

### Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit development agreement require you to resolve disputes with us by arbitration or litigation in California. Out of state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate and litigate with us in California than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **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.
4. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliate, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
6. **Unopened Franchises.** The franchisor has a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.
7. **Turnover rate.** During the last 3 years 42 outlets were terminated, not renewed, reacquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

Fees <sup>1</sup>	Amount	Due Date	Remarks
	expenses for document review and preparation		Controlling Principal or causing a Controlling Principal to no longer control you. "Controlling principal" means your owners who we reasonably determine periodically, either because of the extent of their direct or indirect ownership interests in you or the nature of the authority you grant to them, control you or any governing board, your management decisions, or your business. The transfer fee is subject to applicable laws.
Successor Franchise Fee (Franchise Agreement)	50% of our then-current initial franchise fee	Prior to grant of successor franchise	Payable if we approve you to acquire a successor franchise for the Store.
Product and Supplier Evaluation Fee	\$1,000 per product per request	Upon request for approval of product or supplier	Payable if you request that we evaluate a product or supplier that we have not previously approved.
Payment in the Event of Under Reporting of Gross Sales	50% of the underreported Gross Sales, plus interest on the underpaid amount and our actual cost of audit.	As invoiced	Payable only if (i) we find, after an audit, that you have understated any amount you owe to us or Gross Sales by 2% or more, or (ii) or if the inspection is caused by your failure to timely submit required reports.
Re-inspection Fee	\$500 per inspection, plus reimbursement of our actual cost	As invoiced	Payable only if we conduct follow-up inspections of the Store after an audit or inspection of the Store identifies a failure to comply with System Standards.
Late Reporting Fee	\$100 per day	As incurred	This fee is payable upon each occurrence of a late report that is owed to us. The fee will be charged to you daily until the required report is received.
Manual or Training Video Replacement Fee	\$5,000	As invoiced	If you request additional or replacement copies of the Manual or any training video we provide you.
Liquidated Damages	Will vary	Within 15 days following termination of the Franchise Agreement	If we terminate the Franchise Agreement based on your default <del>or if you terminate without cause</del> then you will pay us liquidated damages in an amount equal to the average weekly Royalty Fee you paid or owed to us during the 52 weeks preceding the last date of regular operations of the Store multiplied by the lesser of (a) 104 (representing the number of weeks in 2 full years), or (b) the number of weeks remaining on the term of the Franchise Agreement had it not been terminated.
Costs and	Our actual costs	On demand	If you default under your Franchise

open the Store. These amounts do not include any estimates for debt service, payroll costs, or any revenues you may earn during the 3-month start-up phase.

Unless noted, all amounts reflected in this Item 7 will be non-refundable unless you are able to negotiate a refund with a particular supplier. We do not finance any portion of your initial investment. The estimated investment shown in the above table is for a single everbowl Store. We relied on our affiliates' and franchisees' experience in developing everbowl Stores when preparing the estimates shown in the charts above. The above estimate assumes that you will develop and commence the operations of the Store within the time frame described in the Franchise Agreement.

#### YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPMENT AGREEMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee <sup>1,2</sup>	\$99,875 to \$139,825	Lump Sum	Simultaneously with the signing of the Multi-Unit Development Agreement	Us
Total	\$99,875 to \$139,825			

Notes:

1. If we award you the right to acquire multiple franchises for everbowl Stores within a given Development Area, you will commit to develop and open between 3 and 5 everbowl Stores. You will pay us a one-time, non-refundable development fee in a lump sum upon execution of the Multi-Unit Development Agreement, and you must sign your first Franchise Agreement simultaneously with that Agreement. The development fee will be structured as follows:

Development Obligation	Development Fee	Credit Against Initial Franchise Fees
3 everbowl Stores	\$99,875	\$39,950 will be applied to each of the first and second Franchise Agreements executed under the Multi-Unit Development Agreement, and \$19,975 will be applied to the third Franchise Agreement. The remaining initial franchise fee of \$19,975 for the third Franchise Agreement will be due upon execution of that agreement.
4 everbowl Stores	\$119,850	\$39,950 will be applied to each of the first and second Franchise Agreements, and \$19,975 will be applied to each of the third and fourth Franchise Agreements executed under the Multi-Unit Development Agreement. The remaining initial franchise fee of \$19,975 for each of the third and fourth Franchise Agreements will be due upon execution of those agreements; provided, you are in compliance with your obligations under the Multi-Unit Development Agreement.
5 everbowl Stores	\$139,825	\$39,950 will be applied to each of the first and second Franchise Agreements, and \$19,975 will be applied to each of the third, fourth, and fifth Franchise Agreements executed under the Multi-Unit Development Agreement. The remaining initial franchise fee of \$19,975 for each of the third, fourth, and fifth Franchise Agreements will be due

