiliate remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); or if Regional Developer is dissolved; or if an attachment or execution is levied against Regional Developer's business or property, including Regional Developer's bank accounts, property, or any receivables and is not dismissed within thirty (30) days.

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

13.2.1 If Regional Developer fails to open the Regional Developer Business in accordance with Franchisor's standards and specifications;

13.2.2 If Regional Developer, its Operating Principal, or managers fail to complete the Initial Training Program pursuant to Section 5.3 of this Agreement;

13.2.3 If Regional Developer at any time without the written consent of Franchisor ceases to operate or otherwise abandons the Regional Developer Business for three (3) consecutive business days, or otherwise forfeits the right to do or transact business in the jurisdiction where the Regional Developer Business is located;

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

13.2.5 If Regional Developer engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice;

13.2.6 If a threat or danger to public health or safety results from the operation of the Regional Developer Business;

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

13.2.8 If Regional Developer fails to permit an inspection or an audit pursuant to Section 7.4;

13.2.9 If Regional Developer fails to comply with the covenants in Section 10.5 or fails to timely obtain execution of the covenants required under Section 10.8;

13.2.10 If, contrary to the terms of Sections 9 or 10 above, Regional Developer discloses or divulges the contents of the Manuals or other Confidential Information provided to Regional Developer by Franchisor;

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

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

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

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

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

13.2.16 If Regional Developer fails to submit to Franchisor any financial or other information required under this Agreement;

13.2.17 If Regional Developer fails to operate the Regional Developer Business in accordance with this Agreement, including operating the Regional Developer Business in compliance with the operating standards and specifications established from time to time by Franchisor as to the quality of service, specifications, and use of Computer System;

13.2.18 If the RD Franchise Agreement or any other agreement between Regional Developer (or any of its affiliates) and Franchisor (or any of its affiliates) is terminated for cause, or if the RD Franchise Agreement expires or is terminated for any reason (provided, a renewal or replacement

agreement is not executed by the parties and effective without interruption upon such expiration or termination);

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

13.2.20 If Regional Developer fails to comply with any applicable laws as more specifically set forth in Section 15.3;

13.2.21 If Regional Developer, prior to operating the Regional Developer Business, does not obtain Franchisor's prior written approval of an Operating Principal.

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

13.4. Assignment Upon Bankruptcy. If, for any reason, this Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Regional Developer out of the consideration to be paid by such assignee for the assignment of this Agreement. In the event Franchisor does not elect to exercise the options described in this Section 13.4, any transfer or assignment pursuant to the United States Bankruptcy Code shall be subject to the same terms and conditions of any other transfer or assignment set forth in Section 12.

13.5. Compliance with Development Schedule. Regional Developer acknowledges and agrees that time is of the essence, and that Regional Developer has agreed to strict compliance with the Development Schedule. If Regional Developer fails to comply with the Development Schedule, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 13.6 below, without affording Regional Developer any opportunity to cure the default, effective immediately upon the provision of notice to Regional Developer (in the manner provided under Section 20 hereof).

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

13.6.1 Franchisor may designate a third party to provide, some or all of the Sales Services or Support Services described in Sections 3 and 5.20 of this Agreement and withhold all or part of any payments otherwise owing to Regional Developer for the provision of such services.

13.6.2 Franchisor may modify, or eliminate completely, the RD Territory described in Section 1.1 above.

13.6.3 Franchisor may require Regional Developer to close the Regional Developer Business and take the necessary steps to bring the Regional Developer Business into strict conformity with Franchisor's standards and specifications and the requirements of this Agreement. Regional Developer shall not reopen the Regional Developer Business until Regional Developer has brought it into conformity with Franchisor's standards and specifications;

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

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

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

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

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

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

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

14.1.4 Pay Monies Owed. Regional Developer shall pay Franchisor all sums then due, together with any other damages suffered by Franchisor as a result of the default. Regional Developer shall also pay to Franchisor, in addition to any amounts then due and owing, all expenses incurred by Franchisor as a result of any default, including reasonable attorneys’ fees, expenses, and costs, and interest on such attorneys’ fees, expenses, and costs.

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

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

14.1.7 Listings. Regional Developer shall cease use of, and if Franchisor requests shall transfer to Franchisor, all telephone numbers, customer lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisor while operating the Regional Developer Business, and shall promptly execute such documents or take such steps necessary to remove reference to the Regional Developer Business from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor.

