FRANCHISE DISCLOSURE DOCUMENT
CLEAN COPY

FRANCHISE DISCLOSURE DOCUMENT

BEACH HUT, LLC
A California Limited Liability Company
2220 Douglas Blvd., Ste. 180
Roseville, CA 95661
(916) 749-0257
www.beachhutdeli.com

The Franchisee will sell retail deli sandwiches and related products to the public.

The total investment necessary to begin operation of a Beach Hut Deli Franchise will range from **$228,495 to $545,915.** For an express location, the total investment will range from $79,100 to $245,350. This includes the initial Franchisee Fee of **$35,000** for first time purchasers, **$19,000** for existing BEACH HUT DELI franchisees purchasing an additional traditional, stand-alone franchise and, $7,500 for an existing Beach Hut deli franchisee purchasing an express franchise location. The Franchise Fee is paid to Beach Hut, LLC.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Beach Hut LLC at www.beachhutdeli.com or at 2220 Douglas Blvd., Ste. 180 Roseville, CA 95661 and (916) 749-0257.

© Beach Hut, LLC 2017

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

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

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

Issuance Date: _____.

© Beach Hut, LLC 2017

STATE COVER PAGE

Your State may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit C for information about the franchisor, or about franchising in your state.

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.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEOFRE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

(1) THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRAION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE

(2) THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

(3) THE FRANCHISE AGREEMENT REQUIRES FRANCHISEES TO SIGN A PERSONAL GUARANTEE, PLACING THEIR PERSONAL ASSETS AT RISK.

(4) THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _____.

© Beach Hut, LLC 2017

TABLE OF CONTENTS

1. The Franchisor and any Parents, Predecessors, and Affiliates 1
2. Business Experience 2
3. Litigation 3
4. Bankruptcy 3
5. Initial Fees 3
6. Other Fees 4
7. Estimated Initial Investment 7
8. Restrictions on Sources of Products and Services 11
9. Franchisee's Obligations 14
10. Financing 16
11. Franchisor's Assistance, Advertising, Computer Systems, and Training 16
12. Territory 23
13. Trademarks 25
14. Patents, Copyrights, and Proprietary Information 26
15. Obligation to Participate in the Actual Operation of the Franchise Business 27
16. Restrictions on What the Franchisee May Sell 27
17. Renewal, Termination, Transfer, and Dispute Resolution 27
18. Public Figures 32
19. Financial Performance Representations 32
20. Outlets and Franchisee Information 33
21. Financial Statements 37
22. Contracts 37
23. Receipts 37

APPENDIX A

State of California, Required Disclosures under California Corporations Code and Code of Regulations

EXHIBITS

A. Franchise Agreement with the Following Exhibits:
   1. The Franchise Premises
   2. Authorization Agreement for Prearranged Payments (Direct Deposits)
   3. Statement of Ownership
   4. Assignment of Lease
   5. Location Reservation Letter for Existing Franchisees ($5,000 Deposit)
   6. Conditional Assignment of Phone Number
   7. Abandonment, Relinquishment, and Termination of Assumed Business Name

B. Financial Statements

C. List of Administrators

D. Pre-Franchise Test Period, Confidentiality and Non-Compete Agreement ($10,000 Deposit)

© Beach Hut, LLC 2017

Item 1: The Franchisor, and any Parents, Predecessors, and Affiliates.

"We" are BEACH HUT, LLC. Our principal place of business is 2220 Douglas Blvd., Ste. 180 Roseville, California, 95661. We are a California Limited Liability Company formed on October 17, 2002. We do business under the names "BEACH HUT, LLC and BEACH HUT DELI." BEACH HUT, LLC is called "Us" or "We" in this Franchise Disclosure Document. The prospective purchaser of Our franchise is called "You," whether an individual, corporation or other legal entity.

In 1981, Troy Feist, as sole proprietor, founded the BEACHOUSE DELI in Granite Bay, California, whose business address is currently 6823 Douglas Blvd., Granite Bay, CA 95746. In addition, Troy Feist also built and owned two other Delis one in Rocklin located at 6848 Five Star Blvd., Rocklin CA (since relocated to 6761 Stanford Ranch Rd. Ste. D Rocklin CA 95677) and one in Folsom located at 411 Blue Ravine Road, Folsom CA . The Folsom and Rocklin locations were also founded as Beach House Delis. In 2002, Mr. Feist franchised his deli concept and for that purpose, BEACH HUT, LLC was created. BEACH HUT, LLC commenced to offer franchises upon its initial registration on March 10, 2003. The Rocklin and Folsom locations have since been sold by Mr. Feist and are now franchisees of Beach Hut LLC and operate under the name Beach Hut Deli. Mr. Feist still retains an ownership interest in and helps to operate the Granite Bay Beach Hut Deli.

Beach Hut LLC has not offered franchises in any other lines of business. Beach Hut LLC has no parents, predecessors or affiliates.

Our registered agent for service of process is Monica Lynch Reeves located at 2220 Douglas Blvd Ste 180, Roseville, CA 95661.

We license Our franchisees at specified locations to offer, produce, merchandise, distribute and promote the sale of deli sandwiches and related products under the name "BEACH HUT DELI." The sandwiches are prepared fresh each day entirely within the shop with preparation of the contents of the sandwich within minutes before the sandwich's creation to ensure the utmost freshness and quality.

The market for fresh deli sandwiches has many competitors. The principal sources of direct competition for BEACH HUT DELI are other stand alone delis, supermarkets that sell deli sandwiches and restaurants who offer sit-down and takeout food service. Other franchises and fast food outlets are also sources of indirect competition. BEACH HUT DELI'S products are likely to be sold primarily to persons seeking a fresh sandwich which is eaten on sight, or taken out. BEACH HUT DELI also offers catering and party trays.

The State of California has codified regulations specific to the food service industry. You must refer to California Plan Check Guide for Retail Food Facilities at http://ccdeh.com/resources/documents/food-safety-guidelines-1/122-california-plan-check-guide-for-retail-food-facilities-1/file

For a complete guide of California requirements and the California Uniform Food Facilities Law (CURFFL) please see http://www.ehs.ucsb.edu/units/envhlth/envirhealthpdf/CURFFL2005.pdf.

© Beach Hut, LLC 2017

Item 2: Business Experience.

Troy Feist: Chief Executive Officer:

Mr. Feist founded BEACHOUSE DELI in 1981 when he opened the first BEACHOUSE DELI in Granite Bay, California. Mr. Feist and Mr. Reeves founded Beach Hut, LLC in 2002. Since then, he has overseen the building, site selection, and operation of all new franchised locations. Mr. Feist's responsibilities include training, managing and overseeing new franchises. Troy became the Chief Executive Officer of BEACH HUT, LLC, on October 17, 2002 when BEACH HUT, LLC, was created.

David Reeves: Chief Operations Officer:

Mr. Reeves has been a practicing attorney since 1987. He has been a partner in the law firm of Reeves & Lynch since 1988. The Law Offices of Reeves and Lynch is located at 2220 Douglas Blvd. Ste. 180, Roseville California, 95661. In 2001, Mr. Reeves commenced consulting Mr. Feist concerning the creation of a franchise operation system for the BEACHOUSE DELI, and the BEACH HUT DELI. Mr. Reeves manages and oversees the business operations of BEACH HUT, LLC as it relates to its franchising business. Mr. Reeves became Chief Operations Officer on October 17, 2002 when BEACH HUT, LLC, was created.

STEVE BURK: Director of Franchise Development:

Mr. Burk has worked with Beach Hut, LLC and Beach Hut Deli since 2008. During that time, Mr. Burk helped to screen franchisee applicants and provided franchisee support. Mr. Burk is currently the Director of Franchise Development screening new franchisee applicants and providing ongoing training and supervision for existing franchisees.

CHARLES TAHAN: Director of Business Development:

Mr. Tahan joined Beach Hut, LLC as the director of Business Development in December 2016. In this role, Mr. Tahan meets and consults with franchisees focusing on ways to enhance efficiency, performance, and revenues. Prior to joining Beach Hut from 2010 to 2016, Mr. Tahan worked as a reginal account executive focusing on business development for the franchise operation Service Master Corporate. While there, Mr. Tahan was responsible for sales and marketing efforts for franchisees. His primary focus was helping to increase their revenue and market share. From 2009 to 2010, Mr. Tahan was a regional account manager for Temporary Accommodations where he was responsible for sales and marketing efforts in ten western states. From 2004 to 2009, Mr. Tahan was the regional vice president of sales and marketing for Innovation Group/Nobilas Claim & Fleet Solutions.

JORDAN KLAWITER: Franchisee Operations and Training:

Mrs. Klawiter has worked as an employee and operator of various Beach Hut Delis since 2007. From 2007 to 2011, Mrs. Klawiter worked as an employee at the Chico Beach Hut Deli. In 2013,

© Beach Hut, LLC 2017

Mrs. Klawiter became the general manager of the Beach Hut Deli in Davis. Mrs. Klawiter has worked with Beach Hut, LLC since 2012 and currently provides support for franchisee operations and training for Beach Hut, LLC.

Item 3: Litigation.

We are not the subject of, or involved in any litigation required to be disclosed in this Franchise Disclosure Document. Neither We nor any individual listed in Item 2, above, are subject to any current injunctive or restrictive orders. Neither We nor any individual listed in Item 2, above are the subject of any required disclosures under this section. Neither We nor any individual listed in Item 2 are subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Item 4: Bankruptcy.

No person, entity, or individual with management responsibility relating to the sale or operation of franchises offered by this Franchise Disclosure Document has been involved as a debtor, or obtained discharge of its debts in proceedings under the U.S. Bankruptcy Code, required to be disclosed in this Item.

Item 5: Initial Fees.

All franchisees make an Initial Franchise Fee payment of $35,000 for a first franchise purchase or a Subsequent Franchise Fee payment of $19,000 to $7,500 for a second or subsequent franchise purchased by an existing franchisee. For new franchisees, We accept a $10,000 advance deposit on the Initial Franchise Fee as outlined in the Pre-Franchise Test Period Agreement. The Pre-Franchise Test Period Agreement is attached as Exhibit C to this Franchise Disclosure Document. For existing Franchisees, we accept a $5,000 advance deposit on the Subsequent Franchise Fee as outlined in the Location Reservation Letter. The Location Reservation Letter is attached as Exhibit 5 to the Franchise Agreement.

The Location Reservation allows an existing franchisee to reserve for up to six months an area for the placement of a new franchise shop. The Deposit will be credited against the Franchise Fee for the subsequent franchise to be paid under the Franchise Agreement for the BEACH HUT DELI franchise to be placed within the Reserved Location. If a Franchise Agreement for the subsequent franchise is not executed within six months, we keep the $5,000 Reservation Deposit in consideration of the deferral of our opportunity to sell franchises in the Reserved Location to others.

Existing franchisees may open a Beach Hut Express which is defined as an agreement for a Beach Hut Deli by an existing franchisee, which occupies no more than 400 square feet and is encompassed within another business or similar situation. The franchise fee for a Beach Hut Express is $7,500.

For new Franchisees, Under the Pre-Franchise Test Period Agreement, We evaluate whether to enter a BEACH HUT DELI Franchise Agreement with You. To do so, We agree to have You work in an

© Beach Hut, LLC 2017

existing BEACH HUT DELI for a 30 hour test period. The test period must be completed within 60 days after the date the Test Period Agreement is signed. The purpose of the test period is to allow You to decide whether You want to enter into a Franchise Agreement with Us and whether We want to enter into a Franchise Agreement with You. We do not pay You any compensation or give You any benefits or insurance coverage while You work during the test period. You agree to indemnify Us (and the owner of the shop where You work) and hold Us (and the owner of the shop where You work) harmless from any injuries, claims, damages or causes of action that might accrue to You during the test period. Under the Test Period Agreement, You pay to Us $10,000 as a conditionally refundable deposit toward the Initial Franchise Fee. We will return this deposit to You, less a $2,000 processing fee, and stop the test period, any time at Your request during the 60 days after the date the Pre-franchise Test Period Agreement is signed. We will refund the full deposit to You if We decide to not enter a Franchise Agreement with You. In the event you fail to enter into a franchise agreement within 60 days after the date the pre-franchise test period agreement is signed, such shall be deemed an election by You to terminate the test period and We will return Your deposit to You, less a $2,000 processing fee. Other than as indicated, the $10,000.00 advance deposit is non-refundable.

Other than the advance deposit provided for in these documents, the Franchise Fee is paid at the time the Franchise Agreement is executed. If You do not find a site for Your franchise shop acceptable to You within one year after the execution of the Franchise Agreement, then You may terminate the Franchise Agreement by written notice to Us. We then will refund to You not less than one-half of the Franchise Fee.

On or before execution of the Franchise Agreement, You must submit to Us a summary of the background and financial qualifications of You and Your managers, partners, members or managers officers, directors, and shareholders. If We elect to terminate the Franchise Agreement after evaluation of the abilities, aptitudes, and/or financial qualifications of You and these persons, We may do so by refunding the monies You have submitted to Us, less the $2,000 processing fee referred to above. We will have a reasonable amount of time, not to exceed 30 days, after receiving the necessary data to make Our evaluation.

You must secure a satisfactory location for the franchise (the "Franchise Premises"), complete all mandatory training to Our satisfaction, and open the franchise within one year after the date the Franchise Agreement is executed. If these obligations are not fulfilled, We may elect to terminate the Agreement by refunding not less than one-half of the Franchise Fee. These time requirements may be extended by Beach Hut, LLC by express written consent.

The Franchise Fee is not refundable in whole or in part under any circumstances other than those listed in Item 5, or as indicated in Item 11.

Item 6: Other Fees.

Item 6: Table

OTHER FEES*

© Beach Hut, LLC 2017

Type of Fee	Amount	Date Due	Remarks
Continuing Services And Royalty Fee	5.5 % of Your weekly Gross Revenue	Each Wednesday for the prior week	We will require You to execute documents that allow Us to automatically take this Fee out of Your franchise bank accounts each Wednesday based upon Your reports of Gross Revenue.
Advertising Fee	1.5% of Your Weekly Gross Revenue	Each Wednesday for the prior week	We will require You to execute documents that allow Us to automatically take this Fee out of Your franchise bank accounts each Wednesday based upon Your reports of Gross Revenue.
Opening Advertising and Promotion	At least $5,000	You must use this during the first 90 days the franchise operates or as otherwise directed by Us	You must spend this money through Us or at Our direction on advertising and/or promotion of your business. You also must spend other reasonable amounts to obtain professional public relations help, advice, and advertising before opening Your franchise for business.
Additional Training	Currently up to $200 per day plus expenses	During and/or after training period	
Additional Assistance	Currently up to $200 per day plus expenses	As incurred	
Transfer	The then current Transfer Fee that is not less than $$2,500	Before transfer Non-refundable	Paid when You sell Your franchise according to Our then current Transfer Fee Schedule. This fee will reimburse Us for Our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer.

© Beach Hut, LLC 2017

Renewal	None		
Late Charges	1.5 % per month	While amounts owed remain unpaid	You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law.
Violation of required hours, failure to provide information, non-participation fee	$100 per day	Upon occurrence of the failure(s)	If you fail to keep your business open on required days or for required hours, Failure to provide us required financial information. Program non-participation fee.
Bounced ACH Fee	$40.00	Within One Week	If your ACH is returned for non-sufficient funds, we will charge you the bounced ACH fee.

*All fees are imposed by and payable to Us. All fees are non-refundable. Except as next noted all fees are uniformly imposed as to each franchisee. Franchise agreements signed prior to 2006 provided for a royalty fee of four to five percent and an advertising fee of one percent. On renewal, we may, but are not required to honor the original royalty fee or advertising fee rate ("grandfathered rate.") This grandfathered rate does not extend to a transfer.

Advertising Fee. Advertising Fee payments are in addition to and exclusive of any sums that You may decide or be required to spend on local advertising and promotion. We have sole discretion over the creative ideas, materials, endorsements, media, placement, and allocation of monies related to use of the Advertising Fee.

The Advertising Fee is used to maintain, administer, direct, prepare, and review national, regional, and local advertising materials and programs and to cover Our related overhead as We in Our sole discretion deem necessary. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of Our franchisees for any given market area or that any franchisee benefits directly or proportionately from the development or placement of advertising. We are not obligated to expend all or any part of the Advertising Fee during any specific time.

Yellow Page Advertising. You must maintain a business phone and advertise continuously in the classified or Yellow Pages of the local telephone directory under the listings We may designate from time to time, using mats approved in advance by Us. This expenditure is in addition to the opening advertising and promotion requirement.

Financial Position and Gross Revenue to Be Reported. Your sales information will be automatically reported to us from your POS equipment. On Monday of each week, We will prepare an itemized report of Your Gross Revenue for the preceding week. We require You to have a computer system

© Beach Hut, LLC 2017

with accounting, inventory control, and Point of Sale (POS) cash registers which strictly conform to Our specifications set from time to time. We require that You have, at a minimum, two electronic POS cash registers with internet connectivity and software which permits Us to monitor and track all information entered into you POS . We will have independent access to all information and data which is input into Your POS/computer system. All Continuing Services and Royalty Fee and Advertising Fee payments based upon the Gross Revenue for the preceding week must be submitted with the report. "Gross Revenue" means all receipts generated by the franchise from any source including sales, exchanges, repairs, services, labor, service charges, etc. Credit sales shall be calculated as of the date of sale without deduction for uncollected credit accounts. "Gross Revenue" shall not include bona fide credits for returns of merchandise, promotional discounts, or the amounts collected and paid to appropriate governmental authorities under the provisions of any Lottery, Sales Tax, Retailer's Occupation, or similar Act. The proceeds from any business interruption insurance or eminent domain recovery You receive is included in "Gross Revenue."

Audits. You must periodically submit to Us Your sales reports, quarterly and annual financial statements, and tax returns. We may audit Your books, business records, sales reports, financial statements, and tax returns at any time. The audits will be conducted at Our expense, unless You understate by more than two percent (2%) the Gross Revenue for any reported period or periods. Your failure to report Gross Revenue for any period shall be deemed a willful understatement by more than two percent (2%). In the event of a willful understatement, You must reimburse Us for audit costs including the charges of any independent accountant and the travel expenses, room, board, and compensation of Our employees incurred in connection with the audit.

Item 7: Estimated Initial Investment.

The following table estimates your initial start up expenses. These figures represent Our estimates based upon Our experience and the experience of Our licensees and/or franchisees. We do not guarantee that you will not have additional and different expenses than those We have identified in this table. Your actual costs will depend upon many factors, including, how well You follow Our directions and suggestions, Your business skill and experience, local economic conditions, the local market for Your products, the location and condition of Your leased premises, the prevailing wage rates, competition, and Your sales levels during the initial period. You should review these estimates with Your business advisors before You decide to purchase the franchise or to make any expenditures.

Item 7 Table:

Your Estimated Initial Investment

TABLE RELATED TO A TRADITIONAL, STAND-ALONE BEACH HUT DELI

© Beach Hut, LLC 2017

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM[1]
Franchise Fee	$35,000 ($19,000 for existing franchisees	Lump Sum ($10,000 deposit as explained in item 5)	Upon Execution of the Franchise Agreement (see item 5)	Us
Telephone and Utilities Deposits and Payments[2]	$1,000 to $12,500	As incurred	As Incurred	Landlord, Utility Companies and Suppliers
Tenant Improvements, including Architect Fees, Fees, & Permits	$119,845 to $340,515	As incurred	As Incurred	Landlord or Independent Contractors, Architect, Government
Décor	$ 1,000 to $3,000	As Incurred	As Incurred	Independent Contractors
Store-Front Signs	$12,000 to $18,000 depending on number of signs required; most stores only require one store-front sign	As Incurred Before Opening	As Incurred	Suppliers designated by us
Attorney fee lease review	$2,500 to $5,000	As Incurred	As Incurred	Us, independent contractor
Franchise Premises Rent[3]	$5,000 to $15,000	As Incurred	As Incurred	Landlord

[1] Except as provided in Section 5 above, any fees paid to Us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and You.

[2] You are required to have access to the internet, email, a facsimile machine, telephone, and reliable transportation.

[3] You are solely responsible for obtaining and paying for a location for the franchise. The cost of purchasing or leasing a premises for the franchise varies with the location and size of the premises. The recommended minimum size of a BEACH HUT DELI franchise premises is 1,500 to 2,500 square feet. You will be required to purchase blueprints/plans for the construction or remodeling of

© Beach Hut, LLC 2017

Equipment, Materials and Supplies	$37,650 to $72,900	As Incurred Before Opening	As Incurred	Us or Suppliers
Inventory[4]	$4,000 to $6,000	As Incurred Before Opening	As Incurred	Us or Suppliers
Initial Advertising Fees and expenses	$5,000	As Incurred Before Opening and within 90 days after Opening	As Incurred	Us or as We Direct
Insurance	$ 1,500 to $3,000 annually	As Incurred Before Opening	Before Opening	Insurers
Additional Funds – Working Capital, Training and Living Expenses (3 months)[5]	$20,000 to $ 30,000	Capital Reserve Account Held in Your Bank subject to verification by Us	Before Opening	Employees, Suppliers, Utilities, etc.
TOTAL	**$228,495 to $545,915**			

TABLE RELATED TO A BEACH HUT DELI EXPRESS

---

your franchise location from an architect approved or designated by Us.

[4] Inventory is required as outlined in the Operations Manual.

[5] A minimum of $20,000 working capital is strongly recommended to cover Your living expenses, training and travel expenses before opening and for working capital after the store opens. The contemplated initial start up period is three months. You will have the other usual expenses involved in establishing a business. These expenses vary greatly. They include, but are not limited to, attorney fees, license fees, deposits, sales tax bonds (where required), pre-opening advertising and recruiting expenses, employee wages, utility costs, and supply expenses. You must pay all taxes required by local, state or federal laws related to the services furnished or used in connection with the operation of a BEACH HUT DELI franchise. You must obtain all permits, certificates or licenses (including a beer and wine license) necessary for the full and proper conduct of the franchise.

© Beach Hut, LLC 2017

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM[6]
Franchise Fee	$7,500	Lump Sum or ($5,000 deposit as explained in item 5)	Upon Execution of the Franchise Agreement (see item 5)	Us
Telephone and Utilities Deposits and Payments[7]	$1,000 to $12,500	As incurred	As Incurred	Landlord, Utility Companies and Suppliers
Tenant Improvements, including Architect Fees, Fees, & Permits	$12,100 to $107,000	As incurred	As Incurred	Landlord or Independent Contractors, Architect, Government
Décor	$1,000 to $2,500	As Incurred	As Incurred	Independent Contractors
Store-Front Signs	$2,500 to 7,500 depending on number of signs required; most stores only require one store-front sign	As Incurred Before Opening	As Incurred	Suppliers designated by us
Attorney fee lease review	$2,500 to $5,000	As Incurred	As Incurred	Us, independent contractor
Franchise Premises Rent[8]	$2,500 to $5,000	As Incurred	As Incurred	Landlord

[6] Except as provided in Section 5 above, any fees paid to Us are not refundable. Amounts paid to any third parties may be refundable, depending upon the contracts between them and You.

