# FRANCHISE DISCLOSURE DOCUMENT

**HITE DIGITAL INTERNATIONAL, LLC**
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(302) 652-8400
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HITE DIGITAL

The franchisee operates a "Hite Digital" business offering digital marketing services to businesses.

The total investment necessary to begin operation of a Hite Digital business ranges from $56,650 to $120,400. This total investment range includes $49,950 to $99,900 in initial fees that must be paid to us or our affiliates before you open your business.

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, Hite Digital International, LLC 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 disclosure in different formats, contact JC Hite at (501) 588-2290, 1000 N West St. 1501, Wilmington, DE 19801.

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.

ISSUE DATE: April 30, 2022

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

Your state may also have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda in Exhibit F.

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by litigation only in Delaware. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Delaware than in your own state.

2. **Spousal Guarantee.** If you are a business entity, your owners will have to guaranty your obligations and be bound by the provisions of our franchise agreement. The spouses of the owners may also be required to consent to the guarantee, which places the spouses' material assets at risk.

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

4. **Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

# HITE DIGITAL INTERNATIONAL, LLC
# FRANCHISE DISCLOSURE DOCUMENT

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**EXHIBITS**


A. LIST OF STATE ADMINISTRATORS AND LIST OF AGENTS FOR SERVICE OF PROCESS
B. TABLE OF CONTENTS OF OPERATIONS MANUAL
C. FINANCIAL STATEMENTS
D. FRANCHISE AGREEMENT
E. SAMPLE TERMINATION AND RELEASE AGREEMENT
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## ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, the words "we," "our" and "us" refer to Hite Digital International, LLC, the franchisor of this business. "You" and "your" refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

Our Business Activities

We were formed in the State of Delaware on October 13, 2020, for the sole purpose of offering Hite Digital franchises. Our principal business address is 1000 N. West St. Ste. 1501, Wilmington, DE, 19801. We do business under our corporate name and the name "HITE DIGITAL." We have offered franchises since November 2020. We have not previously offered franchises in this or in any other line of business.

We grant franchises to qualified persons or business entities in conjunction with the service mark "HITE DIGITAL" and certain associated logos (collectively referred to as the "Marks").[1*] We refer to these businesses as "Hite Digital Businesses." We refer to the Hite Digital Business you will operate as the "Franchised Business."

Hite Digital Businesses are businesses offering digital marketing services to businesses. Hite Digital Businesses provide businesses and individuals with advanced digital marketing fulfillment services, including search engine optimization, pay-per-click advertisement, social media advertisement, customer relationship management, conversion rate optimization, and website design and development. You must operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our "System" and which is more particularly described in our Franchise Agreement attached as Exhibit D to this Disclosure Document. We are not engaged in any other line of business. We do not own or operate a business of the type being franchised.

Parents, Predecessors and Affiliates

We have no predecessors or parents. Our affiliate Hite Digital, LLC was formed in Delaware on June 15, 2018, and is located at 614 N. DuPont Highway, Suite 210, Dover, DE 19901. Our affiliate Hite Digital IP, LLC was formed in Delaware on October 13, 2020, and is located at 614 N. DuPont Highway, Suite 210, Dover, DE 19901. Hite Digital IP, LLC owns the intellectual property associated with this System.

Our Affiliates do not currently offer and have not previously offered franchises in this or any other line of business.

General Description of the Market and Competition

As a franchisee, you will compete for consumers' discretionary income with a variety of other businesses, including those that offer digital marketing services. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. You may also encounter competition from other Hite Digital Businesses operated by us, our Affiliates or other franchisees. Demand for the services you offer may be dependent on the local and national economic conditions' effect on the public's discretionary spending.

[1*] Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached as Exhibit C to this Disclosure Document.

Regulations Specific to the Industry

We are not aware of any laws, rules or regulations that specifically govern the operation of a Hite Digital Business. However, every state and most local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Franchised Business. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance. Under the Franchise Agreement, you alone are responsible for complying with all applicable laws and regulations despite any advice or information that we may give you.

## ITEM 2. BUSINESS EXPERIENCE

**Chief Executive Officer: J.C. Hite**

Mr. Hite is our Chief Executive Officer and has been since our incorporation. Previously, from February 2016 to September 2017, Mr. Hite served as Director of Service for White Shark Media in Managua, Nicaragua. Prior to that, from April 2014 to May 2016, he served as Chief Executive Officer of Virtual Lingos in Managua, Nicaragua.

**Chief Operating Offer: Agustina Cardenal**

Ms. Cardenal is our Chief Operating Officer and has been since our incorporation. Previously, from August 2017 to October 2018, Ms. Cardenal served as Director of Sales & Marketing for Modern Earth Construction & Development in Managua, Nicaragua. Prior to that, from June 2015 to August 2017, she served as Executive Director of the Association of Investors & Developers in Managua, Nicaragua.

**Chief Technology Officer: Karen Lacayo**

Ms. Lacayo is our Chief Operating Officer and has been since our incorporation. Previously, from November 2017 to October 2020, Ms. Lacayo served as a Customer Success representative for Fast Cloud Consulting in Delaware. Prior to that, from November 2014 to November 2017, she served as Salesforce Administrator for White Shark Media in Managua, Nicaragua.

**Vice President of Franchise: Jeffrey Zelaya**

Mr. Zelaya is our Vice President of Franchise and has been since our incorporation. Previously, from March 2020 to August 2020, he was a Sales Manager for Cybrary, located in Riverdale Park, Maryland. Prior to that time, Mr. Zelaya was Sales Director for ThreatSwitch, located in Charlotte, North Carolina, from April 2019 to March 2020. From July 2014 to March 2019, Mr. Zelaya was Sales Director for Triblio, located in Reston, Virginia.

## ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4. BANKRUPTCY

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

## ITEM 5. INITIAL FEES

The franchise fee ("Franchise Fee") for the first Hite Digital Business in a given state is $49,950. If you wish to obtain a franchise in a state that already has an existing Hite Digital Business, the Franchise Fee will be $99,900. The Franchise Fee is paid to us in a lump sum when you sign the Franchise Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. If you choose to pay the Franchise Fee with a credit card, you will incur an additional three percent (3%) processing fee. The Franchise Fee is uniform for all franchisees offered a franchise under this Disclosure Document.

## ITEM 6. OTHER FEES

Below is a detailed description of other recurring or isolated fees or payments that you must pay to us or that we impose or collect for a third party under the terms of the Franchise Agreement.