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

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

14.1.10 Other Rights of Regional Developer. The termination of this Agreement shall not affect the rights of Regional Developer to operate other Dill Dinkers Clubs in accordance with the terms of any other applicable franchise agreements with Franchisor until and unless the other franchise agreements, or any of them, terminate or expire; provided, however, that this Section 14.1.10 shall not serve to negate or otherwise effect any cross-default provisions contained in such franchise agreements.

14.1.11 Final Payments by Franchisor. Franchisor shall pay Regional Developer within one hundred twenty days (120) after expiration or termination of this Agreement, any Sales Services Compensation or Support Services Compensation due to Regional Developer for Regional Developer Services performed prior to the date of expiration or termination of this Agreement.

15. TAXES, PERMITS, AND INDEBTEDNESS

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

15.2. Tax Disputes. In the event of any bona fide dispute as to Regional Developer's liability for taxes assessed or other indebtedness, Regional Developer may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law.

15.3. Compliance With Laws and Good Business Practices. Regional Developer shall comply with all applicable federal, state, and local laws, rules, ordinances, and regulations, including government contracting, employment, labor, and wage and hour laws, tax laws, and local operating laws and regulations. Regional Developer shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Regional Developer Business, including licenses to do business, health certificates (if necessary), fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of such laws are in conflict with the terms of this Agreement, the Manuals, or Franchisor's other instructions, Regional Developer shall: (a) comply with such laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor. All advertising and promotion by Regional Developer shall be factually accurate and conform to the highest standards of ethical advertising. Regional Developer shall in all dealings with its customers, suppliers, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct, and shall comply with all consumer protection and unfair competition laws and regulations. Regional Developer agrees to refrain from any business or advertising practice which may be injurious to the business of Franchisor, the System, and/or the goodwill associated with the Proprietary Marks.

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

16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

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

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

16.1.3 Indemnification. Regional Developer, on behalf of itself, its affiliates, and their respective owners, will, to the fullest extent permissible under applicable law, indemnify, defend and hold harmless Franchisor, its affiliates, and each of their respective owners, officers, directors, members, employees and agents (the "Indemnified Parties") against and reimburse any one or more of the Indemnified Parties for any and all losses, compensatory, exemplary or punitive damages, arbitration costs, mediation costs, settlement amounts, judgments, court costs, fines, charges, costs, and expenses, including, without limitation, reasonable attorneys' fees, and consequential damages (together, "Losses and Expenses") arising out of or from or related to, any claims, directly or indirectly, arising out of or from or related to the operation of the Regional Developer Business, any breach of this Agreement or the Manuals by Regional Developer, its affiliates, any of their respective owners, or any breach by Regional Developer, its affiliate, or any of their respective owners of any other agreement between Franchisor or its affiliate, on the one hand, and Regional Developer, its affiliate, or any of their respective owners, on the other hand. The indemnity set forth above includes claims, directly or indirectly, arising out of, from, or related to the Indemnified Parties' negligence, but not claims caused solely by the Indemnified Parties' gross negligence, fraud, or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. Franchisor has the right, at its option, to defend any such claim against it at Regional Developer's sole cost and expense with counsel of Franchisor's choosing. If Regional Developer defends any claim, it may not enter into any settlement agreement or otherwise resolve or conclude the matter without Franchisor's prior written consent. This indemnity will continue in full force and effect subsequent to, and notwithstanding,

the expiration or termination of this Agreement. Under no circumstances will Franchisor or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate its or Regional Developer's Losses and Expenses, in order to maintain and recover fully a claim against Regional Developer, Regional Developer's affiliate, or their respective owners. Any failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts recoverable by Franchisor or another Indemnified Party from Regional Developer, Regional Developer's affiliate, or their respective owners. Regional Developer's obligations under this Section 16.1.3 will survive the expiration or termination of this Agreement.