[7] You are required to have access to the internet, email, a facsimile machine, telephone, and reliable transportation.

[8] You are solely responsible for obtaining and paying for a location for the franchise. The cost of purchasing or leasing a premises for the franchise varies with the location and size of the premises. The recommended size of a BEACH HUT DELI EXPRESS is approximately 400 square feet. You will be required to purchase blueprints/plans for the construction or remodeling of your franchise

© Beach Hut, LLC 2017

Equipment, Materials and Supplies	$29,500 to $69,350	As Incurred Before Opening	As Incurred	Us or Suppliers
Inventory[9]	$4,000 to $6,000	As Incurred Before Opening	As Incurred	Us or Suppliers
Initial Advertising Fees and expenses	$5,000	As Incurred Before Opening and within 90 days after Opening	As Incurred	Us or as We Direct
Insurance	$1,500 to $3,000 annually	As Incurred Before Opening	Before Opening	Insurers
Additional Funds – Working Capital, Training and Living Expenses (3 month)	$10,000 to $15,000	Capital Reserve Account Held in Your Bank subject to verification by Us	Before Opening	Employees, Suppliers, Utilities, etc.
TOTAL:	**$79,100 to $245,350**			

We do not finance any of these initial expenses. The availability and terms of financing will depend on various factors including the availability of financing generally, Your credit worthiness, security available to You, lending institution policies concerning the type of business to be operated by You, and other comparable elements.

Item 8: Restrictions on Sources of Products and Services.

It is essential to the proper marketing of BEACH HUT DELI products and to the preservation and promotion of Our reputation and acceptance by the public that uniform standards of quality, taste, and food appearance are maintained, that uniform quantities, volumes, and types of food are offered and that cartons and other paper goods displaying Our commercial symbols are of uniform size, quality, texture, absorbency, strength, finish, and appearance. Therefore, You will at all times dispense, serve, sell or offer for sale to the public only articles, foods and other products that meet the reasonable specifications and standards We, from time to time, designate in writing. You are

---

location from an architect approved or designated by Us.

[9] Inventory is required as outlined in the Operations Manual.

© Beach Hut, LLC 2017

required to obtain all deli products from Us or sources We approve and according to Our specifications.

We will lend to You a copy of BEACH HUT DELI'S Pre-Opening Guide and Our Operations Manual at the mandatory training course described in Section 11, below. From time to time We may amend the Pre-Opening Guide and/or the Operations Manual, including changes that may affect minimum requirements for Your franchise operations. You will strictly follow the requirements of the Pre-Opening Guide and the Operations Manual as We amend them from time to time. The requirements of the Pre-Opening Guide and the Operations Manual are incorporated as part of the Franchise Agreement. You will carry out immediately all changes at Your cost, unless We otherwise specify. We reasonably may designate Your business format and sales and distribution guidelines, as specified from time to time in the Operations Manual. The Pre-Opening Guide and the Operations Manual are confidential and Our exclusive property.

The Pre-Opening Guide and the Operations Manual contain recipes, menu requirements, specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, art work, distribution techniques, advertising layouts, deli sandwich product specifications, operation requirements, public relations guidelines and other rules that We may prescribe from time to time.

All specifications that We require of You (with the exception of blueprints and specifications for the store build out) and lists of approved suppliers will be included in the Pre-Opening Guide or the Operations Manual. We will, upon request, provide them to approved suppliers and suppliers seeking approval. We will use Our best judgment to set and modify specifications to maintain the integrity and quality of the BEACH HUT DELI franchise system.

With advance written notice, You may request Our approval to obtain products, equipment, supplies or materials from sources that We have not previously approved, provided that we do not have an exclusive contract for that product, equipment, supply or material. We may require You to give Us sufficient information, photographs, drawings, samples, and other data to allow Us to determine whether the items from these other sources meet Our specifications and standards, as established from time to time. These specifications and standards will relate to quality, taste, durability, value, cleanliness, texture, composition, strength, finish and appearance, and the suppliers' capacity and facility to supply Your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse Us for the actual cost of the tests. We will license any supplier, that can meet or exceed Our quality control requirements and standards, for a reasonable license fee, to produce and deliver BEACH HUT DELI products to You but to no other person. Our confidential recipes, requirements, designs, systems and formulas will be revealed to potential suppliers only after We have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow Our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply Your reasonable needs. We will not unreasonably withhold approval of a supplier You propose. We will notify You in writing of the approval or

© Beach Hut, LLC 2017

disapproval of any supplier You propose. You will receive notification of supplier approval or disapproval from Us within 120 days of Your request for approval.

From time to time We or Our agents may inspect any approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of Our continued approval of any manufacturer, supplier or distributor. Should We find from any inspection that a manufacturer, supplier or distributor fails to meet Our specifications and standards, We will give written notice describing this failure to You and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 14 days, the manufacturer, supplier or distributor will no longer be approved.

We may enter into food contracts which bind you to purchase a certain type of product from a certain manufacturer, supplier or distributor. We currently have an exclusive contract for the purchase of soda and non-alcoholic drink products which requires the franchisee to purchase such products from an exclusive supplier which is unaffiliated with us. For these products, you may not purchase from an alternative manufacturer, supplier or distributor. We receive revenue from these required purchases. For 2016, our total revenue was $1,849,818. We received $42,246 as rebates from the required purchases referred to in this paragraph which is 2.3% of our revenue. Your estimated proportion of required purchases under this paragraph compared to all purchases and leases for goods and services incurred by you in the operation of your business will be about 3.6%.

We require that you purchase equipment, materials, and supplies for the operation of your business which strictly conforms to Our specifications set from time to time. That equipment includes generally Microwaves, walk-in cooler, walk-in freezer, ice machine, Sandwich tables, prep sinks, slicer, retail radio box, and menu boards. We do not require you to purchase the equipment, materials and supplies from any designated supplier. The cost for such items $37,650 to $72,900 which is included in the "Initial Investment" figures in Item 7.

Although We currently do not offer to sell any inventory, materials or supplies to Our franchisees, We may do so in the future. If and when We do, We may derive income from providing BEACH HUT DELI products to You. This income results from the difference in the amount We pay for the products and the amount We charge You for them.

We do receive payments from suppliers for required purchases by Franchisees. For beverage products we receive $2.50 for each gallon of syrup purchased. Other than these payments, rebates offered by required suppliers are passed on to individual franchisees directly by us or suppliers. We receive rebates from some designated suppliers (these are not required purchases) as follows: turkey .22 per pound; general meats .05 per pound; bacon .05 per pound; BBQ sauce $4.00 per case; pepperoncini $1.00 per case; chips $1.00 per case, pickles $1.00 per case, mayonnaise $1.00 per case. We do not use purchasing or distribution cooperatives.

We do currently negotiate purchase arrangements with suppliers, including price terms, for the benefit of Franchisees. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

© Beach Hut, LLC 2017

You will be required to purchase blueprints/plans for the construction or remodeling of Your franchise premises from an architect designated or approved by Us. The estimated cost of blueprints/plans is $4.00 per square foot site, which cost is included in the "Initial Investment" figures in Item 7.

You will be required to use a contractor that we approve, who has sufficient experience to build a Beach Hut Deli. Such contractor shall be responsible for the build out of the franchise premises pursuant to a contract entered into between you and the approved contractor. This cost is included in the "Initial Investment" figures in Item 7.

There are no other obligations for You to purchase or lease according to specifications or from approved suppliers. Except as explained in this Disclosure Document, We have no required specifications, designated suppliers, or approved suppliers for goods, services, or real estate related to Your franchise business. Except as explained above, We will not derive revenue from Your purchases or leases.

You may not sell or dispense any products, food or non-food services or activities other than those specifically recognized and approved by Us as part of the BEACH HUT DELI'S franchise system without Our prior written approval. You may not install or use any vending machines, juke boxes, games, or musical devices in Your franchise without Our prior written approval.
We may offer an "opening package of supplies" to You. You are not required to purchase this package from Us.

We will require You to install and use accounting, inventory control, and sales register computer systems, also known as POS (Point of Sale) systems. You must purchase from Our designated vendor at Your expense, software and hardware (including but not limited to programs and cash registers) which strictly conform to Our specifications set from time to time. Your total purchase costs for the computer systems will be approximately $4,000 to $6,000 which cost is included in the "Initial Investment" figures in Item 7.

Item 9: Franchisee's Obligations.

Item 9 Table:

FRANCHISEE'S OBLIGATIONS

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

© Beach Hut, LLC 2017

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition or lease	Sections 1.1, 1.2, 1.3 & 4.3	Items 6 & 12
b. Pre-opening purchases and Leases	Sections 4.1, 5.1 & 8.2	Items 7 & 8
c. Site development and other pre-opening requirements	Sections 1.4, 2.11, 3.1, 4.1,	Items 7, 8 & 12
d. Initial and ongoing training	Sections 3.1 & 3.2	Items 6 & 11
e. Opening	Sections 4 & 5.1	Item 11
f. Fees	Sections 2, 3.2 & 7.1	Items 5, 6 & 17
g. Compliance with standards & policies/Operations Manual	Sections 5 & 6.3	Items 8, 11 & 17
h. Trademarks and proprietary Information	Recitals & Sections 1.1, 5.1, 5.3, 5.4, 5.5, 5.8, 5.9, 6.5,	Items 13, 14 & 17
i. Restrictions on products and services offered	Sections 1.2, 1.6, 5.1, 5.2, 5.5, 5.6, 5.7, 5.8, 5.9, 6.3, 6.5	Items 8, 12, 13, 16 & 17
j. Warranty and customer service requirements	Sections 5.1, 5.2, & 5.5	Item 11
k. Territorial development and sales quotas	Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.10, 5.1, & 5.5	Items 5, 7 & 12
l. Ongoing product & Service Purchases	Sections 5.1, 5.2, 5.5, 5.7, & 8.2	Items 7 & 8
m. Maintenance, appearance and remodeling requirements	Sections 1.4, 5.1, 5.2, 5.5, 5.10, & 8.2	Items 7, 11 & 17
n. Insurance	Section 8.2	Item 7
o. Advertising	Sections 1.6, 2.3, 2.4, 2.8, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6 & 6.5	Items 6, 9 & 11
p. Indemnification	Sections 6.7 & 8.1	Item 5 & 6
q. Owner's participation/ management/staffing	Sections 1.7, 2.7, 3, 4.1, 5, 6.5, 6.7, 7 9.3, 9.6, 9.9, 9.12, & 9.13	Items 11, 15 & 17
r. Records and reports	Sections 2.8, 2.9, 2.10, 5.1, 5.2, & 5.5	Items 6, 11 & 17
s. Inspections and audits	Section 2.9, 2.10, 5.1, 5.2, & 5.5	Items 6, 11 & 17
t. Transfer	Section 7 & 15	Item 17

© Beach Hut, LLC 2017

u. Renewal	Section 6.1	Item 17
v. Post-termination obligations	Section 5.8, 5.9, 6.3, 6.5, 6.6, 6.7, 6.8, 9.6, 9.9, 9.10	Item 17
w. Non-competition covenants	Sections 5.8, 5.9, 6.5, 6.8, 9.9, & 9.10	Item 17
x. Dispute resolution	Sections ~~1.7~~, 9.7 & 9.8	Item 17

Item 10: Financing.

We do not provide direct or indirect financing. We do not assist in providing financing for You. We do not guarantee any notes or financial obligations You may incur in setting up and operating Your franchise.

Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training.

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

Before You open Your franchise, We will assist you in the following areas:

We do not own the premises and do not lease to You. We do analyze your market area, to help determine site feasibility and to help in selection of the franchise location. In analyzing a proposed site, We examine its general location, neighborhood, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, and lease terms. You must obtain our prior written approval of the site for your franchise premises. We will provide approval or disapproval of your selected site within a reasonable period of time. We bear no liability for any consequences of any franchise site You choose. We do not guarantee success for any location You select. We will not be liable for any consequences of Your choice of any franchise site. Any site recommendation or approval We make is not a representation that any particular site is available or legally appropriate for use as a franchise site. (Franchise Agreement Section 1.1 through 1.10)

You will pay all out of pocket expenses for travel, meals, and lodging We incur to help You locate sites and to negotiate a lease for You. You will bear all other site selection and negotiation expenses. You may terminate this Agreement and receive a refund of at least one-half of the Franchise Fee if You are unable to find a franchise site acceptable to You within one year after execution of the Franchise Agreement. (Franchise Agreement, Section 6.2)

Before You enter a lease or purchase agreement for the Franchise Premises, You will submit the lease or purchase documents to Us for review. Lease documents must include an assignment of the lease in a form We approve, under which We may assume the lease as provided in Section 4 of the Franchise Agreement. (Franchise Agreement, Sections 1.1 and 1.3) Refer to Item 5, above, concerning site selection and other requirements for additional franchise purchases by existing franchisees.

© Beach Hut, LLC 2017

It is Your responsibility to investigate all applicable zoning, licensing, permits, leasing and other requirements for any proposed site. You must ensure that the site You select complies with these requirements.

You are responsible to construct, remodel, furnish, decorate and equip the Franchise Premises. We will provide instruction to you on how to obtain blueprints for your store construction or remodeling, and on how to obtain health, sanitation, building, beer and wine, utility and sign permits for your premises. You pay for the construction or remodeling and for all permit applications and plans and blueprints. (Franchise Agreement, section 1.4.)

You must hire and train employees, but we will train you on the appropriate procedures. (Franchise Agreement, section 3.1 and 3.2)

We do not provide necessary equipment, signs, fixtures, opening inventory, or supplies. We do provide the names of approved suppliers, and written specifications for equipment, signs, fixtures, opening inventory, and supplies. (Franchise Agreement, section 1.4, see also Items 7 and 8 of this Disclosure Document.) We do not deliver or install any of the above items.

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is about 180 days. You are expected to complete the mandatory training and commence Your franchise business operations within one year after You sign the Franchise Agreement. Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, remodeling and equipping the Franchise Premises, obtaining initial inventory, financing and business permit requirements, and Your personal operational needs. Any failure caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond Your reasonable control will be excused for a time that is reasonable under the circumstances. If the training and commencement of operation obligation is not fulfilled, We may terminate the Franchise Agreement by refunding not less than one-half of the Franchise Fee. (Franchise Agreement, Section 4.1)

During the operation of Your franchise business, We will: Provide ongoing assistance, for Your training, advertising, sales assistance, and use of the Operations Manual. (Franchise Agreement, Section 3.2)

We may, but are not required to develop products and services that you will offer to your customers. (Franchise Agreement, Section 5.7)

We do not hire or train your employees. We may at our discretion, provide refresher training programs or seminars, from time to time. We may require that You or Your managers attend and complete them to Our satisfaction. These programs and seminars will be held at locations We designate and will be provided without charge to You. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. (Franchise Agreement, Section 3.2)

© Beach Hut, LLC 2017

We may, at our discretion, hold a convention periodically for the franchisees that make up Our franchise system. The convention may be held at a different location each time. The convention may include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment. For any convention that You do not attend, We may deliver to You and You will pay Us for audio or video recordings and written summaries of the activities of convention. The price for the audio and video and written summaries for any such convention will be established by Us from time to time but will not be more than $250. (Franchise Agreement, Section 2.12)

We may require you to improve and develop your franchised business. If so, We will provide you written specifications for this. We may provide other supervision, assistance, or services although We are not bound by the Franchise Agreement or any related agreement to do so. These may include, among other things, advertising materials, literature, additional assistance in training, secret shopper programs, promotional materials, bulletins on new food products, merchandise, and new sales and marketing developments and techniques. (Franchise Agreement, Sections 2.3, 2.5)

We may establish the maximum price you charge and advertise suggested retail prices. (Franchise Agreement Section 2.3)

We may require you to use administrative, bookkeeping, accounting, and inventory control procedures which we provide. (Franchise Agreement Section 5.1)

We may, but are not required to resolve operating problems encountered by you.
We may inspect the Franchise Premises from time to time and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout Our franchise system. (Franchise Agreement, Section 5.2)

We may inspect the facilities of Your manufacturers, suppliers, and distributors from time to time and notify You and the manufacturers, suppliers, and distributors in writing of any failure to meet Our specifications and standards. (Franchise Agreement, Section 5.1)
We will administer the BEACH HUT DELI advertising program and formulate and conduct national and/or regional promotion programs. (Franchise Agreement, Section 2.3)

We will use Your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services We deem to be in the best interest of Our franchisees and Our franchise system. We will administer the funds We receive for Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative ideas, materials, endorsements, placement, and allocation of overhead expenses. We may use the Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as We, in Our sole discretion, deem proper. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of

© Beach Hut, LLC 2017

advertising. We shall not be obligated to expend all or any part of the Fees We receive during any specific period. (Franchise Agreement, Section 2.3)

You may not, without Our prior written consent, place any advertisement, in any media, which materially varies from the form and content of approved advertisements. You will submit to Us all advertising copy and other advertising and promotional materials to Us before You use them in Your local advertising program. You will not use any advertising copy or other promotional material until We approve it in writing. If within 14 days after submission, We have not advised You in writing that the material is disapproved, the material will be deemed approved by Us for You to use. (Franchise Agreement, Section 2.3)

You must advertise the Franchise in a dignified manner to enhance Our franchise system's reputation for quality and integrity. At any time and from time to time, We may require You to submit to Us advertising copy and promotional materials You use in Your local advertising programs. If, after review of any material, We, in good faith, believe that it is not in keeping with Our franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the system, We will promptly notify You. You will immediately cease using any such material. (Franchise Agreement, Section 2.3)

You must submit to Us or Our designated advertising agency, for prior approval, all promotional materials and advertising to be used by You, including, but not limited to, newspaper, radio, and television advertising, specialty and novelty items, signs, boxes, bags, and wrapping papers. If written or oral disapproval of Your advertising and promotional material is not received by You within 14 days from the date We receive the material, the materials will be deemed approved. The submission of advertising to Us for approval will not affect Your right to set the prices at which You sell products. However, We may establish the maximum price you charge and advertise suggested retail prices. (Franchise Agreement Section 2.3)

You must spend through Us or at Our direction not less than $5,000 on advertising during the first 90 days the Franchise operates. In addition, You will obtain professional public relations help, advice, and advertising before opening the Franchise for business. (Franchise Agreement, Section 2.4)

There is no advertising counsel comprised of franchisees. There is no local or regional advertising cooperative. There are not other advertising funds other than as described above.

Advertising funds need not be spent in the fiscal year in which they accrue, but all fees collected for advertising are spent on advertising as outlined above. We may, but are not required to provide you an accounting of how advertising fees are spent. (Franchise Agreement, Section 2.3)

In 2016, We did not use any of the advertising fee to principally solicit new franchise sales.

We require You to have a computer system with accounting, inventory control, and Point of Sale (POS) cash registers. You must purchase from Our designated vendor, at Your expense, software and hardware (including but not limited to programs and cash registers) which strictly conform to Our

© Beach Hut, LLC 2017

specifications set from time to time. We may require you to upgrade or update your software or hardware at your expense. The frequency and cost of such upgrades is not known at the time you enter into the franchise agreement, but is determined by technological advances during the term of your franchise. You are required to pay a software fee concerning your POS system which cost $150.00 per month which includes two terminals. (1,800.00 per year for the two terminals.) (Franchise Agreement, Section 5.10)

We require that You have, at a minimum, two electronic POS cash registers with internet capabilities and software which permits Us to monitor and track your sales and other data related to the operation of your franchise. We will have independent access to all information and data which is input into Your computer system. The cost of this system is approximately $4,000 to $6,000. (Franchise Agreement, Section 5.10)

We will provide the Pre-Opening Guide and the Operations Manual and various selling aids. (Franchise Agreement, Section 5.1). The Pre-Opening Guide and the Operations Manual are confidential and remain Our property. They contain mandatory and suggested recipes, specifications, standards and procedures. We may modify the Pre-Opening Guide and the Operations Manual, but the modifications will not alter your basic status and rights under the Franchise Agreement. The revisions may include advancements and developments in recipes, sales, marketing, operational techniques, add other items and procedures used for the operation of the franchise. The current version 1-26-17 of the Operations Manual consists of 60 pages. The total number of pages devoted to each subject is set forth in the Table of Contents of the Operations Manual which is as follows:

BEACH HUT DELI
OPERATIONS MANUAL

I. ***Introduction*** *5*
- *A. Welcome to the Beach Hut Family* *5*
- *B. Biographical information on Beach Hut's key personnel* *5*

II. ***General Daily Business Operating Policies*** ***6***
- *A. Training* *6*
- *B. Days & Hours of Operation* *7*
- *C. Owner / Operator* *7*
- *D. Beach Hut Deli Staff* *8*
- *E. Staffing* *9*
- *F. Employee Orientation* *12*
- *G. Dress Code of Personnel* *12*
- *H. Employee Records* *13*
- *I. Policy on Tipping and Distribution:* *13*
- *J. Employee Food Handler Certifications* *13*
- *K. Employer ServSafe Certificate* *14*
- *L Store Opening Procedures* *14*

© Beach Hut, LLC 2017

M. *Mid-Day Procedures* *15*
N. *Taking a Beach Hut Order* *16*
O. *Phone – In/Online Orders* *16*
P. *Quality Control* *17*

Q. *Inventory Receiving* *17*
R. *Rotation of Food* *18*
S. *Preventative Maintenance/Cleaning* *18*
T. *Internet, TV, Sound System and Video Games* *20*
U. *Security Procedures and Safety* *21*
V. *Cash Register Operation and Reporting Systems* *22*
W. *Gift Cards* *22*
X. *Banking* *22*
Y. *Bookkeeping and Accounting Methods* *22*
Z. *Preparation of Monthly Profit and Loss Statements* *23*
AA. *Advertising and Marketing Procedures* *23*
BB. *Posters and Signs,* *23*
CC. *Beach Hut Deli Web Site; Franchisee's Store Website* *23*
DD. *Social Media Networking, Facebook & Twitter* *23*
EE. *Grand Opening Procedures* *23*
FF. *Alcoholic Beverage Regulations* *24*

III. ***Food Preparation (Or – The Meat and Cheese of the Operation.)*** *24*

A. *Ordering, Processing & Handling Food Items* *24*
1. *Bread* *24*
2. *Cheese* *28*
3. *Chips* *31*
4. *Soups/Chili* *32*
5. *Cookies* *33*
6. *Meat/Protien* *33*
7. *Produce-Local Supplier that is approved* *39*
8. *Side Salads* *45*
9. *Sauces and Condiments* *46*

B. *How to Make a Beach Hut Deli Sandwich Sandwich/Salad Artistry 101* *52*
1. *Recipes/Portions for all Regular Sandwiches* *52*
2. Salads *54*
3. *Catering* *54*
4. *Beverages* *55*

IV. *Required Equipment Frisbees Paper Goods/Plastic Wares/Cups & Lids* *56*
V. *Beach Hut Deli Gear and Logos* *57*
VI. *Conclusion* *58*

© Beach Hut, LLC 2017

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Build-Out	0 hours	15 hours	GB Beach Hut Deli
Hiring	0 hours	4 hours	GB Beach Hut Deli
Inventory/Suppliers	0 Hours	4 hours	GB Beach Hut Deli
Marketing/Advertising and Public Relations	0 Hours	2 hours	GB Beach Hut Deli
Operations/Production/ Skill Development "Sandwich Artistry." This includes sandwich/menu/recipe procedures, sanitation and safety, customer service, cash register/POS, employee scheduling, employee availability, time cards	0 Hours	100 hours	GB Beach Hut Deli
Pricing/Margins	0 Hours	2 hours	GB Beach Hut Deli
Reporting/Accounting	4 Hours	0 hours	Beach Hut Offices
TOTAL HOURS		131 Hours Total	

We will provide You with a training and familiarization program before the start of Your business. (Franchise Agreement, Section 3.1).