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty Fee | The Royalty Fee is (a) 8% of Gross Sales for the 90 day period following the Royalty Commencement Date; (b) after the expiration of the 90 day period following the Royalty Commencement Date and continuing through the expiration of the initial term, the greater of $250 per month or 8% of Gross Sales. | Monthly | See definition of Gross Sales.[1] Due monthly; payable on the first day of each month. |
| Brand Development Fee | The greater of $1,500 per month, or 2% of Gross Sales | Monthly | Payable in the same manner as the Royalty Fee |
| Technology Fee | Our then-current Technology Fee. (Currently $500 per month) | Monthly | Payable monthly via ACH electronic transfer on the date Franchisor designates. |
| Cooperative Advertising | The amount you are required to expend on Brand.Development | As directed | We may establish and administer a Cooperative Advertising program within your regional marketing area. Payable as directed to us or an advertising cooperative. |
| Audit Expenses; Accounting Fee of $500 per Month of Deficiency[2] | All costs and expenses associated with audit | Upon demand | Audit costs payable only if the audit shows that any Gross Sales report was understated by more than 2%. |
| Late Fees | (a) $25 per week for each payment of any amount owed to us or any report due under the Franchise Agreement that is not received by us when due, plus (b) interest at a rate of 1.5% per month or the highest rate allowed by the law of the state where you are located, whichever is less | Upon demand | Applies to all overdue Royalty Fees, Brand Development Fees, Technology Fees and other amounts due to us. Also applies to any understatement in amounts due revealed by an audit. |
| Approval of Products or Suppliers[3] | You must pay us the greater of (a) all reasonable costs of evaluation, or (b) $500. | Time of evaluation | Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved. |
| Insurance Policies | Amount of unpaid premiums plus our reasonable expenses in obtaining the policies | Upon demand | Payable only if you fail to maintain required insurance coverage and we obtain coverage for you. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| | | | |
| Renewal Fee | The greater of (a) 50% of the then-current franchise fee or (b) $10,000 | | |
| Transfer Fee | $10,000 | At the time of transfer | Payable as a condition to any Transfer (as defined in the Franchise Agreement). |
| System Modifications | Costs and expenses associated with compliance. | As required | If we decide to modify the System by requiring new equipment, fixtures, software, trademarks, etc., you must make the modifications at your expense. |
| National Vendor Programs | Variable | Upon invoice | Payable to us or vendor. If we require you to use designated vendors (which may include us and/or our affiliates), you may be required to pay these vendors initial and ongoing fees for the products and/or services they provide. |
| Additional Training; Remedial Training; Ongoing Training Programs | $500 per person per day; You must also pay your expenses as well as employees' expenses in attending | Upon invoice | We may require you to attend ongoing training, additional training, and remedial training as we determine appropriate or necessary throughout the term. If required, you must complete the ongoing training and pay the applicable training fees to us upon invoice. |
| Cost of Enforcement | All costs including reasonable attorneys' fees | Upon demand | You must reimburse us for all costs in enforcing your obligations under the Franchise Agreement and your principals' obligations under any and all personal guarantees. |
| Indemnification | All costs including reasonable attorneys' fees | Upon demand | You must hold us harmless, indemnify us and defend us (at our option) in connection with any lawsuit relating to the development or operation of the Franchised Business. |
| Conference Fee | $500 per person, which may not be increased to more than $1,000 at any time during the term of the agreement. | Upon registration for conference, or 90 days before conference, whichever is earlier. | Attendance by one owner or executive manager is mandatory and the conference fee will be ACH-Debited for failure to register and / or pay to attend. |

No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are nonrefundable unless stated otherwise.

NOTES

GENERAL: All of the fees noted above are uniform for franchise opportunities offered under this Disclosure Document. No other fees or payments are to be paid to us or our Affiliate, nor do we impose or collect any other fees or payments for any other third party. All fees are non-refundable.

[1] "Gross Sales" means all sales of every kind and nature at or from the Hite Digital Business or made pursuant to the rights granted hereunder, including but not limited to the sales of all services and products related to the Hite Digital Business, regardless of whether Franchisee has collected the amount of the sales. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales include sales of gift cards and gift certificates at the time Franchisee receives the funds from the purchase of such gift cards and gift certificates.

[2] Currently, we do not have sufficient information to provide you an estimate of your costs to reimburse us after an audit that shows an understatement in amounts due us. We assume the cost of auditing a Franchised Business varies depending on various factors, such as, prevailing auditor's rates in the geographic area where the Franchised Business is located, the extent of business activity which is being audited, the condition of the books and records of the Franchised Business and the period of time that is being reviewed. If you are required to reimburse us the costs of an audit, the reimbursement will not exceed our actual costs.

[3] The cost to approve a new supplier or product varies depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, the availability of objective information relating to a particular product or supplier, whether the product or supplier has been rated or reviewed by associations in this or other industries, and other similar factors. If you propose a new supplier or product for approval by us, your reimbursement of our costs to review the product or supplier will not exceed our actual costs.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

We anticipate that you will incur the following estimated initial expenditures in the establishment of a Hite Digital Business.

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure | Amount | Method of Payment | When Due | To Whom Payment Is To Be Made |
|---|---|---|---|---|
| Franchise Fee[1] | $49,950 to $99,900 | Cashier's Check | Upon Signing Franchise Agreement | Us |
| Furniture, Fixtures & Equipment[2] | $0 to $5,000 | As Arranged | Before Beginning Operations | Third Parties |
| Insurance[3] | $1,500 - $2,000 | As Arranged | Before Beginning Operations | Third Parties |
| Office Equipment and Supplies[4] | $0 to $500 | As Arranged | Before Beginning Operations | Third Parties |
| Training[5] | $1,000 to $3,000 | As Arranged | Before Beginning Operations | Third Parties |
| Licenses & Permits[6] | $200 to $500 | As Arranged | Before Beginning Operations | Licensing Authority |
| Legal & Accounting[7] | $1,000 to $4,500 | As Arranged | Before Beginning Operations | Attorney; service provider |
| Working Capital/Additional Funds[8] (3 months) | $3,000 to $5,000 | As Arranged | As Necessary | You Determine |
| TOTAL[9] | $56,650 to $120,400 | | | |

NOTES

GENERAL: The above chart lists estimates of the initial investment funds necessary to open a Franchised Business. These are estimates only, as most costs are not within our control and may change at frequent intervals. We cannot, and do not, guarantee that your costs will fall within the stated ranges. These estimated ranges are based on our experience and information provided by our franchisees. Costs are constantly changing and your costs may be higher. You should diligently investigate all potential costs before proceeding.

[1]Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Disclosure Document.

[2] Furniture, Fixtures & Equipment. You must purchase (or lease) furniture, fixtures and equipment such as a desk, chair, filing cabinet, bookcase of shelving, etc. and a workspace with computer workstation with printer/fax/scanner. Although some of these items may be leased, the range shown represents an estimated purchase price. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing or leasing.