17. GOVERNING LAW AND DISPUTE RESOLUTION

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

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

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

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

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

17.3.3 The arbitrator must follow the law and not disregard the terms of this Agreement or its related agreements. Except as otherwise provided in this Agreement, the arbitrator will have the authority to award any interim, interlocutory, or final remedy or relief that a court of the State of Maryland

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

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

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

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

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

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

17.6. Waiver of Damages. Except with respect to the exclusions set forth in this Section 17.6, to the fullest extent permitted by applicable law and as provided below, Franchisor, Regional Developer, and Regional Developer's owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, treble, incidental, indirect, consequential, or other similar damages against Franchisor,

Regional Developer, any of their respective affiliates, owners, officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort, statutory or otherwise). However, the foregoing waiver will not apply to any claim (a) by any party for attorneys' fees or costs and expenses under this Agreement; (b) for any damages whatsoever, including, without limitation, consequential damages, for adverse harm to the Proprietary Marks or the System; or (c) indemnification and damages for any third-party claims arising under Section 16.1.3. Notwithstanding anything to the contrary in this Agreement, if any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of limited waiver by agreement of punitive, exemplary, incidental, indirect, or consequential damages will continue in full force and effect.

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

18. TIME IS OF THE ESSENCE

As to all reports and fees payable to or to be made to Franchisor and any inspections initiated by Franchisor under Section 7.4, time shall be of the essence.

19. APPROVALS, WAIVERS, AND BINDING EFFECTS

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

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

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

20. NOTICES

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

notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

Franchisor: Dill Dinkers Franchising, LLC
9220 Rumsey Road, Suite 101
Columbia, Maryland 21045
Attn: Dr. Ben Litalien, CFE
blitalien@dilldinkers.com

Regional Developer: Regional Developer's notice address set forth on Exhibit A to this Agreement

21. FORCE MAJEURE

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

22. IMMUNITY FOR CERTAIN LIMITED DISCLOSURES

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

23. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete agreement between Franchisor and Regional Developer concerning the Agreement's subject matter, and supersede any and all prior or contemporaneous negotiations, discussions, understandings, and

agreements. There are no other oral or written understandings or agreements between Franchisor and Regional Developer relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Regional Developer Agreement or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits, and amendments. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The System and Manuals are subject to change by Franchisor at any time, at Franchisor's option.

24. SEVERABILITY; ENFORCEMENT OF COVENANTS; CONSTRUCTION

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

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

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

25. JOINT AND SEVERAL OBLIGATION

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

26. INCORPORATION OF EXHIBITS

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

27. COUNTERPARTS

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

28. SURVIVAL OF PROVISIONS

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

29. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS

29.1. Regional Developer represents, warrants, and acknowledges to Franchisor as follows:

29.1.1 Independent Investigation. Regional Developer has conducted an independent investigation of the business contemplated by this Agreement.

29.1.2 Receipt of Documents. Regional Developer acknowledges receipt of a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days prior to the date on which this Agreement was executed. Regional Developer further acknowledges receipt of the franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

29.1.3 Modification of Offers. Regional Developer understands that present and future regional developers of Franchisor may operate under different forms of agreements and, consequently, the obligations and rights of the parties to those agreements may differ from the obligations and rights contained in this Agreement. Regional Developer also acknowledges and agrees that Franchisor may modify the offer of Dill Dinkers regional developer franchises to other regional developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

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

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

corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text currently available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law.

30. BUSINESS JUDGMENT

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

[Signatures Follow Next Page]

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

Franchisor:

Dill Dinkers Franchising, LLC

By: _____

Its: _____

Date:

Regional Developer:

By: _____

Its: _____

Date: _____

EXHIBIT A

IDENTIFICATION OF REGIONAL DEVELOPER

1. Name of Regional Developer: _____
2. Type of Entity _____
3. State of Formation _____
4. Notice Address _____
5. Address of Support Center _____

EXHIBIT B

RD TERRITORY AND DEVELOPMENT SCHEDULE

1. RD Territory. The RD Territory shall consist of: _____

2. Development Schedule. Recognizing that time is of the essence, Regional Developer agrees to satisfy the Development Schedule set forth below:

Development Period	Number of Franchised Businesses to be Opened during the Development Period	Cumulative Number of Franchised Businesses to be Open and Operating in the RD Territory at the end of each Development Period
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

*Development Period means each twelve (12) calendar month period during the term of this Agreement, except for the first Development Period which will commence on the Effective Date and end on June 30, of the same year.

EXHIBIT C

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

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

Depository

Branch

Street Address, City, State, Zip Code

Bank Transit/ABA Number

Account Number

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

Depositor

By: _____

Title: _____

Date: _____

EXHIBIT D

STATEMENT OF OWNERSHIP INTERESTS

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

<u>Individual/Entity Name</u>	<u>Percentage of Ownership/Nature of Interest*</u>
-------------------------------	--

* Must equal 100%.