Troy Feist is Our Director of Training. Mr. Feist founded BEACHOUSE DELI in 1981 when he opened the first BEACHOUSE DELI in Granite Bay, California. Since then, he has built two additional locations and has overseen the building, site selection, and operation of all new franchised locations. All Instructors use the Operations Manual and the Franchisee's Pre-Opening Guide for instructional material. Training at the Beach Hut Deli is on-the-job training.

David Reeves is Our Chief Operations Officer. He will assist Troy Feist with training You in the reporting and accounting aspects of Your franchise. Mr. Reeves has been a practicing attorney since 1987. He has been a partner in the law firm of Reeves & Lynch since 1988. Mr. Reeves has prior

© Beach Hut, LLC 2017

experience in restaurant reporting and accounting. Accounting training is conducted at the Offices of Beach Hut LLC located at 2220 Douglas Blvd., Ste. 180, Roseville, CA 95661, or at another agreed upon location.

Mr. Burk provides franchisee training and has worked in all areas of the training program with Beach Hut Deli since 2008. Mr. Burk has worked with Beach Hut, LLC since 2008.

Mrs. Klawiter provides franchisee training and has worked in all areas of the training program with Beach Hut Deli since 2007. Mrs. Klawiter has worked with Beach Hut, LLC since 2012.

The training program consists of the described training materials. Training will cover deli sandwich recipes, product preparation and presentation, employee guidelines, customer relations, general business operations, retail sales practices, franchise systems management, bookkeeping and financial management, inventory control and purchasing, security practices, equipment operations, increasing sales at Your location and assisting in creating relationships with Your customers. The training program is included in the Initial Franchise Fee. All training is held at a designated BEACH HUT DELI store, or the Offices of Beach Hut, LLC. Accommodations, travel, room, board, and wage expenses during this period are borne by You. The training program must be completed by all franchisees unless, at Our reasonable discretion, based upon a franchisee's experience, it is deemed unnecessary. (Franchise Agreement, Section 3.1 and 3.2)

You must request to schedule a training session at least 21 days before the session is to start. All training must be completed no later than 2 weeks before the scheduled date of the opening of the franchise. (Franchise Agreement, Section 3.1 and 3.2)

You must complete the initial mandatory training program to Our satisfaction or We may terminate the Franchise Agreement upon refunding at least one-half of the Initial Franchise Fee. You are encouraged to attend the training session as soon as possible after executing the Franchise Agreement and before incurring any costs or expenses related to the opening of the Franchise. We will not be liable for Your costs or expenses if We terminate the Franchise Agreement because You fail to complete the mandatory training to Our satisfaction. (Franchise Agreement, Section 3.1 and 3.2)

If the franchise is managed by any persons other than You, You must notify Us of the identity of the managers in writing and We must approve or you selection. Each manager, as from time to time hired, must successfully complete the mandatory training program prior to assuming a managerial or supervisory capacity at your franchise premises. (Franchise Agreement, Section 3.1 and 3.2)

Although not required by agreement, We may, at Our discretion or upon Your request, provide other supervision, assistance, and services before the opening of Your business; such as literature, advertising materials, displays, flyers, additional training assistance and a selection of inventory and supplies.

Item 12: Territory.

© Beach Hut, LLC 2017

You will be given a specific location within which You will operate Your franchise. We may, but are not required to grant you an exclusive territory. A typical franchise location consists of a leased retail space with from 1,500 to 2,500 square feet of space. It is, or will be, identified in Section 1.1 of the Franchise Agreement. Before the Franchise Agreement is signed, the specific address for the Franchise Premises, or the area within which it may be located, will be described in the Franchise Agreement. The exact determination of the Franchise Premises will depend upon Your approval and Our market analysis, market penetration plans and franchise placement strategies and prior franchise commitments. You must obtain Our prior written approval for the site of the Franchise Premises and Your lease related to it. When the exact location for the franchise is decided, the Franchise Agreement shall be updated to identify the Franchise Premises. (See Exhibit 1 to Franchise Agreement.)

We will help analyze Your market area, help determine site feasibility, and assist in the selection of the franchise location, subject to Your approval. While We agree to use Our experience and expertise to assist in the selection of locations, We do not guarantee success for the location selected by You or accept any responsibility for any consequences of Your choice of the franchise site.

Among the factors We consider to determine the feasibility of possible franchise sites are population demographics, traffic, parking, and other businesses in the area.

You may relocate the Franchise Premises with our prior written consent, if: You are not in default of the Franchise Agreement and are following the Method of Operation; Your lease was not ended by the lessor because of Your default under the lease agreement; You evidence to Us Your ability to obtain and commence operations at the new location within a reasonable period after You vacate the original location; You develop, construct, remodel, furnish, decorate and equip, at Your sole expense, the new location according to Our then current specifications, and standards; and You pay all reasonable out-of-pocket expenses We incur because of the relocation. The term "Franchise Premises" will include the relocated business site.

An existing Franchisee may establish additional franchised outlets by executing a Location Reservation Letter. For a second or subsequent location that is not a Beach Hut Express, an existing Franchisee must pay a $19,000 franchise fee. Existing franchisees may also open a Beach Hut Express which is defined as an agreement for a Beach Hut Deli by an existing franchisee, which occupies no more than 400 square feet and is encompassed within another business or similar situation. The franchise fee for a Beach Hut Express is $7,500. The Location Reservation Letter is attached as Exhibit 5 to the Franchise Agreement and is described more fully in Item 5 of this disclosure document.

We may, but are not required to grant You an exclusive territory. If we do not grant you an exclusive territory, the following warning applies: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

If we do grant an exclusive territory, in order for you to maintain your territory, you must remain a franchisee in good standing and must be in full compliance with the franchise agreement.

You may not do business, operate or place advertisements using Our names or trademarks, if any, outside your Franchise Premises, except with Our prior written permission or following the local advertising requirements and restrictions expressed in the Operations Manual. All issues related to local customers who deal with several BEACH HUT DELI franchisees and local opportunities that could involve more than one franchisee will be addressed and resolved by the BEACH HUT DELI franchisees in the involved local area, subject to Our right to give reasonable direction and oversight.

We may establish company-owned or franchised operations using Our Method of Operation, trade names or trademarks that will compete with you. We do not solicit or accept orders from consumers inside a franchisee's territory. We have not established and do not intend to establish other franchises or company-owned outlets selling similar products or services under a different Method of Operation, trade name or trademark other than the names BEACH HUT DELI.

Other than as stated above, You do not receive the right to acquire additional franchises or to grant sub-franchises. There are no minimum sales quotas.

Item 13: Trademarks.

BEACH HUT DELI is the principal trademark/service mark to be licensed to you.
On June 29, 2004, the United States Patent and Trademark Office approved Our application for registration of the name "BEACH HUT DELI" as a service mark in the business of restaurant services, Reg. No. 2,858,851. By having a Principal Register federal registration for BEACH HUT DELI, Beach Hut, LLC has certain presumptive legal rights granted by a registration. Below, the service mark is displayed.

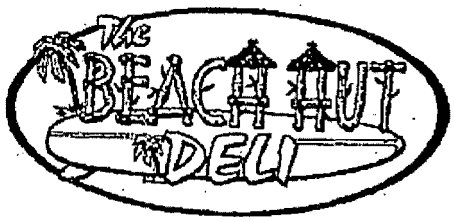
Int. Cl.: 43

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 2,858,851
Registered June 29, 2004

SERVICE MARK
PRINCIPAL REGISTER



© Beach Hut, LLC 2017

We will allow You to use all other trade names, trademarks, service marks, and logos We now own or may in the future develop for the BEACH HUT DELI franchise system.

Our name, BEACH HUT DELI is Our sole and exclusive property. You will immediately notify Us of any infringement of, or challenge to Your use of it. We will have sole discretion to take or not to take action, as We deem appropriate. You must follow our rules when You use our name. You may not use our name in any manner We have not authorized in writing.

All goodwill associated with our name, including any goodwill that might be deemed to have arisen through Your activities, will accrue directly and exclusively to Our benefit, except as otherwise provided by applicable law.

You may not use or give others permission to use our name, or any colorable imitation of them, combined with any other words or phrases.

We may change or modify any part of our name from time to time at Our sole discretion. You will accept, use, and protect, for the purposes of the franchise, all changes and modifications as if they were a part of our name at the time the Franchise Agreement is executed. You will bear all costs and expenses which may be reasonably necessary because of these changes or modifications. Under no circumstances will We be liable to You for any damages, costs, losses, or detriments related to any of these changes or modifications.

There are no presently effective determinations of the Patent Office, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding and no pending material litigation involving the use of our name in any state.

There are no agreements currently in effect that limit Our rights to use or license the use of our name. We know of no infringing uses that could materially affect Your use of our name.

We claim common law rights to our name and any other marks used by Us in interstate commerce in the United States. This claim is based upon Our use of our name in interstate commerce.

Item 14: Patents, Copyrights, and Proprietary Information.

We have affixed a statutory notice of copyright to Our Pre-Opening Guide, to Our Operations Manual, to Our Menu, to most of Our advertising products, and to Our deli sandwiches and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with Your operation of the franchise during the term of Your Franchise Agreement.

The Pre-Opening Guide and the Operations Manual are referred to in Item 11. Although We have not filed applications for copyright registration, all such materials are Our property. Item 11 describes limits on use of such materials by You and Your employees. You must contact Us immediately if

© Beach Hut, LLC 2017

You learn of any unauthorized use of Our proprietary information. You must also agree to not contest Our rights to and interest in Our copyrights and other proprietary information.

We have no patents material to Your franchise.

Item 15: Obligation to Participate in the Actual Operation of the Franchise Business.

We require that You, or Your majority owners if You are a corporation, limited liability company or partnership, participate fully in the actual day to day operation of the franchise business. Managers You employ to help You to operate the franchise must successfully complete the mandatory training program described in Item 11. The manager and all of Your owners must agree to be bound by the confidentiality and non-compete provisions of the Franchise Agreement.

Each of Your owners must assume and agree to discharge all of Your obligations under the Franchise Agreement.

The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50 percent (50%) or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

Item 16: Restrictions on What the Franchisee May Sell.

We require that You use, offer and sell only those BEACH HUT DELI food products, goods and services that We approve in writing. You must offer all BEACH HUT DELI'S food products, goods and services that We designate as required by Our franchise agreement, operations manual and pre-opening guide. We reserve the right, without limitation, to modify, delete, and add to the authorized products, goods, and services.

Item 17: Renewal, Termination, Transfer, and Dispute Resolution.

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 1.1	10 years
b. Renewal or extension of	Section 6.1	If you are in good standing,

© Beach Hut, LLC 2017

term		You may renew for periods of 5 years under the terms of Our then current Franchise Agreement.
c. Requirements for you to renew or extend	Section 6.1	Renewal means to begin a new term as a franchisee. In order to renew, you must give notice at least three and not more than 6 months before expiration of the initial term; faithfully perform under the initial agreement; refurbish, remodel, or replace the Franchise Premises and replace obsolete equipment; sign general release; sign a new agreement which may contain materially different terms and conditions than your original contract; and go through retraining, if necessary.
d. Termination by you	Section 6.2	You may terminate the Franchise Agreement if You comply with the provisions of the Franchise Agreement and if We breach any material provision and fail to cure or reasonably to begin to cure that breach within 60 days after receipt of written notice from You. Termination will be effective 10 days after You deliver to Us a written declaration of termination for failure to cure within the allowed period. You may terminate the Franchise Agreement and receive a refund of at least one-half the Initial Franchise Fee if You are unable to find a franchise site acceptable to

© Beach Hut, LLC 2017

		You within one year after execution of the Franchise Agreement.
e. Termination by Us without cause	Not Applicable	Not Applicable
f. Termination by Us with cause	Section 6.3	We can terminate only if You default.
g. "Cause" Defined – curable defaults	Section 6.3(A)	You have 30 days to cure any default not listed in Section 6.3 (B).
h. "Cause" Defined – non-curable defaults	Section 6.3 (B)	Bankruptcy and insolvency, lease default, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, non-payment of fees, repeated under-reporting of sales, disclosure of information, default on note for franchise or asset purchase, allow unlawful activities at Franchise, conduct materially adversely affecting operation, trademarks.
i. Your obligations on termination/non-renewal.	Section 6.5	De-identification, return of manuals, release of phone numbers and listings, de-identification of premises, payment of sums owed, confidentiality, and non-competition. At Our option, assign Your lease and, sell all Franchise related equipment, furnishings, signage, menu boards, and inventory to Us., at the fair market value as determined by an independent appraiser, or depreciated book value (straight line depreciation over 5 years, whichever is

© Beach Hut, LLC 2017

		lower, and at Your invoice cost for sandwich products inventory less a ten percent (10%) restocking charge. We will not be liable for any payment to You for intangibles, including, without limitation, goodwill.
j. Assignment of contract by Us	Section 7.1	There are no restrictions on Our right to transfer.
k. "Transfer" by You -Defined	Section 7.1	Restrictions apply if You sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: the Franchise Agreement, substantial assets of the franchise, or ownership or control of You.
l. Our approval of transfer by You	Section 7.1	We have the right to approve all transfers.
m. Conditions for Our approval of transfer	Section 7.1	The transferee must qualify as a franchisee, he must assume Your obligations, You may not be in default, the transferee must successfully complete the mandatory training, the current Transfer Fee per Transfer Fee Schedule, but not less than $2,500 must be paid, the transferee must complete the test period, sign a new Franchise Agreement and pay the franchise fee on Our then current terms, and You must release Us.
n. Our right of first refusal to acquire Your business	Not Applicable	

© Beach Hut, LLC 2017

o. Our option to purchase Your business	Not Applicable	Not Applicable
p. Death or disability of you	Section 7.2	Within 180 days, Your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise, or transfer Franchise interest.
q. Non-competition covenants during the term of the franchise	Sections 5.8 & 5.9	You may not disclose confidential information or compete.
r. Non-competition covenants after the franchise is terminated or expires	Sections 5.8, 5.9 & 6.8	No competition is allowed for five years in or within 100 miles of Your Franchise Territory.
s. Modification of the agreement	Sections 5.5. and 9.7	We may modify the Pre-Opening Guide and the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement of the parties.
t. Integration/merger clause	Sections 5.1, 5.5 and 9.7	Only the terms of the Franchise Agreement, Pre-Opening Guide Operations Manual and this UFDD are binding. Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	9.8	Disputes must be arbitrated except injunctive relief to protect marks, or goodwill of brand
v. Choice of forum	Section 9.8	Litigation must be in California State Courts or the Eastern

w. Choice of law	Section 9.7	District Federal Court California law applies except to the extent governed by the United States Trademark Act and except in those states whose franchise laws require exclusive application.

Please see Appendix A which is attached to this Franchise Disclosure Document for State of California, Required Disclosures under California Corporations Code and California Code of Regulations.

Item 18: Public Figures.

No public figure is involved in Our franchise program.

Item 19: Financial Performance Representations.

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

The Beach Hut Deli located in Granite Bay at 6823 Douglas Blvd. is owned and operated in part by Beach Hut, LLC's CEO, Troy Feist, and is not a franchised outlet. It is the only, non-franchised Beach Hut Deli outlet. It opened for business in 1981. It operates under the same operating system as our franchised outlets. Its gross revenue for the 2016 calendar year was $778,000.

The performance representation below is an average of all traditional, stand-alone outlets that operated for the entire 2016 calendar year.

In 2016, there were 36 Beach Hut Deli traditional, stand-alone outlets that operated for the entire year. The average gross sales for each of these 36 outlets for 2016 was $595,000.[10] Of these 36 outlets, 16 (or 44%) actually attained or surpassed the stated average gross sales of $595,000.

A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS MAY DIFFER FROM THE RESULTS STATED IN THIS FINANCIAL PERFORMANCE REPRESENTATION. The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that

[10] Each of these 36 outlets provides the same services and goods as all other outlets.

must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information. Written substantiation for this financial performance representation will be made available to you upon reasonable request.

Item 20: Outlets and Franchisee Information.

Table No. 1
Systemwide Outlet Summary
For Years 2014 through 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	30	35	+5
	2015	35	37	+2
	2016	37	41	+4
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	30	35	+5
	2015	35	37	+2
	2016	37	41	+4

The table above reflects a total of 41 outlets currently operating as of December 31, 2016. Of those 41 outlets, 1 is a Beach Hut Deli Express outlets.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014 through 2016

State	Year	Number of Transfers
CA	2014	2
	2015	4
	2016	2
NV	2014	0
	2015	0
	2016	0
OR	2014	0
	2015	0

© Beach Hut, LLC 2017

	2016	0
Total	2014	2
	2015	4
	2016	2

Table No. 3
Status of Franchise Outlets
For Years 2014 through 2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
CA	2014	28	7	0	0	0	2	33
	2015	33	2	0	0	0	0	35
	2016	35	5	0	0	0	2	38
NV	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
OR	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
Totals	2014	30	7	0	0	0	2	35
	2015	35	2	0	0	0	0	37
	2016	37	6	0	0	0	2	41

Table No. 4
Status of Company-Owned Outlets[11]
For Years 2014 through 2016

State	Year	Outlets at Start of	Outlets Opened	Outlets Reacquired	Outlets Closed	Outlets Sold to	Outlets at End of

[11] Beach Hut, LLC does not currently have any company-owned stores.

© Beach Hut, LLC 2017

		Year		From Franchisee		Franchisee	Year
CA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NV	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Totals							
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Troy Feist, Our Chief Executive Officer currently owns an interest in the following similar businesses listed below. BEACH HUT DELI, 6823 Douglas Blvd., Granite Bay, CA 95746; (916) 791-3130. Troy Feist and David Reeves are officers listed in item 2 and own an interest individually in the outlets located at 9500 S. Eastern Ave. #180 Las Vegas NV 89123, 488 East 17th Street Ste A-100 Costa Mesa CA 92627, 2 Ritz Carlton Dr. Ste. 102 Dana Point Ca 92629.

Table No. 5
Projected New Franchised Outlets
As of December 31, 2016

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in The Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
CA	4	4	0
NV	0	0	0
OR	1	0	0
Total	5	4	0

All current Franchisees as of December 31, 2016.

1. Andy & Christina Demas, 2535 Fair Oaks Blvd., Sacramento CA 95825 (916) 971-3354
2. Matt and Katie Kreeger, 4035 Grass Valley Highway, Auburn, CA, 95602 (530) 889-8486
3. Surf n Sand Inc., 1490 Eureka Rd. #160, Roseville, CA 95661 (916) 780-3535
4. Beach Hut Midtown, LLC, 2406 J St., Sacramento, CA 95816 (916) 442-1400
5. CWC Projects, LLC, 3955 Park Drive #2, El Dorado Hills, CA 95762 (916) 941-3905
6. Tom Silko, 825 S Highway 65, Lincoln, CA 95648 (916) 543-0101
7. Decelle-Tillery Investments, LLC., 7119 Elk Grove Blvd. #135, Elk Grove, CA 95758 (916) 691-4028
8. Surf n Sand Inc ,7456 Foothills Blvd. #1, Roseville, CA, 95747 (916) 784-1001

© Beach Hut, LLC 2017

9. Scott and Todd Lee, 5030 Las Brisas #B1, Reno, NV 89523 (775) 747-7873
10. Jas Bains, 1655 Colusa Hwy #400, Yuba City, CA 95993 (530) 755-3887
11. Taylor McCarthy, 146 West 2nd St., Chico, CA, 59928 (530) 893-0633
12. Kelly Ogden, 3654 North Freeway Blvd. #325, Sacramento CA 95834 (916) 575-7500
13. CWC Projects, LLC, 411 Blue Ravine Rd., #400, Folsom, CA 95630 (916) 983-0900
14. Nick Mussetter, 6761 Stanford Ranch Rd. #D, Rocklin CA 95677 (916) 781-7873
15. Christy Decelle, 8097 Greenback Lane, Citrus Heights, CA 95610 (916) 722-2437
17. K2H Corp., 1072 Emerald Bay Rd., South Lake Tahoe, CA 96150 (530) 541-7873
18. Steve & Cindy Smith, 522 Sutton Way, Grass Valley, CA, 95945 (530) 477-5151
19. Troy and Hope Morgan, 4515 Fermi Place #101, Davis, CA 95618 (530) 756-1601
20. Tony Labrado, 767 Ikea Court #130, West Sacramento, CA 95605 (916) 376-9110
22. 15th Street Beach, LLC, 2540 Sand Creek Rd. #A-5, Brentwood, CA 94513 (925) 634-5600
23. CWC Projects, LLC, 2095 Golden Centre Lane #30, Gold River, CA 95670 (916) 859-0035
24. DQ Group, LLC, 4878 San Felipe Rd. #110, San Jose CA 95135 (408) 238-8114
25. BHD Las Vegas, LLC, 9500 S. Eastern Ave. #180, Las Vegas, NV 89123 (702) 749-9200[12]
29. DQ Group, LLC, 2081 Camden Ave., San Jose CA 95124 (408) 559-7873
30. Ryan Nadon, 19025 Beach Blvd., Huntington Beach, CA 92648 (714) 841-7609
31. BHSC01-31, 488 East 17th St. #A-100, Costa Mesa, CA 92627 (949) 336-0260[13]
32. BHSC01-31, 2 Ritz Carlton Dr. #102, Dana Point, CA 92629 (949) 542-3351[14]
34. Sammy Franco, 3071 East Campus Point, Drive Fresno CA 93710 (559) 697-4099
35. DQ Group, LLC, 810 Tennant Station Morgan Hill, CA 95037 (408) 779-0838
37. Robert McIntosh II, 26051 La Paz Rd Ste 180, Mission Viejo, CA 92691 (949) 583-1289
38. Decelle and Sellers Investment Corp.,13471 Bowman Rd., Auburn, CA 95603 (530) 878-5333
39. Nick Mussetter, 5406 Crossing Drive Ste. 101, Rocklin CA 95677 (916) 824-1062
40. McIntosh & Yonemoto Inc., 1240 Los Osos Valley Rd. #5, Los Osos, CA (805) 439-3415
41. DQ Group, LLC, 241 W. Washington Ave. Sunnyvale, CA 94086 (408) 743-5983
42. Decelle-Tillery Investments, LLC, 7633 Locust Rd., Pleasant Grove CA 95668 (916) 655-3900
43. Aloha Deli Enterprises Inc., 900 Bayfornt Court Ste. 104, San Diego, CA 92101
44. Decelle-Tillery Investments, LLC, 6601 Folsom Blvd. #100, Sacramento CA 95819
45. Troy and Hope Morgan, 2091 B-2 Harbison Drive, Vacaville CA 95687
47. Ky Kleiber, 555 South Auburn St. Ste. B, Colfax CA 95713
51. Rich Taylor, 852 NW Brooks St., Bend Oregon 97703

There have been no franchisees who have not communicated with the Franchisor within 10 weeks of the document issuance date.