[3] Insurance. You must purchase the type and amount of insurance specified in the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or your landlord. The amounts you pay for insurance are typically not refundable.

[4]Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. You should inquire about the return and refund policy of the supplier at or before the time of purchase. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors.

[5] Training. The cost of training is included in the Franchise Fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Your expenses to attend are typically not refundable.

[6] Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses, among other things. Your actual costs may vary based on the requirements of State and local government agencies. These fees are typically not refundable.

[7] Legal & Accounting. You will need to employ an attorney, accountant and other consultants to assist you in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants. These fees are typically not refundable.

[8] Working Capital/Additional Funds. The estimate of start- up costs is calculated for a period of three months, with additional operating capital to be available as may be needed during the initial phase. These expenses do not include owner's salary or draw. We anticipate (but are not obligated to) developing certain software which you may be required to use in connection with the operation of the Franchised Business. The estimate in the Table includes estimated initial fees and three months of software license fees we anticipate charging for this software. We cannot and do not estimate when, or whether, any franchisee will achieve a positive cash flow or profits. These amounts are estimates only and specific amounts will vary. Additional working capital may be required for numerous reasons, including if sales are low or operating costs are high. These expenses are typically not refundable.

[9] Total. The amounts shown are estimates only and may vary for many reasons including the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. Your costs will depend on your management, skill, experience and business acumen; local economic conditions; the local market for Hite Digital services; competition; and the sales level reached during this initial phase. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. Except as specifically stated above, the amounts given may be subject to increase based on changes in market conditions, special incentive programs that may be offered or discontinued without prior notice to you, our cost of providing services and future policy changes.

## ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as indicated below, you are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of the Franchised Business from us or our designees, or according to our standards and specifications.

Standards & Specifications

In order to maintain the reputation, goodwill, high standards, quality, and uniformity of the Hite Digital System, there are certain products and services which you must purchase directly from us or from our designated sources. These products and services include stationary, operational materials, equipment, brochures, literature, forms, and website services that are an integral part of the System. Website services, which include hosting, development, marketing, and design services, are provided to franchisees by designated or approved independent suppliers or solution centers. You also must conduct online paid search advertising only through the central account that we maintain with our designated supplier.

Certain products and services needed in connection with the ongoing operation of your Franchised Business must meet our specifications for appearance, quality, performance, and functionality, among other things. We list the specifications for these products and services in the Manual or in other written or electronic communications provided to you.

Other than as stated above, you are not required to purchase or lease from us or a designated source any goods, services, supplies, fixtures, equipment, inventory, or real estate. We reserve the right to at any time establish exclusive purchasing arrangements with any of our designated and approved suppliers.

Approved Suppliers

In order to maintain the uniformly high standards and reputation of the Hite Digital System, you must purchase or lease certain items in accordance with the specifications and guidelines we issue or from suppliers we approve. This requirement applies to certain proprietary and copyrighted materials and related products, computer hardware and software systems, supplies, forms, fixtures, equipment, and certain marketing presentation materials. Specifications may include minimum standards for quality, quantity, delivery, packaging, performance, design, appearance, durability, style, warranties, price range, and other related restrictions. We consider these specifications to be of critical importance to the success of the Hite Digital System. These specifications are stated in our Manual and are issued to you before you attend the initial training program.

If you want to use any item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our Approved Supplier criteria. You must reimburse us for all of our reasonable expenses in

connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval may later be withdrawn based on the supplier's performance, changes in our specifications, standards or requirements, or for other reasons.

Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality. Our standards, specifications and other criteria for supplier or distributor approval have been developed by us through the expenditure of extensive work and time and are considered confidential information. We do not make our standards and specifications or our other criteria for supplier or distributor approval available to our franchisees or approved suppliers. Our specifications, standards and requirements may, on occasion, change, in our sole discretion.

We reserve the right to limit the number of potential suppliers we may consider for approval and for some categories of products or services, we may designate a third party or ourselves as exclusive suppliers.

We may, but are not required to, negotiate purchase arrangements or terms (such as price) with suppliers for the benefit of franchisees and the System as a whole. We do not provide any other material, special benefits to franchisees for using designated or approved suppliers. We reserve the right to receive fees or other consideration in exchange for rights licensed or granted, or services rendered to third parties, including vendors. We may derive income, consideration and other benefits from your purchases or lease of any products, services, supplies or other items from us and from approved and designated suppliers. This income may be derived in any form, including as a rebate from various suppliers based on the quantity of System franchisee purchases. We do not guarantee the availability of independent sources of supply for any particular product or service required to establish or operate your Hite Digital business.

Except as disclosed above, as of the issuance date of this Disclosure Document, we are not the approved suppliers of any item, although we may become one in the future. None of our officers own any interest in any approved supplier of any products or services to System franchisees.

Except as stated above, there are no other requirements for your to purchase or lease in accordance with specifications or from approved suppliers.

Computer System

You are required to purchase and use the computer system described in ITEM 11 of this Disclosure Document. We do not derive any revenue from your purchase of a computer system. We do not receive any discounts or rebates as a result of your purchase of the computer system. We reserve the right to receive revenue, discounts or rebates as a result of your purchases of computer/point of sale system in the future.

Except as we specifically authorize in writing, you cannot establish a website or register an Internet domain name, or otherwise advertise on the Internet or anywhere else, using our Proprietary Marks.

Insurance

You must purchase and maintain in effect during the term of the Franchise Agreement the type and amount of insurance specified in the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or lessor. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance.

Miscellaneous

We estimate that approximately 0% to 10% of your expenditures for leases and purchases in establishing your Franchised Business will be for goods and services that must be purchased from either us, an Affiliate or an Approved Supplier or in accordance with our standards and specifications. We estimate that approximately 90% to 100% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us or any Affiliate, an Approved Supplier or in accordance with our standards and specifications**.**