EXHIBIT E

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

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

The undersigned each jointly and severally agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and its related agreements. Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Regional Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Regional Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Regional Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Regional Developer; or (d) give notice of demand for payment by Regional Developer. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Regional Developer, or settle, adjust, or compromise any claims against Regional Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Regional Developer to perform any obligation of Regional Developer under the Agreement, any amendment thereto, or any other agreement executed by Regional Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by, and personally liable for the breach of, all of the covenants and obligations contained in Sections 8, 9, 10, 12, 14, and 17 of the Agreement (provided only those guarantors that directly or indirectly hold an ownership interest in Franchisee make, and are individually bound by, the non-compete covenants set forth in Sections 10.5.2 and 10.6 of the Agreement), and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the Proprietary Marks or System licensed to Regional Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’, and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation

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

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 17 of the Agreement, and must be arbitrated in the Columbia, Maryland metropolitan area (or the metropolitan area in which our headquarters are located at the time of the dispute if we relocate our headquarters from Columbia, Maryland) or litigated in the state or federal court encompassing Columbia, Maryland, in accordance with Section 17 of the Agreement, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

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

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

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

EXHIBIT F

NON-DISCLOSURE AGREEMENT

THIS NON-DISCLOSURE AGREEMENT (“Agreement”) is made this ___ day of _____, 20___, by and between _____ (the “Regional Developer”), and _____, who is an owner, manager, supervisor, member, partner, or a person in a managerial position with, Regional Developer (the “Obligee”).

BACKGROUND:

A. Dill Dinkers Franchising, LLC (“Franchisor”), as the result of the expenditure of significant time, skill, effort and money, has developed a distinctive and proprietary system (the “Dill Dinkers System” or “System”) for establishing and operating businesses that offer third parties the opportunity to:

(i) offer franchises for businesses that provide dedicated indoor pickleball facilities featuring a wide variety of pickleball activities including open play, lessons, leagues, tournaments, clinics, and special events, and which locations feature indoor pickleball facilities, a retail pro shop with a variety of pickleball-related items for sale, ready-to-eat food and beverages, and event space, operate in accordance with Franchisor’s distinctive and proprietary business methods, and are identified by certain licensed trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark “Dill Dinkers” and such other trade names, service marks and trademarks as are now designated (and may hereinafter be designated) by Franchisor in writing (“Dill Dinkers Clubs”) to prospective franchisees on behalf of Franchisor;

(ii) provide ongoing support to Dill Dinkers Clubs and;

(iii) otherwise assist Franchisor in supporting Dill Dinkers Clubs and operating the Dill Dinkers franchise network

(each referred to generally as a “Regional Developer Business”);

B. Franchisor and Regional Developer have executed a Regional Developer Agreement (“Regional Developer Agreement”) granting Regional Developer the right to operate one (1) Regional Developer Business;

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

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

1. Confidential Information. Obligee shall not, during the term of the Regional Developer Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, trade secrets, knowledge, or know how concerning the methods of operation of the Regional Developer Business which may be communicated to Obligee or of which Obligee may be apprised by virtue of Regional Developer’s operation under the terms of this Agreement. Any and all information, knowledge, know how, and techniques which

Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Obligee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Regional Developer, had become or later becomes a part of the public domain, through publication or communication by others. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

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

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

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

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

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

IN WITNESS WHEREOF, the Regional Developer and the Obligee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ___ day of _____, 20__.

REGIONAL DEVELOPER

OBLIGEE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Disclosure Document.
2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.
3. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Regional Developer Agreement contains a provision that is inconsistent with the law, the law will control.
4. The Regional Developer Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.)
5. The Regional Developer Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. The Regional Developer Agreement requires binding arbitration. The arbitration will occur the Columbia, Maryland metropolitan area, with each party paying their own costs, plus one-half the arbitrator's fees.
8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Regional Developer Agreement restricting venue to a forum outside the state of California.
9. The Regional Developer Agreement requires application of the laws of Maryland. This provision may not be enforceable under California Law.
10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
11. You must sign a general release of claims if you renew or transfer your franchise. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). Business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).
12. 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.

13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
14. 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.
15. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

{See the last page of this Exhibit D for your Signature.}

HAWAII

1. Conditions for Approval of Transfer. The language contained in Section 12.4 of the Regional Developer Agreement is hereby deleted in its entirety and the following is substituted in its place:

Franchisor and the transferor shall have executed a mutual general release, in a form prescribed by Franchisor, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities, excluding only such claims as each may have that arise under the Hawaii Franchise Investment Law.