The following former franchisees have had an outlet either terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year:

1. CWC Projects, LLC, 718 Sutter Street #200, Folsom, CA (916) 358-9645
2. Matt and Katie Kreeger, Rollins Lake, CA (530) 346-6188

[12] Troy Feist and David Reeves are officers listed in item 2 and own an interest individually in this outlet.
[13] Troy Feist and David Reeves are officers listed in item 2 and own an interest individually in this outlet.
[14] Troy Feist and David Reeves are officers listed in item 2 and own an interest individually in this outlet.

© Beach Hut, LLC 2017

3. Decelle-Tillery Investments, LLC, 2095 Golden Centre Lane #30, Gold River, CA 95670 (916) 859-0035
4. Matt and Katie Kreeger 13471 Bowman Rd., Auburn, CA 95603 (530) 878-5333
If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Our Franchisees have not signed confidentiality clauses that limit their right to speak openly about their experiences with Beach Hut, LLC.

We are not aware of any franchisee organizations associated with the franchise system.

21.
FINANCIAL STATEMENTS

Attached are 2016 audited Financial Statements of BEACH HUT, LLC, including a manually signed consent by Mike Fujimoto, C.P.A., for the use of said statements.

22.
CONTRACTS

Attached is a sample copy of the Franchise Agreement and the following Exhibits: Pre-franchise Test Period Agreement and Non-compete Agreement ($10,000 Deposit); Authorization Agreement for Prearranged Payments (Direct Deposits); Statement of Ownership; Assignment of Lease; Location Reservation Letter for Existing Franchisees ($5,000 Deposit); Conditional Assignment of Phone Number; Abandonment, Relinquishment, and Termination of Assumed Business Name; and all other related agreements You may have to sign when You purchase Your franchise.

23.
RECEIPTS

Attached to this Disclosure Document are two detachable acknowledgment of receipts for the Uniform Franchise Disclosure Document. Sign each copy, one is to be retained by You, the other by Us. The last one evidences Your receipt of the Franchise Agreement in final form ready for execution.

© Beach Hut, LLC 2017

Appendix A To The Franchise Disclosure Document

Appendix A To The Franchise Disclosure Document

Appendix A To The Uniform Franchise Disclosure Document

State of California, Required Disclosures under California Corporations Code and California Code of Regulations

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.

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

The BEACH HUT, LLC Franchise 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.).

The BEACH HUT, LLC Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Beach Hut, LLC Franchise Agreement requires binding arbitration. The arbitration will occur at Roseville, California with the costs being borne by the party that does not prevail. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The BEACH HUT, LLC Franchise Agreement contains provisions that limit a franchisee's rights and may not be enforceable in California including but not limited to a waiver of punitive, consequential and special damages, a waiver to initiate or participate in any class action lawsuit and a two year statute of limitation for claims under, arising out of or related to the franchise agreement.

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.

Our website is: WWW.BEACHHUTDELI.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY

COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov

Receipt

Receipt

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Beach Hut LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Beach Hut LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the California Department of Corporations.

The following are franchise sellers, offering the Franchise.

Troy Feist-- 2220 Douglas Blvd. Ste 180, Roseville CA 95661. (916) 749-0257
David S. Reeves-- 2220 Douglas Blvd. Ste 180, Roseville CA 95661. (916) 749-0257

_____.

This disclosure document was issued on _____.

BEACH HUT, LLC's registered agent for service of process is Monica Lynch Reeves, located at 2220 Douglas Blvd. Ste. 180, Roseville, CA 95661.

I received a disclosure document issued on _____ that included the following Exhibits:

A. Franchise Agreement with its exhibits 1 through 7
B. Financial Statements
C. List of Administrators
D. Pre-Franchise Test Period, Confidentiality and Non-Compete Agreement ($10,000 Deposit)

DATE: _____

_____
Prospective Franchisee (Please type or print)

_____
Signature

Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Beach Hut LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Beach Hut LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the California Department of Corporations.

The following are franchise sellers, offering the Franchise.

Troy Feist-- 2220 Douglas Blvd. Ste 180, Roseville CA 95661. (916) 749-0257
David S. Reeves-- 2220 Douglas Blvd. Ste 180, Roseville CA 95661. (916) 749-0257

_____.

This disclosure document was issued on _____.

BEACH HUT, LLC's registered agent for service of process is Monica Lynch Reeves, located at 2220 Douglas Blvd. Ste. 180, Roseville, CA 95661.

I received a disclosure document issued on _____ that included the following Exhibits:

A. Franchise Agreement with its exhibits 1 through 7
B. Financial Statements
C. List of Administrators
D. Pre-Franchise Test Period, Confidentiality and Non-Compete Agreement ($10,000 Deposit)

DATE: _____

_____
Prospective Franchisee (Please type or print)

_____
Signature

Franchise Disclosure Document Exhibit A

Franchise Agreement

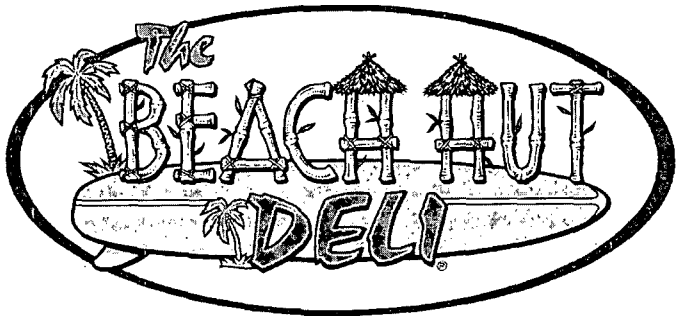
Franchise Disclosure Document Exhibit A
Franchise Agreement

FRANCHISE AGREEMENT

Between

BEACH HUT, LLC

And



2220 Douglas Blvd, Ste. 180
Roseville, CA 95661

(916) 749-0257

© Beach Hut, LLC 2017

TABLE OF CONTENTS

1 GRANT OF FRANCHISE AND FRANCHISE PREMISES 2
1.1 Grant of Franchise and Franchise Premises 2
1.2 One Location for Franchise Premises 2
1.3 Assistance in Site Location 2
1.4 Franchise Premises Development 2
1.5 Relocation of the Franchise Premises 3
1.6 You Will Not Advertise Outside Franchise Premises 3
1.7 "You" Includes 3
1.8 Existence of Divergent Forms of Franchise Contracts 4
1.9 Rights We Reserve 4
1.10 Nonexclusive 4
2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS 4
2.1 Franchise Fee 5
2.2 Continuing Services and Royalty Fee 5
2.3 Advertising Fee 5
2.4 Local Advertising Start Up 6
2.5 Intentionally Omitted 6
2.6 "**Gross** Revenue" Defined 6
2.7 You Will Pay Taxes and Indebtedness 7
2.8 Continuing Services and Royalty Fee, Advertising Fee, Local Advertising, and Other Sums To Be Paid Promptly 7
2.9 Records 8
2.10 Audits 8
2.11 You are to Pay all Franchise Costs 8
2.12 Attendance at Conventions 8
2.13 Application of Payments 9
3 TRAINING 9
3.1 Mandatory Training 9
3.2 Supplemental Training 9
4 COMMENCEMENT OF OPERATIONS 10
4.1 Time to Complete Training and Commence Operation 10
4.2 You Are to Obtain Permits and Licenses 10
4.3 Lease Assumption and Real Property Security Assignments 10
5 FRANCHISE STANDARDS OF OPERATION 11
5.1 Pre-Opening Guide, Operations Manual, Minimum Inventory, Supplies, Décor, Shop Plans, Specifications, and Public Relations 11
5.2 Standards to Be Maintained 13
5.3 Trademarks, Operations Manual, and Method of Operation Are Our Exclusive Property 15
5.4 You Will Not Use Names or Marks in Combination 16
5.5 Trademarks, Operations Manual, and Method of Operation May Be Changed 16
5.6 Forms, Specifications, and Art Work 17
5.7 We Will Provide Source List for Supplies 17
5.8 You Will Not Communicate Confidential Information 17

© Beach Hut, LLC 2017

5.9 Conflicting or Competing Interests 18
5.10 Computer Systems 19
5.11 Working Capital Requirements 19
5.12 Notice of Court Action 20
5.13 Breach Remedies Section 5 20
6 RENEWAL. TERMINATION AND STEP-IN RIGHTS 20
6.1 Renewal of Franchise 20
6.2 Termination by You 21
6.3 Termination by Us 21
6.4 Time Frames Subject to Applicable Laws 24
6.5 You Will Discontinue Use of Trademarks, Pre-Opening Guide, Operations Manual, and Method of Operation on Transfer and/or Termination of Agreement 24
6.6 We May Assign Franchise Upon Termination 26
6.7 Our Step-In Rights 26
6.8 You and Your Principals Not to Compete on Expiration, Termination, or Transfer of Agreement 27
7 TRANSFER 27
7.1 Sale or Assignment by You 27
7.2 Your Death or Disability 30
8 INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY 30
8.1 Indemnity 30
8.2 Insurance 31
8.3 Condemnation 31
8.4 Casualty 32
8.5 Proceeds From Insurance or Recovery 32
9 NOTICE AND MISCELLANEOUS 32
9.1 Notices 32
9.2 Business Name 32
9.3 We and You Are Not Joint Venturers, Partners, or Agents 32
9.4 Waiver 33
9.5 Time Is of the Essence 33
9.6 Documents 33
9.7 Construction 34
9.8 Enforcement 34
9.9 Other Agreements 36
9.10 Agreement Binding on Successors and Assigns 36
9.11 Our Acceptance 36
9.12 Approval by Shareholders, Members or Partners 36
9.13 Personal Guarantee 36
9.14 Receipt of Disclosure Documents 37
9.15 Representation 37
9.16 Acknowledgments 37
10 SIGNATURES 38

© Beach Hut, LLC 2017

EXHIBITS

1. The Franchise Premises
2. Authorization Agreement for Prearranged Payments (Direct Deposits)
3. Statement of Ownership
4. Assignment of Lease
5. Location Reservation Letter for Existing Franchisees ($5,000 Deposit)
6. Conditional Assignment of Phone Number
7. Abandonment, Relinquishment, and Termination of Assumed Business Name

© Beach Hut, LLC 2017

FRANCHISE AGREEMENT BASIC INFORMATION SUMMARY

1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

Franchisor Name and Address:	BEACH HUT, LLC; 2220 DOUGLAS BLVD, STE. 180, ROSEVILLE, CA, 95661
Franchisee Name and Address:	
Term:	10 years
Location:	

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

Franchise Fee:	$35,000
Weekly Continuing Services and Royalty Fee:	5.5% payable weekly, by ACH
Advertising Fee:	1.5% payable weekly, by ACH
Late Payment Charges:	1.5% per month

3 TRAINING

Mandatory Training

Location:	Franchise Site, Beach Hut, LLC main office, and Beach Hut Deli in Granite Bay, California
Duration:	131 Hours

Supplemental Training

Locations:	Franchise Site, Beach Hut Deli in Granite Bay, California, or other locations deemed appropriate by franchisor
Duration:	Negotiable

4 COMMENCEMENT OF OPERATIONS

Time Within Which to Commence Operation:	Within one year after franchise agreement signed

5 FRANCHISE STANDARDS OF OPERATION

Operations Manual Delivery:	Upon execution of agreement or at first day of training

In Term Covenant Not to Compete:

Geographic Scope:	100 miles and Nationwide
Duration:	5 years

© Beach Hut, LLC 2017

6 RENEWAL, TERMINATION AND STEP-IN RIGHTS

Renewal Terms:	5 years
Termination By You:	Upon 60 days notice and opportunity to cure
Termination By Us:	Upon 30 days notice and opportunity to cure except defaults listed in Section 6.3(b)
Post Termination Non-Compete Duration:	5 years
Geographic Scope:	100 miles and Nationwide

7 TRANSFER

Transfer Fee:	According to the then current Transfer Fee Schedule, but not less than ~~$10,000~~ 2,500. This fee is non-refundable

8 INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

Minimum Insurance Type and Level: $2,000,000 Comprehensive, including alcohol liability and Franchisor named as additional insured

9 NOTICE AND MISCELLANEOUS

Document Construction:	California Laws apply
Venue for Litigation:	Sacramento County, or Eastern District Federal Court
Arbitration:	Roseville, California

© Beach Hut, LLC 2017

FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ____day of _____ 20____. It is by and between BEACH HUT, LLC, a California Limited Liability Company, ("We, Us")
and_____
("You"). We have expended time, effort and money to develop a Pre-Opening Guide, an Operations Manual and a unique system for the production, merchandising, distribution, and promotion of fresh deli sandwiches and related products (the "Method of Operation"). The Method of Operation employs a recognized design, menu, uniform standards, specifications, procedures of operation, management and inventory control. The system is identified by the marks "BEACH HUT DELI" and "BEACH HUT, LLC." We are engaged in the business of granting franchises for the operation of deli shops under the name BEACH HUT DELI with a specified Method of Operation.

On June 29, 2004 the United States Patent and Trademark Office approved Our application for registration of the name "BEACH HUT DELI" as a service mark in the business of restaurant services, Reg. No. 2,858,851. By having a Principal Register federal registration for Beach Hut Deli, Beach Hut, LLC has certain presumptive legal rights, title, interest, and goodwill in and to the Service Marks and Trademarks Beach Hut Deli, and any other proprietary marks, patents, logo types, business decor, trade names, and copyrights (the "Trademarks"), as from time to time indicated by Us.

We have established a reputation, demand, and goodwill for fresh deli sandwiches, and related products which signify the high and uniform standards of management, supervision, merchandising, and quality of products sold under the Method of Operation.

We own valuable expertise, trade secrets, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of Beach Hut Deli businesses that operate under the Method of Operation.

You want to use and benefit from the Method of Operation and the right to do business under our name at a specified location.

You have read this Agreement and Our Uniform Franchise Disclosure Document. You understand and accept the terms, conditions, and covenants contained in this Agreement, all of which are necessary to maintain Our high standards of quality, service, and uniformity at all franchises and to protect and preserve the goodwill of our name and the confidentiality of the Method of Operation.

If You operate Your Beach Hut Deli Franchise shop below the standards We require, customers who patronize that shop will be less likely to patronize other Beach Hut Deli shops that will damage the business of others. Furthermore, it will be difficult for Us to obtain new franchisees for Beach Hut Deli shops if a prospective purchaser observes that You do not maintain the required standards.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

© Beach Hut, LLC 2017

1 GRANT OF FRANCHISE AND FRANCHISE PREMISES

1.1 Grant of Franchise and Franchise Premises. We grant to You, and You accept from Us, the franchise, license, and privilege to use our name, the Method of Operation, and merchandise bearing our name, for 10 years from the date of this Agreement. This grant is solely for the operation by You of one Beach Hut Deli shop franchise at the location identified in the attached Exhibit 1 (the "Franchise Premises"). If the specific location and opening date of the Franchise Premises are to be determined in the future, at the time the lease for the store location is signed, the specific address and opening date for the store will be added to Exhibit 1. In the meantime, the general location in which the Franchise Premises may be located is identified in Exhibit 1.

1.2 One Location for Franchise Premises. You will operate the Franchise at only the Franchise Premises. All land, buildings, and improvements at the location, including parking, are called the "Franchise Premises." Relocation of the Franchise Premises will require Our prior written approval.

1.3 Assistance in Site Location. You are responsible for finding the location of the Franchise Premises. If You request assistance in selecting a site for the Franchise Premises, We will provide reasonable assistance in finding a location acceptable to You. We do not guarantee success for any location You select. We will not be liable for any consequences of Your choice of any franchise site. Any site recommendation or approval We make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is Your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site You select complies with these requirements. You will pay all out of pocket expenses for travel, meals, and lodging We incur to help You locate sites and to negotiate a lease for You. You will bear all other site selection and negotiation expenses. The exact determination of the Franchise Premises will depend upon Your approval and Our market analysis, market penetration plans and franchise placement strategies and prior franchise commitments. You must obtain Our prior written approval for the site of the Franchise Premises.

Before You enter a lease or purchase agreement for the Franchise Premises, You will submit the lease or purchase documents to Us for review. Lease documents must include an Assignment of the Lease in a form We approve, pursuant to which We may assume the lease as provided in Section 4, below. (See Exhibit 4.)

If You request, We in Our sole discretion may find and develop premises to sell or lease to You for Your Franchise. In the event You buy or lease the premises from Us, the sale or lease may provide for reasonable compensation and profit to Us for Our development or primary liability and responsibility under the lease. All signatories of this Agreement will guarantee Your obligations under the lease and this franchise agreement.

1.4 Franchise Premises Development. You will be responsible to construct, remodel, furnish, decorate and equip the Franchise Premises.

A. Any construction and remodeling must be done by a licensed and bonded contractor approved by us in writing who has sufficient experience to build a Beach Hut Deli.

B. You will purchase from an architect which we designate or approve, the blueprints which will provide for the architectural design, shop layout, equipment, furnishings and fixtures, among other things. The cost of the blueprints will be approximately $4.00 per square foot store, which sum is reflected in the initial investment amount referred to in the table in section 7 of the Uniform Franchise Disclosure Document ("Disclosure Document"). You will comply with the standards and specifications We establish for architectural design, shop layout, equipment, furnishings and fixtures, among other things. Modifications or variations require Our prior written consent.

C. You will comply within a reasonable time with any requirement We impose to modify the shop layout, furnishings, fixtures, equipment, decorations, and décor at your sole expense.

D. All equipment will conform to Our equipment specifications as adopted from time to time. If We require any changes in or additions to equipment, You will modify, replace or add to Your existing equipment at Your sole expense.

1.5 Relocation of the Franchise Premises. In the event Your lease of the Franchise Premises terminates or expires and cannot be renewed during the term of this Agreement, or if You reasonably decide to relocate the Franchise Premises for cause, You may relocate the Franchise Premises to another site within the Franchise Territory with our prior written consent, if:

A. You are not in default of this Agreement and are following the Method of Operation;

B. Your lease was not ended by the lessor because of Your default under the lease agreement;

C. You evidence to Us Your ability to obtain and commence operations at the new location within a reasonable period after You vacate the original location;

D. You develop, construct, remodel, furnish, decorate and equip, at Your sole expense, the new location according to Our then current specifications, and standards; and

E. You pay all reasonable out-of-pocket expenses We incur because of the relocation. The term "Franchise Premises" will include the relocated business site.

1.6 You Will Not Advertise Outside Franchise Premises. Except with Our prior written permission, You will not place under any circumstances advertisements using our name in or originating from any area other than the Franchise Premises. Only We may place national or regional advertising.

1.7 "You" Includes. For purposes of this Agreement "You" may be an individual, corporation, LLC, partnership, or other legal entity. "You" includes any corporation, LLC, partnership, individual, combination of individuals, or other legal entity that owns a majority interest of You, or in which

You own a majority interest. The term "You" will include all persons who succeed to Your interest by transfer or by operation of law.

If You are an entity with more than one owner, you must have a written partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement"). You must provide Us with a copy of the Owners Agreement concurrent with the execution of this Franchise Agreement.

D. The Owner's agreement must provide that the Owner or Owners who are to be responsible for on premises operation of the franchise business must own 50 percent (50%) or more of the capital interests in the entity and that the Owners of the entity must have voting rights proportionate to their interests in capital.

E. The Owners agree to notify Us in writing of their intent to enter into, modify or amend any Owners Agreement. Notice must be given at least 10 business days before they enter into that agreement, modification or amendment. The purpose of this notice is to enable Us to review it for compliance with this section.

F. Inclusion of these provisions in the Owner's Agreement will be a condition to Our consent to the transfer of the Franchise to an entity.

1.8 Existence of Divergent Forms of Franchise Contracts. You acknowledge that We may have offered franchises in the past the terms of which may have varied materially from those set forth in this Agreement.

1.9 Rights We Reserve. Except as otherwise provided in this Agreement, We retain the rights, in Our sole discretion and without granting any rights to You:

A. To use or license the use of our name, any Trademarks or Service Marks we may receive, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by You under this Agreement.

B. To operate and grant to others the right to operate Beach Hut Deli retail businesses on terms and conditions We deem appropriate.

1.10 Nonexclusive. We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products to any person or customer We want. These include national accounts, commercial customers, franchisees, end users or any other customer We may select. We may exercise Our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. You acknowledge that We have made no representation concerning exclusivity in any geographic territory or for any customer segment.

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2.1 Franchise Fee. The Franchise Fee is $35,000.00 paid in consideration of Our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise Premises and for Our lost or deferred opportunity to sell franchises near the Franchise Premises to others. Unless otherwise provided in writing, contemporaneously with the execution of this Agreement, You have paid to Us the Franchise Fee. For an existing Franchisee, a second or subsequent Franchise Fee shall be $19,000.00. For an Express Beach Hut franchise, the Franchise Fee is $7,500.00. An Express Beach Hut franchise is an agreement for a Beach Hut Deli by an existing franchisee, which occupies no more than 400 square feet and is encompassed within another business or similar situation.

Except as provided in Subsections 3.1, 4.1, and 6.2, below, none of the Franchise Fee is refundable.