We do not provide material benefits to you (such as renewal rights or the right to open additional Hite Digital Businesses) based on whether or not you purchase through the sources we designate or approve; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us to, among other things, terminate the Franchise Agreement.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement 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.**

| Obligation | | Section in Agreement | Disclosure Document Item |
|---|---|---|---|
| a. | Site selection and acquisition/lease | Sections 1.3, 1.4, 6.7, 7.1 | 11 |
| b. | Pre-opening purchases/leases | Section 7.4 | 7, 11 |
| c. | Site development and other pre-opening requirements | Sections 7.1, 7.3 | 11 |
| d. | Initial and ongoing training | Sections 6.4, 6.5, Article 8 | 11 |
| e. | Opening | Section 7.3 | 11 |
| f. | Fees | Article 3, Sections 6.6, 7.4.3, 14.3.2.7 | 5, 6, 7 |
| g. | Compliance with standards and policies/Operating Manual | Section 6.1, Article 7 | 8, 11 |
| h. | Trademarks and proprietary information | Article 4, Article 5 | 13, 14 |
| i. | Restrictions on products/services offered | Section 7.4 | 8 |
| j. | Warranty and customer service requirements | Section 7.16 | Not applicable |
| k. | Territorial development and sales quotas | Section 1.2 | 12 |
| l. | Ongoing product/service purchases | Section 7.4 | 8 |
| m. | Maintenance, appearance and remodeling requirements | Sections 7.8.3, 7.18 | Not applicable |

| Obligation | | Section in Agreement | Disclosure Document Item |
|---|---|---|---|
| n. | Insurance | Article 9 | 7 |
| o. | Advertising | Article 12 | 6, 11 |
| p. | Indemnification | Section 13.2 | 14 |
| q. | Owner's participation/management/ staffing | Section 7.6 | 11, 15 |
| r. | Records and reports | Articles 10, 11 | 6 |
| s. | Inspections and audits | Article 11 | 6, 11 |
| t. | Transfer | Article 25 | 17 |
| u. | Renewal | Article 2 | 17 |
| v. | Post-termination obligations | Article 16 | 17 |
| w. | Non-competition covenants | Article 17 | 17 |
| x. | Dispute resolution | Article 18 | 17 |
| y. | Other | Not applicable | Not applicable |

## ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your lease or other obligations.

## ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

### A. Pre-Opening Obligations

**Before you open your business, we will:**

1. **Provide online marketing resources for use in promotion the Franchised Business (Franchise Agreement, Section 12);**

2. **Provide you with our training program. Our training program is described in detail later in this ITEM (Franchise Agreement, Section 8.1)**

3. **Provide you with online access to our Operations Manual which will include specifications for equipment, computer hardware and software, and operation of the Franchised Business. The Manual currently consists of 36 pages and is confidential and remains our property. We may modify the Manual periodically. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit B to this Disclosure Document.**

B. Continuing Obligations

After the opening of the Franchised Business, we will:

1. offer from time to time, in our sole discretion, mandatory or optional additional training programs. If we require it, you must attend any mandatory additional training for up to 5 days each year at a location we designate. You must pay our then current additional training fees (currently $500 per person per day). You must pay your travel, transportation, lodging, meals and other expenses to attend any mandatory training program (Franchise Agreement, Section 6.5).

2. schedule, in our discretion, a national business meeting or convention for up to 3 days per year at a location we designate. If we schedule any national business meeting or convention, you must attend and you must pay us a registration fee per attendee as we designate. You are also responsible for paying for your transportation, lodging, meals and other expenses to attend any national business meeting or convention (Franchise Agreement, Section 6.6).

3. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance at your premises. If you request on-site remedial training, we may charge a per diem fee, currently $500 per person per day for the services of our trainer. You will pay any travel-related expenses of the trainer, including transportation, meals and lodging (Franchise Agreement, Section 6.5).

4. upon your request, provide individualized assistance to you within reasonable limits by telephone, fax, electronic mail or postage service, subject at all times to availability of our personnel and a reasonable limit (Franchise Agreement, Section 6.4).

5. from time to time, as may become available, provide you with advertising and promotional materials (Franchise Agreement, Section 12).

6. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your services to ensure that they meet our standards (Franchise Agreement, Section 7.7).

7. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 15 business days, either accepting or rejecting the proposed material and/or campaign. (Franchise Agreement, Section 12.7).

8. provide you with any written specifications for required products and services and provide you with updated lists of any approved suppliers or manufacturers of these items (Franchise Agreement, Section 6.3).

9. in our discretion, on an on-going basis, suggest selling prices for the services your Franchised Business provides. You have no obligation to adhere to our suggested prices, and you may sell your

Franchised Business services at any price that you determine. Our suggested prices are not a representation, warranty or guarantee that such prices will enhance your sales or profit (Franchise Agreement, Section 12.1).

10. provide you with updates, revisions, and amendments to our Manual.

We have no obligation to: (i) develop new products or services to be offered by you to your customers; (ii) hire or train employees; (iii) improve or develop the franchised business; (iv) establish prices; (v) establish or use administrative, bookkeeping, accounting or inventory control procedures; or (vi) resolve operating problems encountered by you in the operation of your Franchised Business. We need not provide other assistance or services to you during the term of your Franchise Agreement.

C. Advertising and Promotion

1. Each month, you must pay to us a Brand Development Fee in the amount of the greater of $1,500 or 2% of Gross Sales. (Section 12.4). We may use the Brand Development Fee for any purpose we determine. This fee is not a fund contribution. We do not have any obligation to develop, maintain or administer any marketing, advertising or brand development fund. In the event that we develop a brand development fund, unaudited financial information about such a fund will be available annually, and we will provide it to you or make it available to you upon written request.

2. Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all Franchised Businesses in a designated geographic area. Each Franchised Business will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. (Section 12.5)

Cooperative contributions will not exceed the Local Marketing Requirement unless a majority of the Cooperative votes to increase that requirement.

3. We do not have an advertising counsel composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory counsel to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council. We reserve the right to change or dissolve the council at any time. (Section 12.5)

4. Under the Franchise Agreement, you are restricted from establishing a presence on, or marketing, promoting or advertising your Franchised Business, using the Internet or other electronic media without our prior written approval. Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Hite Digital Business, including any profile on Facebook, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, TikTok, or any other social media and/or networking site (whether currently existing or developed in the future). If we grant the approval, you: (i) must establish and operate such Internet site in accordance with System standards and any other policies we designate in the Manual or otherwise in writing from time to time; (ii) must utilize any templates that we provide to you to create and/or modify such site(s); and (iii) must obtain our approval prior to making Social Media postings and you agree to modify or remove any Social Media postings that we, in our sole discretion, determine are inappropriate or detrimental to the goodwill of

the System within 24 hours of our notice to you. We reserve the right to require you to provide us with all Social Media account information related to the Hite Digital Business and grant us independent access (including administrator rights) to your Hite Digital Business Social Media accounts in order to make upgrades, post information, and manage Social Media accounts as we deem appropriate for the benefit of the System. (Section 12.3.3)

All promotional and marketing materials that you intend to use (in any medium) must conform to the standards and requirements specified, from time to time, in the Manual or otherwise. You must submit to use for our prior approval or disapproval within 15 days of our receipt of such materials. You must comply with all revisions to said promotional and marketing materials which we may require before our approval of said promotional marketing materials. You may not use any advertising or promotional plans or materials that we have not approved, and you must cease to use any plans or materials promptly when we notify you. The requirement that you obtain our approval of marketing materials applies to the development of a Website or other Internet site related to your Franchised Business.