2. 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.
3. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

{See the last page of this Exhibit D for your Signature.}

ILLINOIS

In recognition of the Illinois Franchise Disclosure Act and the Rules and Regulations promulgated thereunder, the Disclosure Document and Regional Developer Agreement shall be modified as follows:

1. Illinois law shall apply to and govern the Regional Developer Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a regional developer agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a regional developer agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' right upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Item 5 of the Disclosure Document and Section 3 of the Regional Developer Agreement are amended to state that the RD Territory Fee and all other initial payments owed by Regional Developers to the Franchisor under the Regional Developer Agreement will be deferred until the Franchisor completes its pre-opening obligations under the Regional Developer Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

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

{See the last page of this Exhibit D for your Signature.}

INDIANA

It is unlawful for any regional developer agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the regional developer agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a regional developer agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Regional Developer Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 2-mile radius of any of the Dill Dinkers Clubs operating within the RD Territory.

The Regional Developer Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Regional Developer Agreement.

The Regional Developer Agreement requires application of the laws of another state. This provision is deleted from the Indiana Regional Developer Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The Regional Developer Agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Regional Developer Agreement and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

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

MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document shall be modified as follows:

Item 17 of the Disclosure Document provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

Item 17 of the Disclosure Document is amended to state “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Item 17 of the Disclosure Document is amended to state “Any claim arising under the Maryland Franchise and Disclosure Law must be brought within 3 years after the grant of the franchise.”

Item 17(v) of the Disclosure Document is amended to state “A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

The following language 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.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Regional Developer Agreement shall be modified as follows:

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

Any claim arising under the Maryland Franchise and Disclosure Law must be brought within three (3) years after the grant of the franchise.

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

Any provision contained in the Regional Developer Agreement that requires the Franchisee to assent to a release, estoppel, or waiver of liability is not intended to nor shall it act as a release estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section 3 of the Regional Developer Agreement is amended to provide that all initial fees and payments owed by Regional Developer shall be deferred until the Franchisor completes its pre-opening obligations under the Regional Developer 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.

{See the last page of this Exhibit D for your Signature.}

MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require (except in certain specific cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Regional Developer Agreement, and that consent to transfer of the franchise will not be unreasonably withheld.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400(J) may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Regional Developer Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Notwithstanding the foregoing, this shall not bar enforcement of an arbitration clause.

In accordance with Minnesota Rule 2860.4400(J), to the extent required by law, the Disclosure Document and Regional Developer Agreement are modified so that we cannot require you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release of liability imposed by Minn. Stat. Chapter 80C; provided, this shall not bar the voluntary settlement of disputes. The Disclosure Document and Regional Developer Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), Minnesota considers it unfair not to protect the franchisee's right to use the trademarks. To the extent required by Minnesota law, we will protect your right to use the primary trademark, service mark, trade name, logotype, or other commercial symbol from third parties or will indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit, or demand regarding your use of our primary trade name in accordance with the requirements of the Regional Developer Agreement and our standards.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extent required by law, the Regional Developer Agreement and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to Minn. Stat. Sec. 80C.17 more than three years after the cause of action accrues.

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

{See the last page of this Exhibit D for your Signature.}

NEW YORK

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

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

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

Item 17(i) of the Disclosure Document and Section 14 of the Regional Developer Agreement, which require you to consent to termination or liquidated damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(r) of the Disclosure Document and Section 10.6 of the Regional Developer Agreement restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Item 17(u) of the Disclosure Document and Section 17 of the Regional Developer Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(v) of the Disclosure Document and Section 17.2 of the Regional Developer Agreement requiring franchisee to consent to resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and such requirement is hereby deleted to the extent required by law. Any litigation under the agreement shall be conducted in North Dakota or a mutually agreed upon location. The provisions of this paragraph are subject to the United States Arbitration Act (9 U.S.C. § 1 et seq.).

Item 17(w) of the Disclosure Document and Section 17.1 of the Regional Developer Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Regional Developer Agreement which require the franchisee to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.5 of the Regional Developer Agreement requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Sections of the Disclosure Document and Section 17.6 of the Regional Developer Agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are hereby amended to the extent required by law.

Any provisions in the Regional Developer Agreement which stipulate that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, are hereby amended to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

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

{See the last page of this Exhibit D for your Signature.}

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.”