2.2 Continuing Services and Royalty Fee. You will pay to Us a Continuing Services and Royalty Fee equal to five and one-half percent (5.5%) of the total Gross Revenue derived from the Franchise. This fee is due weekly in the manner specified below or as otherwise prescribed from time to time in the Operations Manual described in Section 5, below. We will require You to execute documents that allow Us to automatically take this Fee out of Your franchise bank account(s) each week based upon Your reports of Gross Revenue. (See Exhibit 2.) You will pay this fee without offset, credit or deduction of any nature.

2.3 Advertising Fee. You will pay to Us an Advertising Fee, at the same time, in the same manner, and in addition to the Continuing Services and Royalty Fee, of one and one-half percent (1.5%) of Your Gross Revenue derived from the Franchise. We will require You to execute documents that allow Us to automatically take this Fee out of Your franchise bank account(s) each week based upon Your reports of Gross Revenue. (See Exhibit 2.) This payment shall be made besides any sums that You may want or be required to spend on local advertising and promotion.

We may use Your Advertising Fee to place advertising in geographic areas, in media, at times and using products and services We deem to be in the best interest of Our franchisees and Our franchise system.

We will administer the funds We receive for Advertising Fees and direct all regional and national advertising programs with sole discretion over the creative concepts, materials, endorsements, placement, and allocation of overhead expenses. We will use the Advertising Fee to maintain, administer, direct, prepare, and review national, regional, or local advertising materials and programs as We shall in Our sole discretion deem proper. We are under no obligation to administer the Advertising Fee to ensure that expenditures are proportionate to contributions of franchisees for any given market area or that any franchise benefits directly or proportionately from the development or placement of advertising. We shall not be obligated to expend all or any part of the Fees We receive during any specific period.

A. You are Not A Third Party Beneficiary of the Advertising Fee. We will have the sole right to enforce the obligations of You and all Our other franchisees, who pay Advertising Fees. Neither You nor any other of Our franchisees will be deemed a third party beneficiary with respect to the Advertising Fee or have any right to enforce any obligation to pay Advertising Fees.

B. Obligation to Deliver Price Lists. You will deliver to Us current promotional price lists of all goods and services You sell in, at or through the Franchise. We will have the right to rely upon the accuracy of the promotional price lists, and may use the information to advertise, market and promote the Franchise, and the goods and services You sell. At any time, You may amend, modify or change the promotional price list by notifying Us in writing. Price changes will not be effective for 14 days after the notification, to enable Us to modify advertising or promotional materials We use to advertise Your goods or services. You will follow the price lists while they are effective.

C. We May Advertise "Suggested Retail Prices." In national or regional advertising programs, We may include "suggested retail prices" for the goods or services sold by You and Our other franchisees. We will include within all Our advertising the phrase "available at participating locations only" or other cautionary language to advise the consumer that the suggested retail prices may not be followed by all of Our franchisees. We will not compel You to charge "suggested retail prices." However, We may establish required maximum prices for products and services of the Franchised Business, and You will be required to comply with that pricing schedule.

D. Approval of Your Local Advertising. You will submit to Us all advertising copy and other advertising and promotional materials to Us before You use them in Your local advertising. You will not use any advertising copy or other promotional material until We approve it. If within 14 days after submission, We have not advised You in writing that the material is disapproved, the material will be deemed approved by Us for You to use.

E. Local Advertising Materials Used at Your Discretion. You will advertise the Franchise in a dignified manner to enhance Our Franchise system's reputation for quality and integrity. At any time and from time to time, We may require You to submit to Us advertising copy and promotional materials You use in Your local advertising. If, after review of any material, We, in good faith, believe that it is not in keeping with Our Franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the Franchise system, We will promptly notify You. You will immediately cease using any such material.

2.4 Local Advertising Start Up. You will spend through Us or at Our direction not less than $5,000.00 on advertising during the first **90** days the Franchise operates. In addition, We may require You to obtain professional public relations help, advice, and advertising before opening the Franchise for business.

2.5 Intentionally Omitted

2.6 "Gross Revenue" Defined. As used in this Agreement, "Gross Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales (including sales at wholesale to institutions or resellers pursuant to requirements specified in the Operations Manual and/or the Pre-Opening Guide), food stamp receipts, exchanges, repairs, services, labor, service charges, service contracts, etc., and excluding discounts, refunds, sales taxes, and lottery ticket sales. Credit transactions will be included in Gross Revenue as of the date of the transaction without

deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery You receive will be included in "Gross Revenue."

2.7 You Will Pay Taxes and Indebtedness. You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against You, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the Franchise Business. Payment will be made when due and before delinquent unless being contested in good faith by appropriate proceedings. If We are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to You, or sales made by You at the Franchise Premises, You will pay these taxes.

2.8 Continuing Services and Royalty Fee, Advertising Fee, Local Advertising, and Other Sums To Be Paid Promptly. You will not set off any claim for damages or money due to You from Us against any payments to be paid by You to Us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from You to Us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to Our rights to recover the balance due or to pursue any other remedy available to Us.

You are required to open a franchisee bank account as follows: A business checking account ~~with~~ which will allow for Electronic Funds Transfer as described in this section 2.8.

You will submit to Us daily sales reports of your gross revenue for each day and on Sunday after the close of business, a weekly sales report of Your Gross Revenue for the week just ended. All sales reports referred to herein will be submitted via high speed data transfer through Our POS system. Prior to the following Wednesday, You will fund your Electronic Funds Transfer Account with funds sufficient to cover the weekly continuing services and royalty fee and advertising fee which will be automatically electronically transferred to Our bank account on Wednesday. You will be required to execute documents that allow Us to automatically take these Fee payments out of Your franchise bank accounts each week based upon Your report. (See Exhibit 2.) The report will include supporting documentation We may reasonably demand from time to time. You will not set off any claim for damages or money due to You from Us against any payments to be paid by You to Us under this Agreement or any related agreement between the parties. If you fail to provide Us any necessary information or documentation with respect to the weekly ACH transfers for amounts due under this Agreement, You must pay Us a fee in the amount of $100 per day that the failure continues.

A late charge will be added to any sums to be paid under this Agreement that remain unpaid after the date due. The late charge will be added at the rate of 1.5 percent per month (18% per annum) while sums remain unpaid. These late charges will not exceed any limits placed upon late charges by applicable local laws. Any non-sufficient ACH funds transfer will incur a $40.00 fee.

Our acceptance of late charges will not be a waiver of the default created by nonpayment by You of any amount when due. Despite the payment of any late charges, We may exercise any rights or remedies granted by this Agreement upon Your default or any rights or remedies otherwise granted by law. Nothing contained in this Agreement obligates Us to accept any payments after they are due

or to commit to extend credit to or otherwise finance Your operation of the Franchise. You acknowledge that failure to pay all amounts when due will be grounds for termination of this Agreement.

2.9 Records. You will keep a complete and accurate set of books and records of the operation of the Franchise, following generally accepted accounting practices for each calendar quarter and furnish copies of these statements to Us within 28 days after the end of each such quarter

You will keep records of all business done and Revenue received through the Franchise. These records will include, but are not limited to, order sheets, cash register tapes, sales agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for 5 years, and make available to Us for inspection and audit all of Your records.

You, if a natural person or persons, will submit to Us a list of all owners of the franchise business and the respective interests held by each as of the end of each fiscal year. You, if a partnership, will submit to Us a list of all partners and the respective interests in You held by each partner as of the end of each fiscal year. You, if a Limited Liability Company, will submit to Us a list of all members and managers and their respective interests in You held by each member or manager as of the end of each fiscal year You, if a corporation, will submit to Us a list of all shareholders and the respective interests in You held by each shareholder as of the end of each fiscal year (provided, however, if Your shares are publicly traded, the list of shareholders required will include only those owning five percent (5%) or more of the shares outstanding). The required report will be submitted to Us simultaneously with the signing of this Franchise Agreement and within 90 days after the end of each of Your fiscal years. (The Statement of Ownership is attached as Exhibit 3.)

2.10 Audits. We may audit Your reports, books, statements, business records, cash control devices, and tax returns any time during normal business hours. Audits will be conducted at Our expense unless You understate the Gross Revenue for any reported period or periods by more than two percent (2%) or unless You fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner. In case of an understatement or failure to deliver, You will reimburse Us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of Our employees incurred concerning the audit. You will immediately pay all continuing services and royalty fees, advertising fees, and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies We may have under this Agreement or by law.

2.11 You are to Pay all Franchise Costs. All the costs of the Franchise, including opening and operating costs, will be Your sole obligation. We will have no costs, liability or expense with respect to Your opening and operation of the Franchise. You will not use or employ Our name in doing any activity or incurring any obligation or indebtedness in a manner that could result in making Us liable for them.

2.12 Attendance at Conventions. We may hold a convention periodically for the franchisees that make up Our franchise system. It may be held at a different location each time. The convention may

include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment. For any convention that You do not attend, We may deliver to You and You will pay Us for audio or video cassette recordings or written summaries of the activities of convention. The price for the audio or video cassettes and written summaries for any such convention will be established by Us from time to time but will not be more than $250.

2.13 Application of Payments. We have the right, in Our sole discretion, to apply any payment from You to any past due indebtedness You owe to Us or Our affiliates, whether from fee payments, purchases, late payment charges, or for any other reason. This section will apply regardless of how You may designate a particular payment is to be applied.

3 TRAINING

3.1 Mandatory Training. We will provide a mandatory training course for You at a location We will designate. This training course will be in addition to any work performed by You during the test period. This training course will cover the aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You will complete the course no later than two weeks prior to opening the Franchise for business. You must ask Us to schedule a training session for You at least 21 days before the session is to start. You must complete this mandatory training program to Our exclusive satisfaction or We may terminate this Agreement upon refunding not less than one-half of the Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses You incur if We terminate this Agreement because You fail to satisfactorily complete the mandatory training course.

If the Franchise is managed or supervised by any persons other than You, You will immediately identify these person(s) and notify Us in writing and We must approve of your selection of any such person to manage or supervise Your Franchise Premises and operations. Each manager/supervisor, as from time to time hired by You and approved by Us, must successfully complete the mandatory training program prior to assuming a managerial or supervisory capacity at Your Franchise Premises. You will bear all costs of the training, including a reasonable training fee at Our then current rates.

You will pay Your or the manager's/supervisor's reasonable transportation, board and lodging expenses related to this training. The training course will be not less than 131 hours long, unless You waive this requirement in writing and We, in our sole discretion, approve of Your waiver.

3.2 Supplemental Training. At Your option and upon not less than 21 days prior written notice to Us, You may receive additional training at a location We will designate or at other agreed upon locations. All expenses of this training will be borne by You, including but not limited to Your travel, lodging, meals, compensation, and Our reasonable costs and expenses including a reasonable training fee at Our then current rates. This additional training consists of visits to Our franchises, store work experience, and observation of franchise operations. The duration of training is negotiable depending upon Your needs. You will not receive any compensation for services rendered by the trainee during

this or any other training. In the event We feel that it is necessary to provide additional training to You or Your managers at your store, all expenses of this training will be borne by You, including but not limited to Our travel, lodging, meals, compensation, and Our reasonable costs and expenses including a reasonable training fee at Our then current rates.

From time to time We may provide refresher training programs or seminars and may require that You or Your managers attend and complete them to Our satisfaction. These programs and seminars will be held at locations We designate and will be provided without charge to You. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. From time to time when available, We will send to You promotional materials and bulletins on new products, sales, marketing developments and techniques.

4 COMMENCEMENT OF OPERATIONS

4.1 Time to Complete Training and Commence Operation. You or Your manager will complete to Our exclusive satisfaction the mandatory training defined above and commence full and continuous operation of the Franchise within one year after execution of this Agreement. Before commencing operation, You will obtain all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, or other events beyond Your reasonable control will be excused for a period that is reasonable under the circumstances. If either the training or commencement of operation obligation is not fulfilled, We may terminate this Agreement by refunding not less than one-half of the Franchise Fee.

4.2 You Are to Obtain Permits and Licenses. Before commencing business operations, You will obtain all local permits and licenses necessary to operate the Franchise, **including, but not limited to, a beer and wine license.**

4.3 Lease Assumption and Real Property Security Assignments. Prior to execution of any lease, Beach Hut, LLC must approve the lease in writing. Unless otherwise agreed in writing, any lease You enter into will provide that You may assign that lease to Us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement, We will have an option, exercisable within 30 days after termination or expiration, to be substituted for You in all respects under the lease and to sublease the premises to another franchisee. You will deliver to Us a true copy of the lease and any additions or amendments to it promptly after they are executed. (The Assignment of Lease is attached as Exhibit 4.)

Any lease or sublease of the Franchise Premises will contain substantially the following provisions:

A. Anything contained in this lease to the contrary aside, lessor agrees that without lessor's consent, this lease and Your right, title and interest, may be assigned by You to Us or Our designee.

B. You agree that lessor may, upon Our written request disclose to Us, all reports, information or data in lessor's possession respecting sales made in, upon or from the leased premises.

© Beach Hut, LLC 2017

C. Lessor will give written notice to Us (concurrently with the giving of notice to You) of any default by You under the lease. We will have the right, in Our sole discretion, to cure any default. Notice will be sent to the address We may, from time to time, specify in writing to lessor.

In the event We cure any default by You under the lease or sublease, the total amount of all costs and payments We incur in effecting the cure will be immediately due and owing by You to Us.

In the event that You own the premises used for the operation of the Franchise, You will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without Our prior written approval.

5 FRANCHISE STANDARDS OF OPERATION

5.1 Pre-Opening Guide, Operations Manual, Minimum Inventory, Supplies, Décor, Shop Plans, Specifications, and Public Relations. Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments We will make for the benefit of the Beach Hut Deli Franchise System as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship You want to have with Us. We agree to lend You a copy of Beach Hut Deli's Pre-Opening Guide and Operations Manual on or before the first day of training and after You have paid the Franchise Fee in full. The Pre-Opening Guide and the Operations Manual contain the Method of Operation, including specifications, standards, menu pricing, operating procedures, accounting and bookkeeping methods, marketing ideas, Inventory requirements and control techniques, shop plans and specifications, fixture and decor requirements, and other rules We prescribe from time to time. The Pre-Opening Guide and the Operations Manual are and will remain confidential and Our exclusive property. You will not reveal, copy or duplicate any part of the Pre-Opening Guide or the Operations Manual for any reason.

We develop minimum requirements for food product preparation, merchandise, inventory, supplies, business forms, advertising, decor, shop plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Pre-Opening Guide and/or the Operations Manual, with the exception of blueprints, plans, and specifications for the build out of your store which will be contained in the blueprints purchased from an architect which we designate or approve, as referred to in section 1.4 of this agreement. You will purchase all initial inventory items specified in the Pre-Opening Guide and/or the Operations Manual and additional items specified from time to time in the Operations Manual. From time to time We may amend the Pre-Opening Guide and the Operations Manual, including changes that may affect minimum requirements for franchise operations. You will strictly follow the requirements of the Pre-Opening Guide and the Operations Manual as We amend it. You will carry out immediately all changes at Your own cost, unless We otherwise specify. We may reasonably restrict You from producing, stocking, and selling certain items and goods as specified in the Operations Manual.

You may purchase some equipment, inventory, and supply items from Us at Our then current prices. If You desire to purchase items, payment will be made upon placement of Your order. The items include, among other things, products, equipment, merchandise, and supplies that bear our name.

You may offer these items bearing our name only at the Franchise Premises to retail customers. You must purchase items that bear our name from Us or suppliers We approve from time to time.

We will not be liable to You for inability to deliver products, equipment, inventory or supply items due to any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, acts of God or of the public enemy, or any other cause beyond Our control.

You will purchase all products, supplies, and materials required for the operation of the Franchise from manufacturers, suppliers, or distributors We approve. All specifications required of You and approved suppliers will be set forth in the Operations Manual. We will use Our best judgment in setting and modifying specifications to maintain the integrity and quality of the franchise system. We may enter into contracts with suppliers in order to obtain competitive bulk pricing which may bind you to purchase products only from the supplier with which we enter said contract. In that event, you may not obtain products from any other source until the contract expires or is no longer in effect. The duration of said contracts will be contained in the Operations Manual and may change from time to time.

Upon advance written notice, You may request Our approval to obtain products, supplies or materials from sources not previously approved by Us. We may require You to provide to Us sufficient information, photographs, drawings, samples, and other data to allow Us to determine whether the items from these other sources meet Our specifications and standards as established from time to time. These specifications and standards will relate to quality, taste, texture, composition, absorbency, strength, finish and appearance, and capacity and facility to supply Your needs in the quantities, at the times, and with the reliability requisite to an efficient operation. We may require that samples from the supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse Us for the actual cost of the tests. We may not unreasonably withhold approval of a supplier proposed by You. We will notify You in writing of the approval or disapproval of a supplier You propose within 120 days of Your request for approval.

From time to time We or Our agents may inspect any proposed or approved manufacturers, suppliers or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of the continued approval of any manufacturer, supplier or distributor. Should We learn from any inspection that a manufacturer, supplier, or distributor fails to meet Our specifications and standards, We will give written notice describing such failure to You and to the manufacturer, Supplier, or distributor, with a notice that unless such failure or deficiency is corrected within 14 days, the manufacturer, supplier, or distributor will be discontinued as approved.

Except for those items that bear our name, or for items for which there is a franchise wide contract that obligates Beach Hut Franchisees to purchase from a certain supplier as referred to above, You may obtain any required item from any approved supplier as set forth herein and in the Operations Manual and Pre-opening guide.

5.2 Standards to Be Maintained. You will follow the Method of Operation and maintain standards of product preparation, merchandising, and service that We prescribe.

A. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement, the Operations Manual and the Pre-Opening Guide. The Franchise Premises will be used only as a Beach Hut Deli Franchise. You will only use signs, fixtures, equipment, materials, food products, inventory, decor, plans, and services that conform to Our specifications to conduct the Franchise.

B. You will maintain signs approved by Us on the Franchise Premises. These signs must comply with local sign ordinances, regulations. and bylaws. The signs will describe the premises only as a Beach Hut Deli Franchise. Subject to local law, illuminated outdoor signs will be lighted during business hours or as otherwise designated in the Operations Manual.

C. We may enter upon the Franchise Premises at reasonable times to verify Your compliance with the terms of this Agreement. To do so, We may:

1. Inspect the Franchise Premises;
2. Observe Your operation of the franchise business for any consecutive or intermittent periods We deem necessary;
3. Interview Your personnel and customers; and
4. Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information We may require.

You will cooperate fully with Us and Our agents with these inspections, observations, and interviews.

D. You must obtain and maintain all licenses and permits required to be held by you in connection with the conduct of the Franchised Business and must comply with all applicable federal, state and local laws, regulations, rules and ordinances in connection with the conduct of the Franchised Business, including health, safety, sanitation, employment, environmental and taxation laws, regulations, rules and ordinances. You must give us written notice of Your receipt of an unsatisfactory or failing health department inspection report within three days after your receipt of that report. You will not allow unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service You know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

E. You will install vending machines, juke boxes, games or musical devices as specified in the Operations Manual and/or the Pre-Opening Guide. No other such items may be installed without Our prior written approval.

F. You will not sell or dispense any products or services or activities other than those We specifically recognize and approve in writing.

G. We may employ professional shopping services to monitor Your compliance with this Agreement.

H. You, at Your expense, will maintain the interior and exterior of the Franchise Premises and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual and the Pre-Opening Guide. At Our request, You will make necessary repairs to the Franchise Premises to maintain uniform appearance and to protect the reputation of our name. You will commence all repairs and changes within a reasonable time after notice from Us, and You will go on with due diligence until completion. You will not make any change in the layout and decor of the Franchise Premises without Our prior written approval.

If You do not maintain the Franchise Premises as required, after notice to You, We at Our option, may make the necessary maintenance and repairs and charge the cost to You. If We make or direct the making of repairs, We will not incur any liability to You, including but not limited to, liability for interruption of Your business while making the maintenance and repairs.

I. You must keep the Franchised Business open to the public as We require in the Operation's Manual (all of those requirements are referred to as the 'Required Hours." The Required Hours may be waived by Us, in Our sole discretion. In addition, You must keep the Franchised Business open during the hours of operation of the Franchised Business posted on or about the restaurant premises or otherwise advertised to the public (the "Posted Hours"). If you fail to keep the Franchised Business open during the Required Hours or Posted Hours, You must pay Us the amount of $100 per occurrence. Any waiver under this paragraph must be in writing, by us.

J. You must offer and sell at the Franchise Premises all products designated by Us, consistent with our comprehensive standards and requirements. You must subscribe to our music provider and play Our custom programming (or other musical programming designated by Us) at the Franchised Premises. You must contract with Our approved vendors to provide credit card and gift card processing services, maintenance for Your equipment and computers (hardware and software), internet service, e-mail account and other services designated by Us. In addition, you must incorporate into the Franchised Business all new products and services designated by Us and must fully participate in all local, regional, seasonal, promotional and other programs, initiatives and campaigns adopted by Us that We require you to participate in. If you fail to or refuse to fully participate in any such program, initiative or campaign, You will be subject to a Non-participation Fee in the amount of $100 per day payable to Us.

K. If You fail to pay any amount you are required to pay, or perform any obligation you are required to perform, pursuant to this Agreement, We may, but will not be obligated to, pay such amount and/or take any action necessary to cure the default. In this event, you must immediately pay to Us the amount so paid by Us or the amount expended by Us to cure such default, plus interest at the rate of 18% per annum (or, if less, the highest amount permitted by law) from the date paid or expended by Us. This right will accrue whether or not We terminate this agreement.

L. You will always insure that Your copy of the Operations Manual, the Pre-Opening Guide and any other manuals given to You are kept current, up to date, and confidential. In case of

any dispute as to the contents of the Operations Manual or the Pre-Opening Guide, the terms of Our master copies maintained at Our principal place of business will be controlling.

5.3 Trademarks, Operations Manual, and Method of Operation Are Our Exclusive Property. On June 29, 2004, the United States Patent and Trademark Office approved Our application for registration of the name "BEACH HUT DELI" as a service mark in the business of restaurant services, Reg. No. 2,858,851. By having a Principal Register federal registration for Beach Hut Deli, Beach Hut, LLC has certain presumptive legal rights granted by a registration. Our Name, Operations Manual, Pre-Opening Guide, Menu and Method of Operation are Our sole and exclusive property. Nothing in this Agreement or any other agreement will give You or others any right, title, or interest at all in or name, Operations Manual, or Method of Operation. Your license to use our name is nonexclusive. We, in Our sole discretion, may operate under our name and may grant licenses to others to use our name on any terms and conditions We deem appropriate. We will make reasonable efforts to protect Your rights to use our name. In those states where applicable, You agree to execute on request all documents necessary to record You as a registered user of our name. You will immediately notify Us of any infringement of, or challenge to, Your use of our name. We will have sole discretion to take or not to take action, as We deem appropriate. In the event We undertake the defense or prosecution of any litigation involving You or any litigation involving our name, You agree to execute any documents and to do all acts and things, that in the opinion of Our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in Our name or in Your name, as We will elect. You will modify or stop use of any franchise names, or will use one or more substitute names or marks, if We so direct in writing at any time. Our sole obligation in this event will be to reimburse You for Your tangible costs in complying with Our direction (i.e. cost of changing signs, stationary, etc.). Under no circumstances will We be liable to You for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon You relating to our name will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: Our ownership, title, right, or interest in our Name, the Pre-Opening Guide, the Operations Manual, or the Method of Operation; or Our exclusive right to register, use, or license others to use our Name, Operations Manual, and Method of Operation. You will not advertise or use the Name without following Our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate (C) or (R) copyright and registration marks, or the designations TM or SM, where applicable.