You may promote the Franchised Business through a Website which may be provided by us or on any other Website pre-approved in writing by us, but you may not develop your own independent Website making use of the Proprietary Marks to promote the Franchised Business. You may not use any Website to promote the Franchised Business in any manner not approved by us. You may not promote or otherwise conduct business through the Internet without our consent, which we may condition on requirements that we deem appropriate.

D. Computer/Point-of Sale System

We have the right, under the Franchise Agreement, to require you to purchase or lease and use any and all hardware and computer software programs that we may designate. (Section 7.8) Presently, you must purchase hardware and software as set forth below. The recommended hardware and software is as follows:

| **HARDWARE** |
|---|
| Computer or Laptop |
| Internet Connection |
| Fax Machine, Copier, Scanner |
| Phone |
| **SOFTWARE** |
| Microsoft Office (Word, Excel, PowerPoint) |
| Internet Explorer |
| Windows Operating System |
| QuickBooks |

As of the issuance date of this disclosure document, we require you to purchase, use, and maintain the following software programs: Zoom Phone, Zoom Meeting, Sales Force, Go High Level, and Proposal Technology. Additional or alternative hardware or software may be approved by us for use in connection with your Franchised Business at our sole discretion.

We anticipate (but are not required to) developing (directly or through an affiliate) proprietary software that we may require you to purchase, install and use as we designate in connection with the operation of the Franchised Business. If and when developed, you must pay us or our designee (which may include our affiliate) an initial fee and ongoing software license fees for use of this software. We may also require you to sign our then-current software license agreement for use of this software.

We may access the information in your computer system at any time. There are no contractual limitations on our rights to access this information. Neither we, nor any of our affiliates or third- party suppliers, are obligated to provide ongoing maintenance, repairs, upgrades or updates to your computer system. There are no contractual limitations on the frequency and cost of your updating and upgrading obligations. We estimate that the annual cost

of any optional or required maintenance, updating, upgrading or support costs will range from $1,000 to $2,000. The cost of purchasing the computer system is disclosed in Item 7.

E. E-Problem Disclaimer

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures and similar problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We have taken reasonable steps so that E-Problems will not materially affect our business. We do not guarantee that information or communication systems that we designate and/or we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection and anti-virus systems) and to provide backup systems.

F. Methods Used to Select the Location of the Franchised Business

You must run your Franchised Business from an office at a mutually agreed on site (the "Site") located within a specified geographic area (the "Site Selection Area") that we will specify in the Franchise Agreement. You may use a home office if suitable. (Section 7.1) You may not relocate without our permission. In the event that you need to secure real estate for your Site, you must do so within 60 days of signing the Franchise Agreement. If you do not timely secure a suitable Site, you will be in default of your Franchise Agreement and may be subject to termination.

G. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Hite Digital Business is 30 to 60 days. Factors that may affect your beginning operations include, among others, hiring your employees; successful completion of initial training; delivery of fixtures, equipment, and signs; issuance of all necessary licenses, permits, and approvals; and procuring required insurance. You are required to open your Franchised Business and be operational within 90 days after signing the Franchise Agreement. (Section 7.3)

H. Training Program

We will conduct an initial training program that the Designated Manager (or you, if you are not a corporation or other business entity) must attend and complete to our satisfaction. Although initial training is mandatory for the Designated Manager, it is also available for up to one additional assistant. Training will take place at our headquarters, or at another location we designate. The initial training program covers the business and administrative aspects of the operation of a Hite Digital Business, including sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures, other operational issues and on-the-job training. All franchisees must complete initial training to our satisfaction. We expect franchisees will advance through the training program at different rates depending on a variety of factors such as background and experience. Accordingly, the time frames provided in the following chart are an estimate of the time it will take to complete training. If you replace your Designated Manager, your new Designated Manager must attend our training program. We do not charge for initial training, however, you must pay for all travel costs and living expenses for yourself and any of your attendees. You may be charged fees for additional training of a new Designated Manager. You are obligated to train your own employees and other management personnel. This initial training is in addition to the on-site opening assistance we provide to you. (Section 6.5). You must complete initial training and open for business within 90 days of signing your Franchise Agreement.

As of the date this Disclosure Document was prepared, the following summarizes the Hite Digital initial training program.

TRAINING PROGRAM

| SUBJECT | HOURS OF CLASSROOM TRAINING | HOURS OF ON-THE-JOB TRAINING | LOCATION |
|---|---|---|---|
| 1. Introduction to Hite Leadership Team & Origin Story | 1 | 1 | Hite Digital Headquarters or Remotely |
| 2. Introduction to Hite Culture: Pillars, Mission, Values, Commitment | 2 | 1 | Hite Digital Headquarters or Remotely |
| 3. The Hite Franchise Business Model | 4 | 8 | Hite Digital Headquarters or Remotely |
| 4. The Hite Digital Fulfillment Model and Dedicated Pod | 4 | 3 | Hite Digital Headquarters or Remotely |
| 5. The Hite Prospecting System and Sales Process | 4 | 8 | Hite Digital Headquarters or Remotely |
| 6. Hite Branding and Marketing Support | 2 | 2 | Hite Digital Headquarters or Remotely |
| 7. Hite Operations Support | 2 | 2 | Hite Digital Headquarters or Remotely |
| 8. Hite Digital Product Offerings | 4 | 8 | Hite Digital Headquarters or Remotely |
| 9. Assessments and Certifications | 1 | 1 | Hite Digital Headquarters or Remotely |

JC Hite, Jeff Zelaya, Johanna Valasquez and Damaris Cortes will provide training. JC Hite's qualifications are included in ITEM 2. The other trainers' experience is as follows:

Jeff Zelaya – Mr. Zelaya has over a decade of experience working in sales and marketing. He started his career at MediaWhiz, designated an Ad Age Top Ranked Marketing Agency. Mr. Zelaya helped MediaWhiz generate $1.2 million in new business and contribution to the creation of a multi-million dollar business pipeline. Over the past 5 years Mr. Zelaya has focused on building and developing high-performance sales teams for fast growing tech start-ups in the Washington, D.C. area.

Johanna Valasquez – Ms. Valasquez has more than six years of experience in training for PPC, Facebook ads, and web development. She excels in helping agencies and team members scale efficiently and effectively. For the past two years, Ms. Valasquez has worked with the training and development team at Hite Digital. Prior to that,

she worked for an INC 500 agency for four years, first as a PPC engineer and then transitioning into the training department.