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

SOUTH DAKOTA

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

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Disclosure Document and Regional Developer Agreement for Dill Dinkers Franchising, LLC for use in the Commonwealth of Virginia is amended as follows:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Regional Developer Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Regional Developer Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The following is added to the Special Risks to Consider About *This* Franchise:

Estimated Initial Investment. The regional developer will be required to make an estimated initial investment ranging from \$178,050 to \$866,050. This amount exceeds the franchisor’s member’s equity as of June 30, 2024, which is (\$1,718,090).

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

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, REGIONAL DEVELOPER AGREEMENT, AND RELATED AGREEMENTS

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

RCW 19.100.180 may supersede the Regional Developer 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 Regional Developer 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 Regional Developer Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

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

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

{See the last page of this Exhibit D for your Signature.}

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Regional Developer Agreement if such provision is in conflict with that law. The Disclosure Document and Regional Developer Agreement are amended accordingly.

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

ACKNOWLEDGMENT:

If any one of the preceding State Specific Addenda (“Addenda”) is checked as an “Applicable Addenda” below or if the jurisdictional requirements for application of one of the following State’s franchise sales law is independently satisfied, then that Addenda will be incorporated into the Disclosure Document and/or, if applicable as indicated in such Addenda, the Regional Developer Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Disclosure Document or, as applicable, Regional Developer Agreement or other specified agreement(s), the terms of the Applicable Addenda will supersede the terms of the Disclosure Document or, as applicable, Regional Developer Agreement or other specified agreement(s).

- | | |
|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> New York |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> North Dakota |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> Rhode Island |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Maryland | <input type="checkbox"/> Washington |
| <input type="checkbox"/> Minnesota | <input type="checkbox"/> Wisconsin |

FRANCHISOR:

DILL DINKERS FRANCHISING, LLC

By: _____
Title: Authorized Signatory

REGIONAL DEVELOPER

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT
LISTS OF CURRENT AND FORMER REGIONAL DEVELOPERS

**LIST OF CURRENT REGIONAL DEVELOPERS
AS OF JUNE 30, 2024**

REGIONAL DEVELOPER/OWNER	ADDRESS	CITY	STATE	ZIP	PHONE
Nate and Lizz Anderson	264 W Calle Gota	Sahuarita	AZ	85629	(520) 476-3203
Max, Scott, and Wayne Johnson; Zach Larichiuta	500 Bushy Hill Rd	Simsbury	CT	06070	(203) 244-6415
Jonathan Boateng and Travis Andrews	1255 Owen Pl NE	Washington	DC	20002	(202) 773-0743
Bridget McLaughlin; Alicia DeForest	2810 N Church St. PMB 295612	Wilmington	DE	19802-4447	(240) 744-1318
Tim and Heather Dull	1791 Stapleton St	Sarasota	FL	34239	(941) 324-2186
Daniel and Laura Hardeman; Evelyn Orenbuch; Stuart Napshin	301 Englewood Ave SE	Atlanta	GA	30315	(404) 999-3455
Alex Kukich; Stella Vavas Sabracos; Bob Flynn	1431 Harper Street	Baltimore	MD	21230	(443) 560-0943
Kaylin, Jeff and Linda Corsiatto; Alex McKenna	3824 Jefferson Pike	Jefferson	MD	21755	(301) 263-3724
Vanessa Economos	574 E Governor Ritchie HWY Suite 176	Severna Park	MD	21146	(703) 344-0537
Chris and Kat Billesdon	2343 Vernon Dr	Charlotte	NC	28211	(704) 523-3623
Mandy and John Cash; John and Donna Sievert	6530 Fairsted Lane	Huntersville	NC	28078	(980) 279-8382
Jim and Mia Cassidy	211 Norwyck Way	Harleysville	PA	19438	(267) 802-0634
Andrew and Andy Wakefield	30 S 15 th Street	Philadelphia	PA	19102	(267) 386-7123
Max, Scott, and Wayne Johnson; Zach Larichiuta	704 E Erig Ave	Folly Beach	SC	29439	(203) 244-6415
Justin Goehring; Brock Oldenkamp	2 Baines Ct	Argyle	TX	76226	(469) 587-8487
Brian and Karen Birdy	31051 Charolais Way	Bulverde	TX	78163	(210) 239-0109
Andriana and Rick Solano	929A Seneca Rd	Great Falls	VA	22066	(703) 673-2888