All goodwill associated with our Name, including any goodwill that might be deemed to have arisen through Your activities, will accrue directly and exclusively to Our benefit, except as otherwise provided by applicable law. You appoint Us as Your agent and attorney-in-fact to amend or cancel any Registered User or Business Name filings obtained by You or for You that involve or pertain to our name.

You will prepare all products offered at the Franchise Premises in strict compliance with the Operations Manual and will apply our name to these products as We specifically direct.

You will not use our name on products or services that come from any source other than Us or sources We approve in writing except for products You prepare or produce pursuant to the Operations Manual and the Method of Operation.

5.4 You Will Not Use Names or Marks in Combination. Except as provided in this Agreement, You will not use or give others permission to use our name, or any colorable imitation of it, combined with any other words or phrases. You and Your shareholders, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of our name. You may not combine or associate with any name or symbol of ours with any other name or word in any advertising or sign. Our name and logo must be used in exact conformity with specifications We set in the Operations Manual.

During the term of this Agreement, Franchisor permits Franchisee to promote its business through the use of social media. Franchisee must comply with Franchisee's policies on the use of the Marks in social media, which policies may be modified by Franchisor at any time. All Franchisee use of social media in connection with the Marks shall be subject to Franchisor's advertising standards as set forth herein and must also comply with all applicable laws and with the terms of use of any applicable website and/or social media platform.

5.5 Trademarks, Operations Manual, and Method of Operation May Be Changed. You acknowledge that our Name, Logo, Pre-Opening Guide, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of You, Us, and others enjoying any lawful economic interest in the Name, Logo, Pre-Opening Guide, Operations Manual, and Method of Operation.

We may change or modify any part of our Name, Logo, Pre-Opening Guide, Operations Manual, or Method of Operation from time to time in Our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of our Name, Logo, Pre-Opening Guide, Operations Manual, and Method of Operation at the time this Agreement is executed. Except as provided in paragraph 5.3 above, You will bear all costs and expenses which may be reasonably necessary because of such changes or modifications. Under no circumstances will We be liable to You for any damages, costs, losses, or detriments related to any of these changes or modifications.

Changes in the Pre-Opening Guide and Operations Manual may include required use of new or modified Trademarks, expansion of existing services, introduction of new services or programs, compliance with new techniques, standards, specifications and procedures and other developments of the Method of Operation (collectively "Developments"). Every component of the Pre-Opening Guide and the Operations Manual, as it now exists and may in the future be changed is important to both Us and Our licensees and to the operation of all of Our franchises. Accordingly, You will accept, implement, use and display all Developments as if they were a part of the Pre-Opening Guide and the Operations Manual at the time of execution of this Agreement and to make all expenditures, including any payments to Us or to Our affiliates or subsidiaries required by it in connection with any

Development, and do (and refrain from doing) all things required in connection with that Development. Any payments You are required to make to Us or to Our affiliates or subsidiaries, for Developments will represent either:

Your contribution, on the same basis as Our other franchises, to the cost of the Developments, or a reasonable approximation of the value of the Developments of Your Franchise.

Complete and detailed uniformity of the Trademarks, Pre-Opening Guide, Operations Manual, and Method of Operation under the varying conditions to be experienced by Our franchisees may not be possible or practicable. Therefore We reserve the right, in Our discretion, to accommodate Your special needs, or those of any other of Our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, populations of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition that We deem to be important to the successful operation of the franchisee's business. From time to time, We may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of Our rights, or an excuse for You to not perform any of Your duties under this Agreement. We may require You at any time to commence full compliance with the Pre-Opening Guide, Operations Manual and the Method of Operation. We will not be required to grant any variance to You under any circumstances.

5.6 Forms, Specifications, and Art Work. All sales and service forms to be used in the Franchise will be designed or approved by Us. You will use only approved forms in the operation of the Franchise. From time to time, We will provide samples of the forms and a list of recommended or approved suppliers who can produce the forms.

5.7 We Will Provide Source List for Supplies. Source lists for supplies are provided to you at no charge.

5.8 You Will Not Communicate Confidential Information. The Method of Operation includes valuable trade secrets. You agree to not communicate or divulge the contents of Our Franchise Agreements and any attachments, Pre-Opening Guides, Operations Manuals, or any other information related to the Method of Operation or to the operation of the Franchise or Our franchise system to any person or entity except those We authorize in writing to receive the information. You agree that these contents and information are confidential. They include trade secrets that are Our exclusive property, and You may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures We prescribe for maintaining the secrecy of the information. You agree to reveal information to Your employees only to the extent necessary to perform the franchise business.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, recipes, food preparation techniques and business operations and systems that would, if used by other persons, firms or corporations, give a substantial competitive advantage that We presently enjoy. Any information, knowledge and know how, not generally known about the Method of Operation and Our products, services, standards, specifications, systems,

procedures and techniques, and any other information or material that We may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information that You can demonstrate came to Your attention before disclosure by Us, or which is or has become a part of the public domain through publication or communication by others.

You will assure that You and all Your agents, employees, consultants, partners, owners, officers, directors, and shareholders and their immediate family members and other persons in Your control, to whom any information is communicated, keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that You, Your key employees, Your officers, Your partners, Your members or managers, Your employees, and stockholders (as applicable) will possess knowledge of business and operating methods and trade secrets, disclosure of which would prejudice Our interests and Our other franchisees. If You engage in any Deli business within five years of the expiration, termination or transfer of this Agreement, You will prove to Us that You have not used Our confidential information in that business. This five year period is not intended to limit the duration of Your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement, or to in any way limit any other non-compete agreement referred to in this Franchise Agreement.

5.9 Conflicting or Competing Interests. You will diligently, faithfully, and honestly perform Your obligations pursuant to this Agreement. You will use Your best efforts to develop, promote, and enhance Your Beach Hut Deli Franchise. You will not engage in any activity or business enterprise that conflicts with these obligations. *We require that You or your majority owner if You are a corporation, limited liability company or partnership, participate fully in the actual day to day operation of the franchise business.* The Franchise must always be under Your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. What is proper operation will be in Our sole reasonable discretion. In Your absence, the Franchise must be under the direct supervision of a manager who has been fully trained and who devotes the necessary time during business hours to the management of the Franchise.

During the term of this Agreement, neither You nor Your owners, shareholders, partners, members or managers, directors, officers, employees, consultants, distributors, or agents, nor the members of Your or their immediate families or households (who have access to or knowledge of the Pre-Opening Guide, Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, partner, members or managers, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged in the sale at wholesale or retail of deli sandwiches or products or services within the Franchise Premises, within a reasonable distance (not less than 100 miles) of the Franchise Premises, within the immediate market area of any of Our other franchisees or of any of company stores We own, or within a reasonable distance of any other location where We could reasonably expect to establish a Franchise Premises or company store during the term of this Agreement. We may waive this covenant only in writing. You will assure that You and Your owners, directors, officers, partners, members or managers, shareholders, employees, consultants, and agents, during the term of this Agreement and for five years after expiration or termination of this Agreement, will not divert or directly or indirectly attempt to divert any of Our business or any of Our customers to any competing

establishment; or employ or seek to employ any person We employ or any other person who is then operating or employed by or at any of Our franchises or otherwise directly or indirectly induce these persons to leave their employment.

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

The provisions relating to interests in any other business will not apply to Your ownership of outstanding securities of any corporation whose securities are publicly held and traded, provided that You hold these securities for investment purposes only and that Your total holdings do not constitute more than five percent (5%) of the outstanding securities of the corporation.

You will assure that Your owners, shareholders, partners, members or managers, directors, officers, employees, consultants, distributors, and agents comply with the provisions of this section.

5.10 Computer Systems. You will install and use cash registers and accounting, and inventory control computer systems We approve. We will provide written specifications for these systems and You will purchase from Our designated vendors, at Your expense, computer hardware and software (including but not limited to programs, computer terminals, and cash registers) which will be totally compatible with and will strictly conform to all requirements, standards, and specifications We may set from time to time. We require You to have a computer system with accounting, inventory control, and Point of Sale (POS) cash registers which strictly conform to Our specifications set from time to time. You must arrange to obtain the POS system which we designate in our Pre-Opening Guide through the vendor we designate. The POS system has been designed and programmed exclusively for use by Beach Hut Deli and is an integral part of Our Franchise Operation. We require that You have, at a minimum, two electronic POS cash registers with internet capabilities and software which permits Us to monitor and track all information input into your POS system. Your POS cash registers must be connected at all times, to the internet, via high speed connection. We will have independent access to all information and data which is input into Your POS and/or Your computer system. All POS data generated by the Franchised Business will be Our property. We may disclose to any person, or use for any purpose, any financial or other information regarding you, which is in our possession, without obtaining your Consent.

You must maintain an e-mail address with a provider approved by Us for purposes of communicating with Us and other persons. You must inform Us of your e-mail address promptly upon signing this Agreement and if your e-mail address is changed, with the updated address. You must check and respond to your e-mail on a daily basis (except for weekends); provided, however, that the timeliness of your e-mail review and responses must be consistent with reasonable business practices and must not cause Us or other franchisees to be unable to communicate with you in a timely manner.

5.11 Working Capital Requirements. At all times during the term of this Agreement, You will maintain and employ as much working capital as may be required to enable You to properly and fully perform all Your duties, obligations, and responsibilities.

5.12 Notice of Court Action. You will notify Us in writing within 10 days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect Your operation of or the financial condition of the franchise.

5.13 Breach Remedies Section 5. Upon any breach by You of any of the terms of this Section 5, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other equitable remedy to which We may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that Our remedy at law for any breach would be inadequate and agree and consent that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Section 5, without the necessity of posting bond therefor or proof of actual damages.

6 RENEWAL. TERMINATION AND STEP-IN RIGHTS

6.1 Renewal of Franchise.

A. If You are not in default, You may renew the Franchise for periods of 5 years under the terms of Our then current Franchise Agreement forms. You will exercise Your renewal option by giving written notice to Us. The notice must be given at least 3 months, but no earlier than 6 months, before the end of the franchise term established by this Agreement.

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by You signing the Franchise Agreement forms We then are using. These forms may vary materially from this Agreement. Continuing Services and Royalty Fees, Advertising Fees, and other fees will be set at the then prevailing rates and terms. We have the right, but not the obligation to set Continuing Services and Royalty Fees, and Advertising Fees at the rate you paid under the previous franchise agreement if that rate is less than the current rate. Your failure or refusal to execute the Renewal Franchise Agreement forms within 30 days after delivery to You may be regarded as an election by You not to renew. Upon renewal, the Franchise Premises must remain at the location designated in this Agreement, or as otherwise agreed upon in the new Franchise Agreement.

You will reimburse Us for Our reasonable out-of-pocket costs concerning the renewal. You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that We may require You to spend on refurbishing, remodeling and replacement. You must execute a general release, in a form We prescribe, following applicable law, to release Us from any claims You may have against Us.

Before renewal, You or Your designated manager will attend and successfully complete any retraining program We prescribe in writing. This will be done at Your expense, including travel, meals, lodging, and Our then current training fee.

B. We may refuse to renew this Agreement if You fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within Our exclusive discretion in good faith. If We refuse to renew, You must continue to perform under this Agreement until its expiration.

C. If You continue to operate the Franchise with Our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. Such continuation shall be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while operations continue.

6.2 Termination by You. You may terminate this Agreement if You comply with the terms of this Agreement and if We substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within 60 days after receipt of written notice specifying the breach. Termination will be effective 10 days after You deliver to Us written notice of termination for Our failure to cure within the allowed period.

You may terminate this Agreement and receive a refund of at least one-half of the Franchise Fee if You are unable to find a franchise site acceptable to You within one year after execution of this Agreement. Your obligations pursuant to this Agreement will not be affected by the filing of a petition in bankruptcy by or against Us.

6.3 Termination by Us.

A. The following provisions are besides all other remedies available to Us at law or in equity. We will have the option to cure defaults at Your expense. We may terminate this Franchise Agreement and any other related agreements between the parties if You default under the terms of this Agreement and do not cure the default within thirty days after receipt of Our written "Notice to Cure." Termination will occur immediately upon delivery to You of Our written declaration of termination for failure to cure within the allowed time frame.

Among other things, it will be a default constituting good cause for termination, if You:

1. Fail to begin full and continuous operation of the Franchise within one year after signing this Agreement.
2. Fail to provide accurate statements of Gross Revenue, quarterly and annual financial statements, maintain financial records on the Franchise, or permit inspection or audit by Us on request.
3. Do not comply with the standards and policies specified in the Pre-Opening Guide, the Operations Manual or Our changes, additions, or modifications to them.
4. Fail to maintain a suitable sign on the Franchise Premises or to follow sign requirements.
5. Fail to remove from the Franchise Premises signs or materials prohibited by the Pre-Opening Guide or the Operations Manual.
6. Fail to maintain the Franchise Premises in conformity with applicable

laws.

7. Operate the Franchise Premises without obtaining and maintaining all necessary permits and licenses.
8. Use our name or any Trademarks we may obtain outside the Franchise Premises or wrongfully combine with other franchisees to place advertising in locations outside the Franchise Premises.
9. Use our name or the words of the Trademarks in combination with other names or words in Your corporate or business name.
10. Open, own, operate, or have any interest in a business marketing at wholesale or retail services or products similar to those authorized by this Agreement. This restriction applies within the Franchise Premises, within a reasonable distance (not less than 100 miles) of the Franchise Premises, within the market area of any other franchisee or shop We license or own, or within any other area where We could reasonably expect to establish a franchise or company shop during the term of this Agreement.
11. Transfer all or part of the Franchise or Franchise Premises without first obtaining Our written permission.
12. Fail to maintain insurance required by this Agreement to insure Us against loss or damage caused by injury to persons or damage to property arising out of or about the Franchise, or fail to promptly pay any costs or judgments entered against Us because of that injury or damage.
13. Fail to pay all sales or other taxes when due and before delinquent, unless contested in good faith by appropriate proceedings.
14. Do not successfully complete the mandatory training programs, including any additional refresher courses or training.
15. Fail to follow any other material provision of this Agreement or of the Pre-Opening Guide or the Operations Manual, or of any authorized specification, standard, policy, or operating procedure We prescribe.
16. Fail to give Us adequate assurance to Our reasonable satisfaction of Your ability to perform Your obligations under this Agreement or any ancillary agreement and so notify You in writing.
17. Fail to timely pay any Beach Hut Deli vendor within the terms established with the vendor.
18. Do not keep information and trade secrets related to the Franchise confidential except to employees or persons authorized to know.
19. Fail to obtain agreements from Your employees to keep information and trade secrets confidential.
20. Do not allow Us to inspect the Franchise Premises.
21. Fail to obtain Our prior written approval of any advertising or promotional material.
22. Engage in any unauthorized use or reproduction of our trademarks or service marks.
23. Materially violate any terms or provision of any mortgage, deed of trust, lease, sublease, contract of tenancy or legal right to possess and occupy all or a significant part of the Franchise Premises

24. Prevented by the ABC from selling alcohol.

B. We immediately may terminate this Agreement and any other agreements between the parties without other cause, and without giving You an opportunity to cure, if You:

1. Make an assignment for the benefit of creditors, make a formal or informal proposal to creditors to restructure debts because of insolvency, admit inability to pay obligations as they become due, default on any note concerning the financing of this franchise location or default on any note concerning the financing of the assets used in the operation of the franchise, file a voluntary petition of bankruptcy, do not obtain the dismissal of involuntary bankruptcy proceedings within 30 days of commencement, or are adjudicated bankrupt or insolvent.
2. Fail to operate the Franchise continuously and actively for five consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that You do not intend to continue the Franchise or maintain a suitable Franchise location.
3. Fail to comply, on 3 separate occasions, with any requirement of this Agreement or of any related agreement between the parties, whether or not corrected after notice, or, after curing any failure in performance under this agreement, You engage in the same noncompliance whether or not such noncompliance is corrected after notice.
4. On more than one occasion fail to report Gross Revenue on time, understate Gross Revenue by more than two percent (2%), or distort other material information.
5. Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise.
6. Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lien holder, or lessor; let a final judgment against You to remain unsatisfied for 30 days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within 5 days of the levy; or default under the provisions of your lease.
7. Are convicted of a felony or are convicted of any criminal misconduct relevant to the operation of the Franchise.
8. Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.
9. Fail to pay any Franchise Fee, Royalty, or Advertising fees or other amounts owed pursuant to this Agreement within five calendar days after receipt of written notice that the fees or amounts are overdue.
10. Operate the Franchise in a way that creates an imminent danger to public health or safety.
11. Allow unlawful activities to occur on the Franchise Premises or sell, rent, or exchange any unauthorized or illegal material on the Franchise Premises.

12. Engage in conduct that materially and adversely affects or may affect the operation or reputation of the Franchise, the Beach Hut Deli franchise system, or the Trademarks, if any.

6.4 Time Frames Subject to Applicable Laws. The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

6.5 You Will Discontinue Use of Trademarks, Pre-Opening Guide, Operations Manual, and Method of Operation on Transfer and/or Termination of Agreement. Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to Us if You do not comply with any of the following requirements upon expiration, transfer and/or termination of this Agreement. Upon expiration transfer and/or termination of this Agreement, You will:

A. Immediately stop using the Trademarks or Service Marks, if any, (or any names or marks deceptively similar to them), the Operations Manual, the Pre-Opening Guide, the Menu and the Method of Operation.

B. Return to Us all copies of the Operations Manual, the Pre-Opening Guide and Menus. Return to Us all records, files, instructions, correspondence, and materials in Your possession or control related to the Method of Operation. You will give Us a complete and accurate summary of Your advertisers, customers and leads, including their names, addresses, telephone numbers and related records. You will help Us in every way possible to cause a complete an effective transfer of Your franchise business to Us or to Our designated franchisee.

C. Notify all telephone, directory, and listing companies of the termination of Your right to use the Franchise names, Trademarks, Service Marks and related telephone numbers. You authorize the transfer of Your telephone numbers and directory listings to Us or Our designated franchisees. You appoint Us as Your agent and attorney-in-fact to affect the transfer of these telephone numbers and directory listings. You agree that We will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow Our instructions. (See Exhibit 6.)

D. Make reasonable modifications to the interior and exterior of any retained premises to reduce Your identification as a part of the Beach Hut Deli franchise system. These modifications will include reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other Beach Hut Deli location. Until all modifications and alterations are completed, You will maintain a conspicuous sign in a form We specify stating that You are no longer associated with Us. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning You that You are no longer associated with Us.

E. Cease doing business under our name or any applicable Trademarks and refrain from identifying Yourself as Our franchisee.

F. Pay to Us within five calendar days all Continuing Services and Royalty Fees, Advertising Fees, and other sums You owe. These sums will include all damages, costs and expenses, including reasonable attorneys fees and collection costs, We incur because of Your default. These sums will include all costs and expenses, including reasonable attorney fees, We incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

G. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below.

H. At Our option, do some or all of the following:

1. Remove all Franchise-related equipment, furnishings, and inventory from the Franchise Premises;
2. Sell the equipment, supplies, furnishings, trade fixtures, signage, and menu board(s), (the assets) to Us, at either the depreciated book value (straight line depreciation over 5 years), or at the fair market value, whichever value is lower. For inventory, sell it to us at Your invoice cost less a ten percent (10%) restocking charge. We will not be liable for payment to You for intangibles, including goodwill. We must send written notice to you within 30 days after termination of this agreement of our election to exercise the option to purchase and must be prepared to close the transaction within 60 days after the fair market value has been determined. If we fail to agree on the fair market value of the property within the option period, each party must appoint an appraiser and the two appraisers thus appointed must agree on a third appraiser within 90 days after we have given notice of our election to purchase. The appraisers, or a majority of them, must determine the fair market value of the assets described in this section 6.5 H 2. This determination will be final and binding on both us and you. If you are not in default, upon non-renewal, only the fair market value approach will apply to valuation of your assets that you sell to us under this paragraph 6.5 (H) (2).

2.1 Payment for the assets and inventory described in 6.5 H 2 will be made by our promissory note, payable in 36 equal monthly payments. Interest will be payable at the rate of 3% per year. There will be no prepayment penalty. We may offset against the total price for the assets and inventory any amounts we must advance to the landlord, trade vendors, lien holders, or any other parties to which you have incurred business related debt in order to cure your pre-termination defaults and to bring your equipment and premises up to our current standards as well as any money you owe us and our related parties at Termination. You will promptly provide us an itemized list of your outstanding obligations as of termination along with any requested supporting documentation. This includes information relating to sales taxes and other taxes which may carry successor liability; and

3. Assign to Us the lease for the Franchise Premises. (Exhibit 4.)

I. If there is any disputes between the parties regarding the purchase and the rights and obligations described in this section, the prevailing party will be entitled to attorney's fees and costs incurred in resolving the dispute. If the franchise granted in this agreement is terminated because of either party's material default, the rights described in this section may not necessarily be the injured party's exclusive remedies, but will instead supplement any other equitable or legal remedies available.

J. Termination of this agreement will not end any obligation of either party that has come into existence before Termination. All obligations of the parties that by their terms or by reasonable implication are to be performed in whole or in part after termination will survive termination.

6.6 We May Assign Franchise Upon Termination. Upon expiration or termination of this Agreement, We may immediately license the Franchise to another person or may operate a Beach Hut Deli business within the Franchise Premises or its immediate market area.