Provision	Section in Franchise Agreement	Summary
		online presence of the Store to us or our designee, comply with confidentiality and non-compete requirements, and at our option, sell or assign to us your rights in the premises and the equipment and fixtures used in the Store.
j.	j. Assignment of contract by franchisor	Section 13.1 We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.
k.	k. "Transfer" by franchisee – defined	Section 13.2 Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the management, operation, or possession of the Store, or in you (if you are not a natural person) either by operation of law or otherwise.
l.	l. Franchisor approval of transfer by franchisee	Section 13.2 You must obtain our consent before transferring any interest, which will not unreasonably withheld.
m.	m. Conditions for franchisor approval of transfer	Section 13.3 Conditions include: you must pay all amounts due to us, not otherwise be in default, sign a general release (subject to state law), and pay a transfer fee. Transferee must meet our criteria, complete training to our satisfaction, execute current Franchise Agreement, and remodel the Store to meet our then-current System Standards.
n.	n. Franchisor's right of first refusal to acquire franchisee's business	Section 13.4 We have the option to purchase the interest proposed to be transferred on the same terms and conditions as the original offer.
o.	o. Franchisor's option to purchase franchisee's business	Section 17.2 On termination or expiration of the Franchise Agreement, we have the right to purchase all or a portion of the assets of the Store.
p.	p. Death or disability of franchisee	Sections <a href="#">13.2</a> , <a href="#">13.3</a> , and <a href="#">18.16</a> <u>All transfers, including those arising from death or disability of franchise owners are subject to our consent and approval as described in rows k, l, and m above.</u> We may exercise our step-in rights to operate your business if we determine that you are incapable of operating the Store, including due to your or your Operating Principal's death or illness.
q.	q. Non-competition covenants during the term of the franchise	Sections 9.4 to 9.6 <u>Subject to applicable state law,</u> <del>Y</del> ou, your owners, and your and your owners' immediate family members will not (a) divert, or attempt to divert, any business or customer of the Store to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System, (b) interfere or attempt to interfere with our or our affiliates' relationships with any vendors, franchisees or consultants, or (c) own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, act as a landlord to, or otherwise provide service, advice or counsel to any Competitive Business. A "Competitive

Provision	Section in Franchise Agreement	Summary
		Business” means (i) any business which is of a character and concept similar to everbowl Stores, including a food service business which offers and sells the same or substantially similar food products, or (ii) any business that grants franchises or licenses for the operation of any of the foregoing or provides services to the franchisor or licensor of any of the foregoing. <u>The above restrictions are subject to applicable state laws.</u>
r. Non-competition covenants after the franchise is terminated or expires	Sections 9.4 to 9.6	Subject to applicable <u>state</u> law, upon expiration or termination of the Franchise Agreement, for any reason, and for two years thereafter and, further, with respect to your owners who cease being owners prior to expiration or termination of the Franchise Agreement, for 2 years following their no longer having any direct or indirect ownership interest in you, your owners, and your and your owners’ immediate family members will not, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, or corporation (a) divert, or attempt to divert, any business or customer of the Store hereunder to any competitor, by direct or indirect inducement or otherwise, or (b) own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist, or make loans to, act as a landlord to, or otherwise provide service, advice or counsel to any Competitive Business, which business is, or is intended to be, located at the Store’s premises, within a 25-mile radius of the Store’s premises, or within a 25-mile radius of any then-existing everbowl Store. <u>The above restrictions are subject to applicable state laws.</u>
s. Modification of the agreement	Section 18.2	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with the Manual and System Standard as amended.
t. Integration/merger clause	Section 18.2	Subject to state law, only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 18.5	Subject to state law, all disputes must be resolved by via arbitration according to the then-current Commercial Arbitration Rules of the American Arbitration Association, which will be conducted at a suitable location chosen by the arbitrator in San Diego, California, or, at our option, in the city in which our (or our successor’s or assign’s) headquarters are then located (currently, Vista, California). However, the