**REGIONAL DEVELOPER AGREEMENTS SIGNED BUT BUSINESS NOT OPENED
AS OF JUNE 30, 2024**

None

**LIST OF FORMER REGIONAL DEVELOPERS
AS OF JUNE 30, 2024**

None

**TRANSFERS
AS OF JUNE 30, 2024**

None

EXHIBIT F
TO THE FRANCHISE DISCLOSURE DOCUMENT
FORM OF GENERAL RELEASE

FORM OF GENERAL RELEASE

The Regional Developer, on behalf of itself and its subsidiaries, affiliates, heirs, successors and assigns, hereby releases and discharges any and all liabilities, obligations or claims, whether known or unknown, including without limitation, any claimed violation or breach of the Regional Developer Agreement or federal or state laws, including franchise investment laws, against Dill Dinkers Franchising, LLC (“Franchisor”), including its current and former parents, officers, directors, limited liability company managers, employees, subsidiaries or affiliates, and any and all of its respective past and present representatives. The Regional Developer realizes the facts as presently known or understood to exist with respect to any known or unknown claims it may have against Franchisor may, in fact, be either incorrect or incomplete, or both. Notwithstanding such possibility, the Regional Developer freely enters into this Agreement and assumes all risks of any such possibility and waives any rights whatsoever to attack the validity and finality of this Agreement even if the present knowledge and understanding of the facts on the part of the Regional Developer is in any way incorrect. The Regional Developer expressly waives any and all rights and benefits against Franchisor conferred upon themselves by the provisions of Section 1542 of the California Civil Code. Section 1542 of the California Civil Code reads as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

EXHIBIT G
TO THE FRANCHISE DISCLOSURE DOCUMENT
MANUAL TABLE OF CONTENTS



Regional Developer Manual

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Regional Developer Manual

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State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

State	Effective Date
California	Pending
Hawaii	Not Registered
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Not Registered
New York	Pending
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the Regional Developer Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Dill Dinkers Franchising, LLC (“Franchisor”) offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

Name	Principal Business Address	Telephone Number
Dr. Ben Litalien	9220 Rumsey Road, Suite 101, Columbia, Maryland 21045	866-592-3465
Seth Martin	9220 Rumsey Road, Suite 101, Columbia, Maryland 21045	866-592-3465

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: October 15, 2024

I have received this Disclosure Document dated October 15, 2024. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

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

Date of Receipt

Signature of Prospective Regional Developer (on behalf of the prospective regional developer and any corporation, limited liability company, or other business entity having or proposed to have an interest in the prospective regional developer)

By _____
Print Name

[Retain this copy for your records.]

RECEIPT

This Disclosure Document summarizes certain provisions of the Regional Developer Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Dill Dinkers Franchising, LLC (“Franchisor”) offers you a franchise, Franchisor must provide this Disclosure Document to you at least 14 calendar days (or sooner, if required by applicable state law) before you sign a binding agreement with, or make a payment to, Franchisor or any affiliate of Franchisor in connection with the proposed franchise sale.

New York and Iowa require that Franchisor give you this Disclosure Document at the earlier of the first personal meeting or 10 business days (14 calendar days for Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Franchisor give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Franchisor does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the applicable state agency listed on Exhibit A to this Disclosure Document.

The names, principal business addresses, and telephone numbers of the franchise sellers offering the franchise (with name and contact information to be inserted as necessary) are:

Name	Principal Business Address	Telephone Number
Dr. Ben Litalien	9220 Rumsey Road, Suite 101, Columbia, Maryland 21045	866-592-3465
Seth Martin	9220 Rumsey Road, Suite 101, Columbia, Maryland 21045	866-592-3465

We have authorized the persons listed on Exhibit A to this Franchise Disclosure Document to receive service of process for us in the listed states.

Issuance Date: October 15, 2024

I have received this Disclosure Document dated October 15, 2024. Please refer to the State Effective Dates page for the effective date of this Disclosure Document in your state. This Disclosure Document included the following exhibits:

Exhibit A	State Administrators and Agents for Service of Process	Exhibit E	Lists of Current and Former Regional Developers
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Exhibit D	State Specific Addenda		

Date of Receipt

Signature of Prospective Regional Developer (on behalf of the prospective regional developer and any corporation, limited liability company, or other business entity having or proposed to have an interest in the prospective regional developer)

By _____
Print Name

[Return this copy to us.]