6.7 Our Step-In Rights. The parties want to prevent any interruption of the Franchise that would cause harm to the Franchise and to Our franchise system and lessen their value. Therefore, You authorize Us to step in to operate the franchise upon your default as defined herein. 30 days after exercising our step-in rights We will re-evaluate the current status of the franchisee and at our discretion We will either operate the store for additional 30-day periods of time, turn the store back over to You, or transfer or terminate this agreement. In turning the store back over to the franchisee we do not waive our rights to step back in the future, We may do so without waiving any other rights or remedies that We may have. Cause for interruption may include Our reasonable determination that: You are incapable of operating the Franchise; You are absent or incapacitated because of illness or death; You have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; You have failed to pay when due any liens or encumbrances placed upon or against Your business property; or We decide that significant operational problems require Us to operate the Franchise for a time. All Revenue from Our operation of the Franchise will be for Your exclusive account. We will pay from that Revenue all expenses, debts and liabilities We incur during Our operation of the Franchise. This will include Our personnel and administrative costs, plus 15 percent (15%) to cover Our overhead expenses. In addition, We will have the option, but not the obligation, to pay for you any claims owed by You to any creditor or employee of the Franchise. You will reimburse Us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the Franchise, less the expenses of operation.

We will have no obligation to retain any employee of the Franchise, nor to honor any contractual employment commitments You previously made. If We elect to retain any employee, employment will be pursuant to a new employment agreement between Us and the employee. Employment will commence on the first business day on which We carry on business through the Franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be Your responsibility.

Upon Our exercise of these Step-In Rights, You agree to hold Us harmless for all acts, omissions, damages, or liabilities arising during operation.

Our operation of the Franchise will not operate as an assignment to Us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of Our operation of the Franchise.

You agree to pay Our reasonable legal and accounting fees and costs We incur because of Our exercise of these Step-In Rights.

6.8 You and Your Principals Not to Compete on Expiration, Termination, or Transfer of Agreement. This covenant will apply for five years after termination, expiration or transfer of this Agreement. You will assure that You and Your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, members or manager, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental or promotion of Deli sandwiches. This covenant applies within the Franchise Premises and within a 100-mile radius of the Franchise Premises.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

7 TRANSFER

7.1 Sale or Assignment by You.

A. Your rights and obligations under this Agreement are exclusive to You. Whether voluntarily or involuntarily, neither You, Your shareholders, partners, members or managers, nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") the whole or any part of: this Agreement, substantial assets of the Franchise, any lease or sublease of real or personal Franchise property, or ownership or control of You. A change in control of You or the transfer, on a cumulative basis, of 25% or more of the voting control shall constitute a transfer requiring compliance with the provisions of this section. Any attempted transfer without Our prior written consent will be a default under the terms of this Agreement. Our consent will not be unreasonably withheld. You must have our prior written consent to any transfer.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of You (or Your shareholders or partners, if You are a corporation, or partnership, or other legal entity).

Before the effective date of a transfer which We have approved:

1. The transferee must assume Your Franchise obligations. You will remain bound by Your covenants in this Agreement to not reveal confidential information and to not compete with Us or Our franchisees.
2. You will pay all ascertained or liquidated debts concerning the Franchise.
3. You may not be in default under this Agreement or any other agreement between the parties.
4. The transferee will complete to Our exclusive satisfaction the training programs We then require of new franchisees or otherwise show to Our satisfaction sufficient ability to successfully operate the Franchise.
5. You or the transferee will pay a Transfer Fee according to Our then current Transfer Fee Schedule. This fee will reimburse Us for Our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee will not be less than $2,500 and will be non-refundable.
6. The transferee must execute and complete the pre-franchise test period agreement and must execute all documents We then require of new franchisees. This includes a new Franchise Agreement in the form We then are using and payment of the applicable franchise fee. The new Franchise Agreement may contain economic and general terms that are materially different from those contained in this Agreement.
7. The transferee must meet Our standards for quality of character, financial, capacity, and experience required of a new or renewing franchisee. You will provide information We require to prove the transferee meets Our standards.
8. You and Your owners, partners, officers, and directors, or members, will execute a general release in Our favor.
9. The entire Franchise Fee must be paid in full despite the due date for payment established by this Agreement.
10. If the lease or sublease for the Franchise Premise requires, the lessor or sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee.
11. You will enter into an agreement to subordinate, to the transferee's obligations to Us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to You.

B. You may transfer Your rights and obligations under this Agreement to a corporation in which You continuously own a majority of the issued and outstanding shares of each class of stock. You may also transfer Your rights and obligations under this Agreement to an LLC in which You continuously own a majority of the outstanding membership interests. The corporation or LLC must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The corporation or LLC must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the corporation or LLC and to remain personally liable in all respects under this Agreement. You

will be in default under this Agreement if You at any time dispose of any interest sufficient to reduce Your ownership in the corporation to less than a majority of any class of stock or in the LLC to less than a majority of the membership interests.

From time to time, at Our request, You will provide to Us a current list of all Your owners, shareholders, directors, officers, partners, members or managers, and employees, with a summary of their respective interests in You. (Exhibit 3.)

C. We may transfer this Agreement. If We do, it will be binding upon and inure to the benefit of Our successors and assigns. Specifically, You agree that We may sell Our assets, the Trademarks, Service Mark, if any, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of Our securities, may merge, acquire other corporations or be acquired by other corporations, or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. As for any or all these sales, assignments and dispositions, You waive any claims, demands or damages arising from or related to the loss of the Trademarks (or any variation of them) or the loss of association with or identification as part of Our franchise system. We will not be required to remain in any particular form of business or to offer to You products, whether or not bearing Our name.

D. You may offer Your securities or partnership interests or economic interest to the public, by private offering, or otherwise, only with Our prior written consent. Consent may not be unreasonably withheld. All materials required for the offering by federal or state law will be submitted to Us for review before filing with any government agency. Any materials to be used in any exempt offering will be submitted to Us for review before their use. No offering by You will imply (by use of the Trademarks or otherwise) that We are participating in an underwriting, issuance, or offering of Your securities. You and all other participants in the offering must fully indemnify Us concerning the offering. For each proposed offering, You will pay to Us the amount necessary to reimburse Us for Our reasonable costs and expenses associated with reviewing the proposed offering, including, legal and accounting fees. You will give Us at least 60 days written notice before the effective date of any offering or other transaction covered by this subsection.

E. You will give Us written notice before any proposed transfer by You. You must also notify Us within 4 days of any receipt of an offer to buy and give Us a written notice simultaneously with any offer to sell the Franchise made by, for or on behalf of You. The purpose of this provision is to enable Us to comply with any applicable state or federal franchise disclosure laws. You agree to indemnify and hold Us harmless for Your failure to comply with this provision. You may not grant a sub-franchise.

F. Our consent to a proposed Transfer will not be a waiver of any claims We may have against You (or Your owners), nor will it be a waiver of Our right to demand exact compliance with this Agreement.

G. You will comply with any laws that apply to the Transfer, including state and federal laws governing the offer and sale of franchises.

7.2 Your Death or Disability

A. Besides the Step-In Rights described above, the following will apply in case of Your death or incapacity if You are an individual, or of any general partner of You if You are a partnership, or of any shareholder owning 50 percent (50%) or more of Your capital stock if You are a corporation. Within 180 days of Your death or incapacity, the heirs, beneficiaries, devisees or legal representatives of that individual, partner or shareholder will:

1. Apply to Us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment by You," above (except that no transfer fee will be required). Or,
2. Transfer Your interest according to the provisions of that Subsection. In the event a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, Our silence through the 180 days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.

B. If the provisions of this Subsection have not been fulfilled within the time provided, at Our option, all rights licensed to You under this Agreement will immediately terminate and revert to Us.

8 INDEMNITY, INSURANCE, CONDEMNATION AND CASUALTY

8.1 Indemnity. You will indemnify and hold Us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or in connection with the Franchise, Your business activities, the marketing or use of goods obtained from sources We identify, or Your acts or omissions. We will not be liable to You or to any other person because of Your act, omission, neglect, or default.

You will defend Us at Your own expense in any legal or administrative proceeding subject to this Subsection. You will immediately pay and discharge any liability rendered against Us in any proceeding. In Our sole discretion, We may settle or defend these at Your expense, including attorney fees that We pay or incur in settling or defending. Immediately upon demand, You will reimburse Us for these settlements, expenses and fees.

All references in this Agreement that provide that You will indemnify Us or that You will name Us under any insurance policy will also mean that Our affiliates, directors, members, officers, and employees will be also and equally indemnified or named.

8.2 Insurance. Upon commencement of franchise operations, prior to construction of your premises and during the term of this Agreement, You will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, and products liability insurance. This insurance will be in an amount sufficient to replace the Franchise Premises and Your personal property upon loss or damage. This insurance will be written by an insurance company satisfactory to Us in accordance with Our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

A. Comprehensive general liability insurance, including products liability, completed operations, property damage, contractual liability, independent contractors liability, owned and nonowned automobile coverage, and personal injury coverage with a combined single limit of at least Two Million Dollars ($2,000,000). Your liability insurance must include coverage for liquor liability.

B. Workers' compensation and employer's liability insurance, and other insurance required by statute or rule of the state in which the franchise is located and operated.

The insurance will insure Us, You, and our respective subsidiaries, owners, officers, directors, partners, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to Your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming Us as an additional named insured. The insurance will not be limited in any way because of any insurance We maintain. The insurance will not be subject to cancellation except upon 20 days' written notice to Us. Certificates of Your insurance policies will be kept on deposit with Us. Maintenance of the required insurance will not diminish Your liability to Us under the indemnities contained in this Agreement.

We may require You to increase the minimum limits of coverage to keep pace with regular business practice and prudent insurance custom.

If You fail to comply with any of the requirements of this Subsection, We may, but are not obligated to, obtain the insurance. You will pay Us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

8.3 Condemnation. You will give Us notice of any proposed taking through the exercise of the power of eminent domain. Notice will be given within 10 days of Your first knowledge of the proposed taking. If the Franchise Premises or a substantial part of it is to be taken, the Franchise Premises may be relocated with Our prior written approval. The relocated premises may not infringe on the protected rights of any other franchise pursuant to Our specifications and contractual obligations. Relocation must be completed and franchise business operations recommenced within a reasonable time after the closing of the initial Franchise Premises. The new franchise location will become the Franchise Premises licensed under this Agreement. If a condemnation takes place and a new franchise location does not open, for whatever reason, then this Agreement will terminate upon 30 days written notice from Us to You.

8.4 Casualty. If the Franchise Premises is damaged by fire or other casualty, You will expeditiously repair the damage. If the damage or repair requires the closing of the Franchise, You will:

A. immediately notify Us,

B. repair or rebuild the Franchise Premises following Our specifications,

C. re-open the Franchise for continuous business operations when practicable (but in any event, within one year after closing of the Franchise Premises). You will give Us not less than 30 days advance notice of the date of reopening.

If the Franchise Premises does not re-open within one year, this Agreement will terminate upon 30 days written notice from Us to You.

8.5 Proceeds From Insurance or Recovery. The proceeds from any business interruption insurance or eminent domain recovery You receive will be included in Gross Revenue.

9 NOTICE AND MISCELLANEOUS

9.1 Notices. All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered personally and receipted. They may be sent by a reputable courier service which ensures next day delivery. Notices will be delivered to You at the Franchise Premises, to Us at Our main office or to other locations specified in writing. Notices sent by mail will be deemed to have been delivered and received three business days following the date of mailing or one business day after placement with Federal Express, or other reputable courier service ensuring next day delivery.

9.2 Business Name. You will execute any documents We may from time to time direct, to be retained by Us until this Agreement ends, to evidence that You abandon, relinquish, and terminate Your right or interest You may claim in or to the Trademarks, if any, and the names Beach Hut Deli. (See Exhibit 7.)

9.3 We and You Are Not Joint Venturers, Partners, or Agents. You are and will remain an independent contractor. You and We are not and will never be considered joint venturers, partners, employees, or agents, one for the other. Neither will have the power to bind or obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that You are not in a fiduciary relationship with Us.

In all public and private records, documents, relationships, and dealings, You will show that You are an independent owner of the Franchise. You will prominently indicate on Your letterhead and business forms that You are Our licensed franchisee by using language saying that You operate an independently owned Franchise.

You will maintain employee records to show clearly that You and Your employees are not Our employees or agents.

The liability of Your shareholders or partners will be both joint and several. A breach of this Agreement by You or by any shareholder or partner will be a breach by all of the shareholders or partners and also by You.

9.4 Waiver. A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition. Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver We grant will not prejudice any other rights We may have, and will be subject to Our continuing review. We may revoke any waiver, in Our sole discretion, any time and for any reason, effective upon delivery to You of 10 days prior written notice of revocation.

By written notice, We unilaterally may waive any obligation of You, Your principals, or the Guarantors.

Our consent, whenever required, may be arbitrarily withheld if You are in default under this Agreement

9.5 Time Is of the Essence. Time is of the essence of this Agreement

9.6 Documents. You and Your partners, shareholders, officers, members, and principals agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. These documents will include a Relinquishment of Assumed Business Name form and a Security Agreement. (Exhibit 7.)

Any material violation or breach of any of these documents or of any other Franchise or related agreement between the parties will be a material violation of this Agreement and of all the other documents and agreements. The non-breaching party may enforce the penalties or terminate this Agreement and any or all of the other documents and agreements as provided for enforcement or termination of this Agreement.

If You are a partnership, all general partners will sign the documents. If You are a corporation or limited liability company, all shareholders and all officers of the corporation, members or managers, will personally guarantee Your faithful performance.

You will assure that each of Your owners, shareholders, general partners, directors, officers, members or managers, employees, consultants, distributors and agents will not compete with Us; will not attempt to divert customers to competing businesses; will not induce the employees of Us or of Our franchisees to leave their employment; and will keep, preserve, and protect confidential information as required by this Agreement.

9.7 Construction. This document is the entire agreement between the parties. It may not be modified or amended except by written agreement signed by the parties. The words "this Agreement" includes any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate Us in any way, except Our Chief Executive Officer, or Chief Operating Officer or Chief Financial Officer/Secretary at Our home office by an instrument in writing.

This document supersedes all communications and negotiations between the parties that relate to the subject matter of this Agreement. Only the terms of this agreement, the Pre-Opening Guide, the Operations Manual and the UFDD are binding. Any other promises or representations are not enforceable.

All words in this Agreement include any number or gender as the context or sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to simplify Our compliance with state and federal franchise disclosure laws.

All captions and headings are for reference purposes only and are not part of this Agreement.

If, any part of this Agreement is declared invalid, that declaration will not affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future.

You acknowledge that We have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, You and Us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted in the State of California and will be governed by the laws of California which laws will prevail, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend outside of California, the scope of application of the California franchise laws or business opportunity laws. Any portion of this Agreement that requires enforcement in any other state, and is enforceable under the laws of that state but not of California, will be construed and enforced according to the laws of that state. All issues or disagreements relating to this Agreement which may be litigated in court will be tried, heard, and decided in the California state courts in Sacramento County, California or the federal courts in Sacramento County, Eastern District Court, which You agree is the most convenient venue for these purposes. You acknowledge and agree that this venue is reasonable and the most beneficial to the needs of and best meets the interest of all of the members of the Beach Hut Deli franchise system.

9.8 Enforcement. Except as provided herein, Franchisor and Franchisee agree that any and all disputes between them, including any claim by either party (including tort as well as contract claims, claims based upon any federal, state, or local statute, law, order, ordinance or regulation), shall be

determined solely and exclusively by arbitration under the Federal Arbitration Act, as amended, and in accordance with the rules of the American Arbitration Association, unless the parties otherwise agree in writing.

Arbitration shall take place in Roseville California and Franchisor and Franchisee consent to personal jurisdiction and hereby consent to and waive all objections to personal jurisdiction or venue for the purposes of carrying out this dispute resolution proceeding. Franchisee acknowledges that its franchise is one of a number of Beach Hut Deli restaurants using Franchisor's service marks and style of conduct and that the failure on the part of Franchisee to comply with certain terms of this Agreement could cause irreparable damage to some or all of the other franchised locations and the owners of such restaurants. Therefore, and notwithstanding the foregoing provisions, the Parties agree that a Party may seek a temporary restraining order or preliminary injunctive relief in a federal or state court of competent jurisdiction in order (i) to protect the Marks or any trade secret information belonging to the system; or (ii) to enjoin a default or threatened breach that will materially harm the goodwill of the brand; provided that there is a pending arbitration action initiated and that the resort to such federal or state court is limited to obtaining injunctive relief. The Parties agree that the arbitrator for the underlying action has full authority to determine the arbitrability of all claims and disputes and the interpretation of this section. The arbitrator(s) may not under any circumstances: (i) assess punitive speculative or exemplary damages, (ii) make any award that extends, modifies, or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor in good faith; or (iii) permit a class action of any kind. The arbitrator(s) shall be limited to the issues in dispute between Franchisor and Franchisee and a dispute between any other franchisee and Franchisor shall not be considered in the same arbitration proceeding.

No right or remedy conferred upon Us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy. We may employ legal counsel, incur other expenses to collect or enforce Your obligations or to defend against any claim, demand, action or proceeding because of Your failure to perform Your obligations. We may recover from You the amount of Our reasonable attorney fees and all other expenses We incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

YOU HEREBY WAIVE THE RIGHT TO INITIATE OR PARTICIPATE IN A CLASS ACTION IN ANY FORUM, INCLUDING ARBITRATION, AND WAIVE THE RIGHT TO SEEK OR COLLECT PUNITIVE, CONSEQUENTIAL AND SPECIAL DAMAGES IN ANY FORUM, INCLUDING ARBITRATION. THIS FRANCHISE AGREEMENT PROVIDES FOR THE EXCLUSIVE RESOLUTION OF DISPUTES THROUGH INDIVIDUAL LEGAL ACTION ON YOUR OWN BEHALF INSTEAD OF THROUGH ANY CLASS ACTION. EVEN IF THE APPLICABLE LAW PROVIDES OTHERWISE, YOU AGREE THAT ANY ARBITRATION OR LAWSUIT AGAINST US WHATSOEVER SHALL BE LITIGATED BY YOU INDIVIDUALLY AND NOT AS A MEMBER OF ANY CLASS OR AS PART OF A CLASS ACTION, AND YOU EXPRESSLY AGREES TO WAIVE ANY LAW ENTITLING YOU TO PARTICIPATE IN A CLASS ACTION. THE ARBITRATOR SHALL HAVE NO AUTHORITY TO ARBITRATE CLAIMS ON A CLASS ACTION BASIS. YOU AGREE THAT THIS SECTION SHALL NOT BE

SEVERABLE UNDER ANY CIRCUMSTANCE FROM ANY ARBITRATION CLAUSE, AND IF FOR ANY REASON THIS CLASS ACTION WAIVER IS UNENFORCEABLE AS TO ANY PARTICULAR CLAIM, THEN AND ONLY THEN SUCH CLAIM SHALL NOT BE SUBJECT TO ARBITRATION.

Notwithstanding anything contained in the Agreement to the contrary, the parties agree that any claims under, arising out of or related to, this Agreement must be brought within two years of the date on which the underlying cause of action accrued, and each party hereby waives any right to bring any such action after such two-year period.

The prevailing party in any arbitration, ~~suit,~~ or action to enforce this Agreement will recover its arbitration and court costs and reasonable attorney fees. These will be set by the arbitrator or court, including costs and attorney fees on appeal from the arbitration, ~~suit,~~ or action.

9.9 Other Agreements. If You or any of Your shareholders, partners, members, or officers violate any material provision of any other franchise or similar agreement with Us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

9.10 Agreement Binding on Successors and Assigns. This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

9.11 Our Acceptance. This Agreement will be binding upon You at the time You sign it and deliver it to Us. This Agreement will not be binding upon Us until We accept it in writing by one of Our principal officers at Our home office. Our principal officers are Troy Feist, David Reeves.

9.12 Approval by Shareholders, Members or Partners. If You are a corporation, limited liability company, or partnership, We will not be bound until Your shareholders, members, or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the limitation on their ability to compete with Us), and jointly and severally guarantee Your performance under this Agreement. Your stock certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

9.13 Personal Guarantee. The undersigned Guarantors, are all of Your partners or shareholders or members. They jointly, severally, irrevocably, and unconditionally guarantee to Us the due and punctual observance and performance by You of all of Your obligations under this Agreement and any other agreement to which We and You are parties. Each Guarantor agrees to indemnify Us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) which We may incur because of Your failure to observe Your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by Our release or discharge of or dealing with You under any of these agreements; or by anything We do, suffer, or allow to be done in relation to You; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting You; or by Your bankruptcy or insolvency; or by any other act or proceeding in relation to You or any of the agreements by which any Guarantor might

otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature. A fresh cause of action will arise with respect to each default by You producing a liability of any Guarantor.

9.14 Receipt of Disclosure Documents. You acknowledge that You have received the Uniform Franchise Disclosure Document together with all proposed agreements relating to the sale of this franchise, including this agreement and its exhibits at least 14 days prior to the Execution of this agreement. Any oral representations made by Our representatives to You that were not set forth in earlier versions of this document have either been ratified by Us by including the representations in this document or have been disavowed by excluding them from this document. The Uniform Franchise Disclosure Document was received by you on _____.

9.15 Representation. The success of Your Franchise is speculative and depends, to a large extent, upon Your ability as an independent business person. You or your majority owner if You are a corporation, limited liability company or partnership must actively participate in the daily affairs of the business. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

You acknowledge that You have entered this Agreement after making an independent investigation of Our operations. You have not relied upon any representation as to Gross Revenues, volume, potential earnings or profits that You in particular might realize. No person has made any other representation that is not expressly set forth in this Agreement to induce You to accept this Franchise and execute this Agreement.

9.16 Acknowledgments.

A. You have conducted an independent investigation of the Franchise. You recognize that the business venture contemplated by this Agreement involves business risks. Your success will be dependent upon Your ability as an independent businessperson. We expressly disclaim the making of, and You acknowledge that You have not received, any representation, warranty, or guarantee, express or implied, concerning the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. You acknowledge that You have received, have had an ample time to read and have read this Agreement. You understand its provisions. You have received advice from advisors of Your own choosing regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement.

C. We may conduct investigations and make inquiries of any person or persons We, in Our reasonable judgment, believe appropriate concerning Your credit standing, character, and personal qualifications. You consent to Our conduct of these investigations and the making of these inquiries. We agree to comply with the requirements of laws that apply to these investigations and inquiries.

WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR PRINCIPALS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING

THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

10 SIGNATURES

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

Name of Franchisee: _____

Check One: Individual_____
Corporation_____
General Partnership_____
Limited Partnership_____
LLC_____

Executed by: _____
Sign name

_____
Print name

_____
Title

Executed by: _____
Sign name

_____
Print name

_____
Title

Guarantor: _____

Guarantor: _____

BEACH HUT, LLC

_____
Name:

Title:

© Beach Hut, LLC 2017

EXHIBIT 1
TO FRANCHISE AGREEMENT

The "Franchise Premises"

The agreement is entered into at Roseville, California, between Beach Hut, LLC, a California Limited Liability Company, with headquarters located at 2220 Douglas Blvd, Ste 180 Roseville, CA 95661 ("Franchisor") and _____ ("Franchisee") whose address is _____.

This agreement is for the establishment of one Beach Hut Deli ("The Store") in the general area of _____, with the specific location and opening date to be determined in accordance with the terms of this agreement. At the time the lease is signed, the specific address will be added hereto:

Franchise Premises: _____

This Exhibit is executed as of _____.

Name of Franchisee: _____

Check One: Individual_____
Corporation_____
General Partnership_____
Limited Partnership_____
LLC_____

Executed by: _____
Sign name

_____
Print name

_____
Title

Executed by: _____
Sign name

_____
Print name

_____
Title

BEACH HUT, LLC

_____
Name:
Title:

EXHIBIT 2
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR ELECTRONIC PAYMENTS

The undersigned depositor/franchisee hereby authorizes Beach Hut, LLC to initiate debit entries and/or credit correction entries via ACH to the undersigned's checking account indicated below:

_____ _____
Depository Branch

_____ _____ _____
City State Zip Code

_____ _____
Bank Transit/ABA Routing Number Account Number

This authority is to remain in full force and effect until I give reasonable notification to terminate this authorization.

_____
DEPOSITOR/FRANCHISEE (Print Name)

By:_____
(Authorized Signature on Account)
Title:_____

Date: _____

EXHIBIT 3
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____
Trade Name (if different from above): _____

Form of Ownership – (Check One)

___ Individual ___ Partnership ___ Corporation ___ Limited Liability Company
___ Other – Explain _____

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed. If a Corporation, Limited Liability Company, or other business entity, give the state and date of incorporation or organization and list the names and addresses of each officer, director, manager or owner and, with respect to each owner, what percentage or stock or interest is owned by each. Use additional sheets if necessary.

_____
_____
_____
_____
_____
_____
_____
_____

Provide the address where Franchisee's financial records and partnership, corporate, or company records, as applicable, are maintained. (Franchise Premises will be deemed to be the address unless otherwise stated below):

_____
_____

Franchisee acknowledges that this Statement of Ownership applies to the Franchise authorized under the Franchise Agreement. Any and all changes to the above information must be reported to (and in some cases first approved by) Franchisor in writing. This report must also be submitted annually within 90 days after the end of Your fiscal year.

_____ _____
Date FRANCHISEE – Print Name

By: _____

Title: _____

EXHIBIT 4
TO FRANCHISE AGREEMENT

ASSIGNMENT OF LEASE

THIS ASSIGNMENT is made the _____ day of _____, _____, by _____ ("You"), to BEACH HUT, LLC, a California Limited Liability Company, ("We" or "Us"), with the express permission and consent of _____ "Lessor").

For good and valuable consideration, receipt of which is acknowledged, including but not limited to the granting of the Franchise Agreement dated the ____day of _____20___, which this Assignment secures, You grant, convey, transfer, and assign to Us the entire Lessee's interest in and to the Lease between You and Lessor dated the _____day of _____20___ (the "Lease"). A copy of the Lease is attached to this Assignment and incorporated by reference. This Assignment includes all rights arising from the Lease and renewals of it and all subleases or subordinate interests or transfers of or upon the Leased premises which may be executed in the future during the term of this Assignment.

This Assignment is made to allow Us to operate the Leased premises upon expiration or termination of the Franchise Agreement and to secure the performance and discharge of each and every obligation, covenant, and agreement of You contained in this Assignment, contained in the Lease, and contained in the Franchise Agreement.

You and Lessor warrant that:

You are the sole owner of the Lessee's interest in the Lease;
Lessor is the sole owner of the Lessor's interest in the Lease;
The Lease is valid, enforceable, and has not been altered, modified, or amended in any way;
And You are not in default under any of the terms, covenants, or conditions of the Lease,

You covenant to observe and perform all the obligations imposed upon the You under the Lease and not to do or permit to be done anything to impair the Lease; not to execute any other assignment of Your interest in the Lease or assignment of rights arising or accruing from the Lease or from the premises described in the Lease; not to alter, modify, or change the terms of the Lease or cancel or terminate the Lease or tender a surrender of the Lease without Our prior written consent; at Our request to assign and transfer of record to Us any subleases or subordinate interests or transfers of or upon all or any part of the premises described in the Lease, and deliver to Us executed copies of them; and to execute and deliver at Our request all further assurances and assignments in the premises as We may from time to time require.

Additional terms, covenants, and conditions:

1. So long as You are not in default in the performance of any obligation, covenant, or agreement contained in this Assignment, the Franchise Agreement, or the Lease, You will have all rights arising under the Lease.

2. Upon or at any time after default by You in the performance of any obligation, covenant or agreement contained in this Assignment of Lease, the Franchise Agreement or the Lease, We, without in any way waiving such default, at Our option, without notice either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, may take possession of the premises described in the Lease and have, hold, manage, and operate it on such terms and for such period of time as We deem proper. In that event, either with or without taking possession of the premises in its own name, We may sue for or otherwise collect and receive all income and profits of the premises, including those amounts past due and unpaid, with full power to make from time to time all alterations, renovations, repairs, or replacements as may seem proper under the Lease and to apply that income and profit to the payment of:

a. All expenses of managing the premises including, but not limited to, the salaries, fees, and wages of managing agents and such other employees as We may deem necessary or desirable and all expenses of operating and maintaining the premises; all taxes, charges, claims, assessments, water rents, sewer rents, and any other liens and premiums for all insurance which We may deem necessary or desirable; the cost of all alterations, renovations, repairs, or replacements; all expenses incident to taking and retaining possession of the premises; and all sums to be paid to Lessor or otherwise under the Lease; and

b. All sums, interest, damages, costs, and indebtedness owed to Us under the Franchise Agreement; together with all costs and attorneys' fees in such order of priority as to any of the items mentioned in this section 2 as We in Our sole discretion may determine, any statute, law, custom, or use to the contrary notwithstanding. The exercise by Us of the option granted in this section 2 and the collection and application of the income and profits will not be considered a waiver of any default under the Franchise Agreement or under the Lease or this Assignment. We will not be liable for any loss sustained by You resulting from Our failure to use or profit from the premises after We assume possession or from any other act or omission from Our managing the premises after assuming possession unless the loss is caused by Our willful misconduct and bad faith.

3. Upon expiration or termination of the Franchise Agreement, We may assume possession of the Leased premises and operate the premises as a BEACH HUT DELI or other business acceptable to Lessor, may assign or sublease the premises to a BEACH HUT DELI franchisee acceptable to Lessor, or may assign or sublease the premises to any other individual or business entity acceptable to Lessor. Lessor's acceptance will not be unreasonably withheld. Any assignment or sublease by Us will be in the form reasonably required by Lessor subject to the terms, covenants, and conditions of the Lease.

4. The term "Lease" as used herein means the Lease or any extension, renewal, contract, or encumbrance of the Lease subsequently executed by all of the parties during the term of this Assignment covering the premises described in the Lease or any part of it.

5. Nothing contained in this Assignment and no act done or omitted by Us pursuant to the powers and rights granted it under this Assignment will be deemed to be a waiver by Us of Our rights and remedies under the Franchise Agreement. This Assignment is made and accepted without prejudice to any of Our rights and remedies under the terms of the Franchise Agreement.

6. In case of any conflict between the terms of this instrument and the terms of the Franchise Agreement, the terms of this Assignment will prevail.

This Assignment will accrue to the benefit of Us and any subsequent holder of the Franchise Agreement and will be binding upon You and Lessor, their successors and assigns, and any subsequent owner of the Leased premises.

IN WITNESS WHEREOF, this Assignment has been executed on the date first set forth above.

We/Us: **BEACH HUT, LLC.**

By: _____
Title: _____

You: _____

_____

Lessor: _____

By: _____
Title: _____

EXHIBIT 5
TO FRANCHISE AGREEMENT

BEACH HUT, LLC
2220 Douglas Blvd, Ste 180
Roseville, CA 95661
(916) 749-0257

Date

To: Existing Franchisee
BEACH HUT DELI Franchise Shop Location, USA

Re: **LOCATION RESERVATION**

Dear Existing Franchisee,

You currently operate the BEACH HUT DELI Franchise located at - _____ _____ in the state of _____.
You signed a Franchise Agreements with us on _____, 20____, (the "Existing Franchise Agreement"). You want to operate another BEACH HUT DELI Franchise in the area of

_____
_____(the" Reserved Location"). We have agreed to hold the Reserved Location for you as outlined below. Under this reservation, we will not allow any BEACH HUT DELI Franchise to be physically located within the Reserved Location within the next six (6) months so long as you remain a franchisee in good standing.

When you receive this letter, please review it carefully with your legal and financial advisors. If this proposal is satisfactory, please sign a copy of this letter, where indicated, and return the signed copy to us. [We have received your $5,000 check for the nonrefundable Location Reservation Deposit] [At the same time send us your $5,000 check for the nonrefundable Location Reservation Deposit.] This Deposit will be credited against the Initial Franchise Fee to be paid under the Franchise Agreement for one BEACH HUT DELI Franchise to be placed within the Reserved Location. If you do not sign a Franchise Agreement pertaining to said Reserved Location within six (6) months, we will keep the $5,000 Reservation Deposit in consideration of the deferral of our opportunity to sell franchises in the Reserved Location to others.

Once we receive your signed copy of this letter [and your Reservation Deposit], we will hold the Reserved Location for you, for six (6) months from the date of this letter. You may execute a Franchise Agreement for one franchise to be placed in the Reserved Location within six months from the date of this letter, if:

EXHIBIT 6
TO FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF PHONE NUMBER

_____ ("You") operate Your franchise business at _____.
In consideration of the granting of a franchise to You and other valuable consideration paid by BEACH HUT, LLC ("Us"), You assign to Us all telephone numbers and listings You use in the operation of the franchise. We assume the performance of all of the terms, covenants and conditions of Your agreement with the Telephone Company concerning the telephone numbers and telephone listings with the full force and effect as if the We had been originally issued the telephone numbers and telephone listings. We will hold this Assignment, and will deliver it to the Telephone Company or other interested third parties only upon termination of the Franchise Agreement between Us and You which is dated _____.

DATED this _____ day of _____, 201___.

Us:
BEACH HUT, LLC

By: _____
Title: _____

You:

_____
By: _____
Title: _____

EXHIBIT 7
TO FRANCHISE AGREEMENT

BEACH HUT, LLC
FRANCHISE AGREEMENT ADDENDUM

ABANDONMENT, RELINQUISHMENT, AND TERMINATION OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of BEACH HUT, LLC, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name BEACH HUT DELI:

1. Name of Applicant who is Using the Assumed or Fictitious Business Name: _____
as an individual/partnership/corporation/limited liability company organized and doing business under the laws of the State of _____.

2. Date When Original Assumed or Fictitious Business Name was Filed by Applicant: _____

3. Address of Applicant's Registered Office in the State of _____
_____

4. Please cancel the Applicant's registration to use the name BEACH HUT DELI.

Date: _____

_____
Applicant

By: _____
Title: _____

Franchise Disclosure Document Exhibit B
Financial Statements (Audited)

Franchise Disclosure Document Exhibit B
Financial Statements (Audited)

BEACH HUT, LLC

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

TICE
GARDNER &
FUJIMOTO, LLP
Certified Public Accountants

Stanley W. Gardner, CPA
Michael Fujimoto, CPA

INDEPENDENT AUDITOR'S REPORT

To Beach Hut, LLC

We have audited the accompanying financial statements of Beach Hut, LLC, which comprise the statement of financial condition as of December 31, 2016 and December 31, 2015, and the related statements of income and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate

8845 Research Drive, Suite 100, Irvine, CA 92618 • (949) 387-6000 • (949) 387-6060 fax
mail@tgfcpas.com

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beach Hut, LLC as of December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tice, Gardner & Fujimoto, LLP

February 13, 2017
Irvine, California

BEACH HUT, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016 AND DECEMBER 31, 2015

A S S E T S

	December 31, 2016	December 31, 2015
CURRENT ASSETS:		
Cash	$118,398	$301,153
Accounts receivable	25,543	15,781
Total Current Assets	143,941	316,934
PROPERTY AND EQUIPMENT:		
Computer equipment	19,294	19,294
Transportation equipment	39,038	39,038
	58,332	58,332
Less: Accumulated depreciation	58,190	57,906
Total Property and Equipment	142	426
Total Assets	$144,083	$317,360

See Auditor's report and notes to financial statements

BEACH HUT, LLC

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016 AND DECEMBER 31, 2015

L I A B I L I T I E S

	December 31, 2016	December 31, 2015
CURRENT LIABILITIES:		
Accounts payable	$ 53,426	$ 18,876
NON-CURRENT LIABILITIES:		
Deferred franchise fee income - (Note 1)	17,500	217,000
Total Liabilities	70,926	235,876

M E M B E R S' C A P I T A L

BALANCE - JANUARY 1, 2016 and JANUARY 1, 2015	$ 81,484	$ 72,720
Net income for the years ended December 31, 2016 and December 31, 2015	761,933	622,758
Drawings	(770,260)	(613,994)
Total Members' Capital	73,157	81,484
Total Liabilities and Members' Capital	$144,083	$317,360

See auditor's report and notes to financial statements

BEACH HUT, LLC

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

	December 31, 2016	December 31, 2015
REVENUE:		
Franchise fees	$ 254,500	$ 58,500
Royalty and advertising income	1,408,833	1,262,503
Miscellaneous income	186,485	135,711
Net Revenue	1,849,818	1,456,714
OPERATING EXPENSES:		
Advertising	332,797	193,602
Automobile expenses	31,401	40,116
Bank charges	5,914	6,334
Dues and subscriptions	101	289
Taxes and licenses	136	0
Postage and delivery	972	834
Promotional expenses	110,396	79,202
Travel and entertainment	130,803	111,208
Filing fees	450	450
Insurance	3,520	3,838
Professional fees	37,822	58,264
Outside services	135,629	194,703
Management fees	13,317	0
Salaries and wages	136,452	69,668
Payroll taxes	66,861	4,712
Employee benefits	5,276	0
Office supplies	17,688	11,158
Printing and reproduction	733	978
Rent expense	29,646	28,862
Telephone	7,530	6,395
Internet fees	2,529	2,852
Training and education	3,380	921
Repairs and maintenance	928	2,282
Charitable contributions	25	0
Interest expense	5,855	7,210
Depreciation	284	2,778
State franchise tax	7,440	7,300
Total Operating Expenses	1,087,885	833,956
Net Income	$ 761,933	$ 622,758

See auditor's report and notes to financial statements

BEACH HUT, LLC

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

	December 31, 2016	December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$761,933	$622,758
Adjustments to reconcile income to net cash provided by operations -		
Depreciation and amortization	284	2,778
(Increase) decrease in assets -		
Accounts receivable	(9,762)	0
Increase (decrease) in liabilities -		
Accounts payable	34,550	(22,323)
Deferred income	(199,500)	177,000
Total Adjustments	(174,428)	157,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	$587,505	$780,213
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	0	0
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in long-term debt	0)	(4,269)
Member's withdrawals	(770,260)	(613,994)
NET CASH (USED) BY FINANCING ACTIVITIES	(770,260)	(618,263)
NET INCREASE IN CASH	($182,755)	$161,950
CASH BALANCE AS OF JANUARY 1, 2016 and JANUARY 1, 2015	$301,153	$139,203
CASH BALANCE AS OF DECEMBER 31, 2016 and DECEMBER 31, 2015	$118,398	$301,153
SUPPLEMENTAL CASH DISCLOSURES:		
Income taxes paid	$ 7,440	$ 7,300
Interest paid	$ 5,855	$ 7,210

See auditor's report and notes to financial statements

BEACH HUT, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business -

Beach Hut, LLC is a Limited Liability Company formed on October 17, 2002, for the purpose of engaging in the business of franchising Beach Hut Deli restaurants, and owns the exclusive right to all franchise fees, royalties and other income derived from said operations.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Franchise Fees -

Initial fees related to sales of franchises are recognized as revenue upon substantial performance by the Company of all material conditions relating to the initial fee.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments -

The Company's financial instruments, which consist primarily of cash, trade receivables, and payables, approximate their fair values.

Start-up Costs -

Costs incurred in connection with start-up of new franchise stores are expensed as incurred.

BEACH HUT, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED):

Fixed Assets -

Fixed assets are carried on the basis of cost. Depreciation is provided on the straight-line and declining balance methods over the estimated useful lives of the assets.

Expenditures for maintenance and repairs are charged to expense. Renewals and betterments are capitalized. The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon, are removed from the accounts at time of disposal and the resultant gains or losses are included in operations.

Income Taxes -

The Company is a limited liability company taxed as a partnership in which all elements of income and deductions are included in the tax returns of the members of the Company. Therefore, no income tax provision is recorded by the Company. The Company is subject to a state minimum franchise fee of $800. There are additional LLC fees once revenue exceeds $250,000.

Advertising -

The Company expenses advertising costs as they are incurred.

Subsequent Events -

Management has evaluated subsequent events through February 13, 2017, the date on which the financial statements were available.

NOTE 2 - RELATED PARTY TRANSACTIONS:

The Company is a franchisor of Beach Hut Delis in Rocklin, California, and Folsom, California. The royalties and income generated by these franchises are owned by one of the Members as agreed to by all Members at the inception of the Company. This income and related offset are not reflected in these financial statements.

NOTE 2 - RELATED PARTY TRANSACTIONS - (CONTINUED):

The members of the Company indirectly owned three Beach Hut Deli franchises located in Las Vegas, Nevada, Newport Beach, California and Dana Point, California. The income from this franchise was $110,522 for 2016 and $106,314 for 2015, and is reflected in these financial statements.

Franchise Disclosure Document Exhibit C
List of Administrators
List of Agents for Service of Process

Franchise Disclosure Document Exhibit C
List of Administrators
List of Agents for Service of Process

Exhibit C to Uniform Franchise Disclosure Document

List of Administrators

List of Agents for Service of Process

List of Administrators:

The Franchise Administrator for the State of California is:

The California Department of Business Oversight One Sansome Street, Suite 600, San Francisco, CA 94104. (415) 972-8559.

List of Agents for Service of Process:

Registered Agent for Service of Process:

Monica Lynch Reeves
2220 Douglas Blvd Ste 180
Roseville, CA 95661

Franchise Disclosure Document Exhibit D
Pre-Franchise Test Period, Confidentiality and Non-Compete Agreement
($10,000 Deposit)

Franchise Disclosure Document Exhibit D
Pre-Franchise Test Period, Confidentiality and Non-Compete Agreement
($10,000 Deposit)

EXHIBIT D TO UNIFORM FRANCHISE DISCLOSURE DOCUMENT

PRE-FRANCHISE TEST PERIOD PAYMENT, CONFIDENTIALITY AND NONCOMPETE AGREEMENT

This TEST PERIOD PAYMENT CONFIDENTIALITY AND NONCOMPETE AGREEMENT ("Agreement") is between ("You") and BEACH HUT, LLC, ("Us" or "We"),

We want to evaluate whether to enter a BEACH HUT DELI Franchise Agreement with You pursuant to Our Uniform Franchise Offering Circular. To do so, We have agreed to have You work in an existing BEACH HUT DELI for a 30 hour testing period. As an alternative, You may work in a BEACH HUT DELI for three consecutive days, following a schedule outlined by our Operations Department. The testing period must be completed within 60 days after the date this Agreement is signed.

The purpose of the test period is to allow You to decide whether You want to enter a Franchise Agreement with Us and whether We want to enter into a Franchise Agreement with You for a BEACH HUT DELI to be located in _____. We will not pay You any compensation or give You any benefits or insurance coverage while You work during the test period. You agree to indemnify Us (and the owner of the shop where You work) and hold Us (and the owner of the shop where You work) harmless from any injuries, claims, damages or causes of action that might accrue to You during the test period.

You have paid to Us $10,000 as a conditionally refundable deposit toward the initial franchise Fee. We will return this deposit to You, less a $2,000 processing fee, and stop the test period, if you fail to pass the menu test, or, any time at Your request during the 60 days after the date this Test Period Agreement is signed. We will refund the full deposit to You if We decide to not enter a Franchise Agreement with You. In the event you fail to enter into a franchise agreement within 60 days after the date the instant test period agreement is signed, such shall be deemed an election by You to terminate the test period and We will return Your deposit to You, less a $2,000 processing fee as set forth herein.

During the test period, We will disclose to You, orally or in writing, Our confidential and proprietary information (collectively called "Confidential Information"). The Confidential Information is owned by Us and includes technical and general information relating to the BEACH HUT DELI franchise system, including underlying processes, recipes, mixes, techniques, know-how, ingredients, combinations of ingredients, written documentation, operations manuals, methods of business and business plans. In consideration of Our agreement to share the Confidential Information, and for other good and valuable consideration, the receipt of which You acknowledge, You agree to treat the Confidential Information as follows:

1. The Confidential Information will not be used in any way by You other than for the purpose described in this Agreement and will be kept confidential and will not be revealed by You or Your agents or employees, in any manner at all, in whole or in part, to any other individual or entity, without Our prior written consent. You will only disclose Confidential Information to Your agents, employees, affiliates, parents, or subsidiaries to evaluate whether to

enter a BEACH HUT DELI Franchise Agreement. You agree that this provision survives the expiration of the test period.

2. Upon expiration of the test period, You will return the Confidential Information immediately to Us.

3. Nothing in this Agreement grants to You any rights to the Confidential Information. You agree to not, directly or indirectly, compete with Us or the BEACH HUT DELI franchise system in any deli business, for three years. Consideration for this covenant includes Our agreement to allow You to participate in the test. If, for any reason, any provision set forth in this Agreement is decided to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

This Agreement will be governed by the laws of the State of California without reference to the place of execution or performance. All actions, suits, or proceedings to enforce or interpret the terms of this Agreement will be brought and prosecuted in the state courts located in Sacramento County, California or the federal courts located in Sacramento in the Eastern District in California. This Agreement benefits and is binding upon the parties and their respective successors and assigns. This Agreement will survive expiration of the test period.

If any provisions or portions of this Agreement are invalid or unenforceable under any applicable statute or rule or law, they are to that extent to be deemed omitted. All modifications or assignments of this Agreement must be in writing and signed by Our Chief Executive Officer, Our Chief Operations Officer or Our Chief Financial Officer.

Any waiver, in whole or in part, of any right or remedy provided for in this Agreement will not be a waiver of any other right or remedy. Delay will not constitute a waiver.

If We incur attorney fees and costs to enforce this Agreement, We will be entitled to recover Our costs and reasonable attorney fees, whether incurred at trial or on appeal.

Date: _____

You:

_____

Address: _____

_____

Date: _____

Us/We:
BEACH HUT, LLC

By: _____
2220 Douglas Blvd, 180
Roseville, CA 95661