Damaris Cortes – Ms. Cortes has eight years of experience in digital marketing. She started her career as a digital marketing strategist for an Inc. 500 agency, where she grew to become a senior account manager. She then transitioned to become the digital marketing manager of one of the fastest growing eye care providers in the US. In 2020, she joined Hite Digital leading the opportunity generation department and now is in charge of the onboarding and training of new Hite Digital franchises, as a franchise growth consultant.

If circumstances require, a substitute trainer may provide training. We also reserve the right to name additional trainers periodically. There are no limits on our right to assign a substitute to provide training.

Periodically, we may require that previously trained and experienced franchisees, their managers, and/or employees attend additional-training programs to be conducted at our headquarters or at such other location as we designate for up to five (5) days per year. We reserve the right to charge our then-current additional training fee for any additional training (which fees are currently equal to $500 per person per day of training). Attendance at these programs will be at your sole expense. Additional training programs focus on maintaining and improving the quality of operations. (Section 6.5)

## ITEM 12. TERRITORY

Your Site Selection Area is not exclusive and is only intended to give you a general indication of the area within which you should locate the site for your Franchised Business. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution. Your Franchise is for the specific site that we accept; once the site has been accepted, it will be added to the Franchise Agreement, usually within 120 days after signing the Franchise Agreement. Your primary residence must be within 20 miles of the approved site.

We and our affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Franchised Business. We have the right to: (i) establish or license franchises and/or company-owned outlets anywhere selling similar products and providing similar services under the Marks or under names, symbols, and marks other than the Marks, including within or outside the Site Selection Area; (ii) sell, or license others to sell, products and services through alternative distribution channels, including e-commerce (Internet), using the Marks; (iii) advertise, or authorize others to advertise anywhere, using the Marks; (iv) establish or license Franchised Businesses under the Marks, at any location; (v) acquire existing businesses anywhere and convert them to the Hite Digital name and/or operate them under another name, either directly or through licensees; (vi) be acquired by or merge with other companies; and (vii) engage in any other activities not expressly prohibited by the Franchise Agreement. We will not compensate you for our activities in your Site Selection Area.

You may operate the Franchised Business from a home office located within your Site Selection Area (unless we approve otherwise). If you wish to rent a commercial office space, such space must be located within your Site Selection Area and you must request approval from us, which we may grant or refuse in our sole discretion, and submit to it a copy of the lease prior to signing a lease. You acknowledge that other franchisees may operate their Franchised Businesses from home offices located within your Site Selection Area, and that such franchisee shall have the right to solicit clients within your Site Selection Area so long as such clients are not leads registered to your Franchised Business.

You may advertise your services and solicit clients both within and outside the Site Selection Area. You may provide the services or sell products authorized for Hite Digital Businesses to customers whose principal residence (or

principal business office, if the customer is a business entity) is outside your Site Selection Area, so long as such customers do not constitute leads registered to another Franchised Business.

You are not permitted to use unapproved channels of distribution to make sales of services or products to customers. You may not maintain a website with respect to your franchise without our prior written consent. We have the right to condition our approval on the terms that we determine are necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your Franchise Agreement.

As of the issuance date of this Disclosure Document, neither we, nor our Affiliate, plan to operate or franchise a business under a different trademark that will sell goods or services similar to those you will offer in the operation of your Franchised Business.

## ITEM 13. TRADEMARKS

We grant our franchisees the right to operate Hite Digital Businesses under the name "HITE DIGITAL" which is the principal Mark used to identify our System of operation. You may also use any other current or future Mark to operate your Franchised Business that we designate in writing, including the trademark listed below. By "Marks" we mean the trade names, trademarks, service marks and logos used to identify Hite Digital Businesses. The below table displays the registration status of our Marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

| MARK | REGISTRATION NUMBER | REGISTRATION DATE |
|---|---|---|
| HITE DIGITAL | 6413369 | July 16, 2021 |

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of the state of Delaware or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks.

To our knowledge, there are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in the state of Delaware or any other state in which a Hite Digital Business may be located. Other than the above, there are no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must

take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. If we adopt and use new or modified Marks, you may be required to add or replace signs, marketing materials, and advertising materials, and you may have to make other modifications as necessary to maintain uniformity with our current standards and specifications. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to this proceeding. We have the right to control the defense and settlement of this proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Business, but you may not use any Mark or part of any Mark as part of your corporate or other business entity name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or website using any domain name containing the words Hite Digital or any variation thereof without our prior written consent. You may not use the Marks as part of any advertisement on the Internet without our permission.

## ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Manual.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect which limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them.

Our mutual obligations to protect your rights to use our copyrights are the same as the obligations for Trademarks described in Item 13 of this disclosure document.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and

technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your general manager and your other management level personnel must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Exhibit D).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

## ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You or, if the franchisee is an entity, the majority shareholder or owner (owning at least 51%) of the franchisee must devote your personal full-time attention and best efforts to the management and operation of the Franchised Business, or you may delegate the day-to-day operation of your Franchised Business to a general manager (the "General Manager"). You and the General Manager, if different from you, must successfully complete our Initial Training Program and all other training courses we require. You may not appoint a General Manager who is not you or a principal of the Franchisee, if an entity, without our approval. The General Manager must devote his or her full time and best efforts to the job and cannot have an interest or business relationship with any of our competitors and meet our then-current standards for General Managers before assuming the position of Operator.

The following persons must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Exhibit F: (a) If you are a business entity, all of your officers, directors, and equity holders, and those of any business entity that directly or indirectly controls you; and (b) Your General Manager and all other managerial personnel who will have access to our proprietary and confidential information and training.

If you are a business entity, each owner must sign a Personal Guaranty. Spouses are required to sign a Personal Guaranty. The Personal Guaranty is attached to our Franchise Agreement as Exhibit E.

## ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services and products we specify from time to time, in strict accordance with our standards and specifications. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove. We may periodically change required or authorized products or services. There are no limits on our right to do so. If we modify the System, you may be required to add products or services, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing, your qualifications, and regional or local differences.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

**This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 2.1 | The initial term is 5 years. |
| b. Renewal or extension of the term | Section 2.2 | You may renew for 1 additional term of 5 years, subject to (c) below. If you fail to meet any one of these conditions, we may refuse to renew or extend the terms of your Franchise Agreement. |
| c. Requirements for franchisee to renew or extend | Section 2.2 | Be in full compliance, provide written notice to us at least 90 days, but not more than nine months, before the end of the term, update machinery, equipment, tools and vehicles as required, not be in default of any provision of the Franchise Agreement, satisfy all monetary obligations, execute our then current form of franchise agreement (with materially different terms and conditions than your original Franchise Agreement), comply with then- current qualifications and training requirements, including completion of additional training, pay us a Renewal Fee, execute a general release. |
| d. Termination by franchisee | None | Not applicable. You may not terminate the Franchise Agreement. |
| e. Termination by franchisor without cause | None | Not applicable. |
| f. Termination by franchisor with cause | Article 15 | We may terminate only if you default for failure to comply with the obligations of the Franchise Agreement. The Franchise Agreement describes defaults throughout. Please read it carefully. |
| g. "Cause" defined – curable defaults | Section 15.3 and 15.4 | You have five days to cure non-payments.<br><br>You have 15 days to cure the following defaults: your failure to immediately endorse payments that are erroneously made to you; your failure to maintain |

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| | | prescribed days and hours of operations; your failure to personally supervise day-to-day operations; your failure to maintain the strict quality controls reasonably required by this Agreement and/or the Manuals; and your failure to obtain or maintain any required licenses, certification or permits. |
| h. "Cause" defined – non-curable defaults | Sections 15.1 and 15.2 | The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days.<br><br>We may terminate the Franchise Agreement upon notice to you if you: fail to open the Franchised Business within required time frames; falsify any report to us; abandon the Franchised Business for five days or more, unless the premises are damaged and you apply to relocate; fail to re-open the Franchised Business within 120 days after a casualty; fail to comply with applicable laws; default under any lease for the premises; understate Gross Sales by 2% at any time or understate Gross Sales by any amount three or more times; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three or more times during the term or receive two or more default notices in any consecutive 12-month period; default under any other agreement with us or our affiliate; issue a press release or respond |

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| | | to a media inquiry without our prior approval; or terminate the Franchise Agreement without cause. |
| i. Franchisee's obligations on termination/non-renewal | Article 16 | Upon termination, you must: cease operations; cease to identify yourself as a Hite Digital franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business and the land and/or building where your Franchised Business is located, if applicable; and assign, at our option, your telephone numbers and directory listings and the lease for the location. |
| j. Assignment of contract by franchisor | Section 14.5 | There are no restrictions on our right to assign our interest in the Franchise Agreement. |
| k. "Transfer" by franchisee – defined | Section 14.1 | Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in you (if you are a business entity). |
| l. Franchisor approval of transfer by franchisee | Section 14.3 and 14.4 | You may not transfer your interest in any of the items listed in (k) above without our prior written consent. |
| m. Conditions for franchisor's approval of transfer | Sections 14.3 and 14.4 | Conditions include: transferee meets our then current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee and its general manager successfully complete our Initial Management Training Program; you have paid us and third- party creditors all amounts owed; you and the transferee sign a General Release in the form of Exhibit C to the Franchise Agreement; you subordinate any claims you have against the transferee to us; we have approved the material terms and conditions of the transfer and you provide us a copy of the purchase agreement; you cure all existing defaults; and you have paid us a Transfer Fee, plus any actual costs, including broker fees, if |

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| | | applicable. We may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 14.3.1 | You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) our credit is deemed as good as the proposed purchaser, (c) we have at least 60 days to close and (d) you shall give us all customary seller's representations and warranties. |
| o. Franchisor's option to purchase franchisee's business | Section 16.2 | Upon termination of the Franchise Agreement, we have the option to purchase your furniture, equipment, signs, advertising materials, supplies and inventory at your cost or fair market value, whichever is less. |
| p. Death or disability of franchisee | Section 14.2 | The Franchise Agreement may be inherited by your heirs or successors, provided they agree to guarantee all obligations of the Franchise Agreement and appoint a General Manager, approved by us, within 180 days or transfer the Franchised Business. If your heirs or successors do not appoint a General Manager or transfer the Franchised Business within 180 days, the Franchise Agreement will automatically terminate, unless prohibited by law. |
| q. Non-competition covenants during the term of the franchise | Section 17.1 | You, each principal, and your and your principals' spouses shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity: (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any business offering digital marketing services or any other business offering any other goods or services offered or authorized for sale by System franchisees ("Competing Business"); (iii) seek to employ any person who is at that time employed by us or by any other System franchisee, or otherwise induce such person to leave his or her employment; (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (v) in any manner interfere with, disturb, |

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| | | disrupt, decrease or otherwise jeopardize our business or the business of any Hite Digital franchisees. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 17.2 | Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for 24 months, you and your principals, and your spouse and the spouse of each principal, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in Competing Business within a twenty (20)-mile radius of the location of the Franchised Business; (iii) seek to employ any person who is at that time employed by us or by any other System franchisee, or otherwise induce such person to leave his or her employment; (iv) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; (v) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any Hite Digital franchisee; or (vi) solicit business from customers your former Franchised Business or contact any of our suppliers or vendors for any competitive business purpose. |
| s. Modification of the agreement | Section 22.1 | The Franchise Agreement may not be modified except by a written agreement that both of us sign. |
| t. Integration/merger clause | Section 22.1 | Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. Our integration/merger clause does not disclaim the representations of this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | Section 18.3 | You must first bring any claim that is between us to the attention of our management. You must first exhaust our internal dispute resolution procedures before you may bring your dispute before a third party. The requirement that you must first attempt to resolve disputes internally will survive the termination or expiration of your term.<br><br>At our option, any disputes and claims that are not resolved by Internal Dispute Resolution must, at our |

| Provision | Section In the Franchise or Other Agreement | Summary |
|---|---|---|
| | | option, be submitted to mediation. The mediation will take place in New Castle County, Delaware before the American Arbitration Association ("AAA") in accordance with the AAA's Commercial Mediation Rules then in effect. You must notify us, with details of your claim or dispute, before commencing any legal action against us or our affiliates. Once we receive your notice, we will have 30 days to notify you as to whether we or our affiliates elect to exercise the option to submit the matter to mediation.<br><br>You may not commence any action against us or our affiliates regarding any claim or dispute in any court unless we fail to exercise our option to submit the claim or dispute to mediation, or such mediation proceedings have been terminated under certain circumstances. This agreement to mediate will survive any termination or expiration of the Franchise Agreement.<br><br>The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim relates to an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information; (ii) any claims pertaining to or arising out of any warranty issue; or (iii) any of the restrictive covenants contained in the Franchise Agreement.<br><br>(subject to state law). |
| v. Choice of forum | Section 18.4 | Subject to state law, any litigation must be pursued in courts located in New Castle County, Delaware. |
| w. Choice of law | Section 18.1 | Subject to state law, Delaware law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.). |

1. Reinstatements & Extensions. If any termination or expiration of the Term would violate any applicable law, we may reinstate or extend the Term for the purpose of complying with the laws, for the duration we provide in written notice to you, without waiving any of our rights under, or otherwise modifying the Franchise Agreement. To the extent reinstatements or extensions are permitted by us or required by applicable law, you would be required to sign our then-current form of franchise agreement, which may contain materially different terms and conditions than your prior agreements.

## ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

In this Item 19, we disclose certain revenue data for our fifteen (15) franchised owned outlets (the "Disclosed Outlets") that were open as of December 31, 2021, during the period beginning January1, 2021, and ending December 31, 2021 (the "Measurement Period"). Written substantiation for the financial performance representation will be made available upon reasonable request.

**Part I: Monthly Revenue amongst the Disclosed Outlets during the Measurement Period**

| | **Low** | **Median** | **Average** | **High** |
|---|---|---|---|---|
| **Total Monthly Revenue[1]** | $0.00 | $20,074.78 | $27,003.57 | $72,742.29 |

Notes to Part I of this Item 19:

1. "Total Monthly Revenue" is defined as revenue generated in a single month by the Disclosed Outlets during the Measurement Period, and includes recurring revenue, set-up fees and one-time sales and service fees. Seven (or 47%) of the 15 Disclosed Outlets met or exceeded the Average Total Revenue.

**Part II: Annual Revenue amongst the Disclosed Outlets during the Measurement Period**

| | **Low** | **Median** | **Average** | **High** |
|---|---|---|---|---|
| **Total Annual Revenue[1]** | $113,283.04 | $247,879.19 | $304,005.85 | $247,879.19 |

Notes to Part II of this Item 19:

1. "Total Annual Revenue" is defined as total revenue generated by the Disclosed Outlets during the Measurement Period, and includes recurring revenue, set-up fees and one-time sales and service fees. Three (or 20%) of the 15 Disclosed Outlets met or exceeded the Average Total Revenue.

**Part III: Churn Rate[1] during the Measurement Period for Disclosed Outlets open less than 6 months as of December 31, 2021**

| **Low** | **Median** | **Average** | **High** |
|---|---|---|---|
| 33.33% | 11% | 12.38% | 0% |

Notes to Part III of this Item 19:

1. "Churn Rate" is defined as the percentage of recurring revenue within the business ("Programmed Revenue") that is lost in a given month as compared to the amount of Total Revenue earned in the same

month. Two (or 29%) of the seven Disclosed Outlets met or exceeded the Average Churn Rate.

**Part IV: Churn Rate[1] during the Measurement Period for Disclosed Outlets open more than 6 months as of December 31, 2021**

| Low | Median | Average | High |
|---|---|---|---|
| 11.28% | 4.56% | 5.77% | 0% |

Notes to Part IV of this Item 19:

1. "Churn Rate" is defined as the percentage of Programmed Revenue that is lost in a given month as compared to the amount of Total Revenue earned in the same month. Three (or 38%) of the eight Disclosed Outlets met or exceeded the Average Churn Rate.

**Part V: Monthly New Sales amongst the Disclosed Outlets during the Measurement Period**

| | Low | Median | Average | High |
|---|---|---|---|---|
| **Total Monthly New Sales[1]** | $0.00 | $4,831.94 | $7,048.01 | $23,852.43 |

Notes to Part V of this Item 19:

1. "Total Monthly New Sales" is defined as new revenue generated in a single month by the Disclosed Outlets during the Measurement Period, and includes new recurring revenue, set-up fees and one-time sales and service fees. It does not include existing recurring revenue. Six (or 40%) of the 15 Disclosed Outlets met or exceeded the Average Total Revenue.

**GENERAL NOTES TO ITEM 19**

Your expenses will vary depending upon the location of your business. This analysis does not contain complete information concerning your potential operating costs. Operating costs may differ from business to business. There may be costs and other expenses not identified above.

The above figures exclude start-up costs, marketing expenses, and living expenses which you will incur as a franchisee. These figures also exclude the estimated Brand Fund contribution. There may be other costs and other expenses not identified in this Item 19.

The figures in the Chart above exclude finance charges, interest expense, interest income, depreciation, amortization and other income or expenses, which will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Franchised Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which the assets of your Outlet may be amortized or depreciated, as well as the effect, if any, of recent or proposed tax legislation.

Revenues and expenses may vary. A number of factors will affect the success of your franchise. These factors include the current market conditions, the type of market in your franchise area, the location of your franchise area, the competition and your ability to operate the franchise.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting JC Hite at (501) 588-2290, 1000 N West St. 1501, Wilmington, DE 19801**,** the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. LIST OF OUTLETS

**Table No. 1**
**SYSTEMWIDE OUTLET SUMMARY**
**FOR FISCAL YEARS 2019 to 2021**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2019 | 0 | 0 | 0 |
| | 2020 | 0 | 4 | +4 |
| | 2021 | 4 | 15 | +11 |
| *Company-Owned | 2019 | 1 | 1 | 0 |
| | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| Total Outlets | 2019 | 1 | 1 | 0 |
| | 2020 | 1 | 5 | +4 |
| | 2021 | 5 | 16 | +11 |

**Table No. 2**
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**
**(OTHER THAN THE FRANCHISOR)**
**FOR FISCAL YEARS 2019 TO 2021**

| State | Year | Number of Transfers |
|---|---|---|
| Total | 2019 | 0 |
| | 2020 | 0 |
| | 2021 | 0 |

**Table No. 3**
**STATUS OF FRANCHISE OUTLETS FOR YEARS 2019 TO 2021**

| State | Year | Start of Year | Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Arizona | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| Table No. 3<br>STATUS OF FRANCHISE OUTLETS FOR YEARS 2019 TO 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Start of Year** | **Opened** | **Terminations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of the Year** |
| California | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Georgia | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Idaho | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Illinois | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Maine | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Missouri | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Ohio | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Oklahoma | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |

| Table No. 3<br>STATUS OF FRANCHISE OUTLETS FOR YEARS 2019 TO 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Start of Year** | **Opened** | **Terminations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of the Year** |
| Oregon | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Tennessee | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| **Total** | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 4 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 11 | 0 | 0 | 0 | 0 | 15 |

| Table No. 4<br>STATUS OF COMPANY/AFFILAITE OUTLETS FOR YEARS 2019 TO 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Start of Year** | **Opened** | **Terminations** | **Non-Renewals** | **Reacquired by Franchisor** | **Ceased Operations – Other Reasons** | **Outlets at End of the Year** |
| Delaware | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Total** | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

| Table No. 5<br>PROJECTED OPENINGS FOR THE 2022 FISCAL YEAR AS OF DECEMBER 31, 2021 | | | |
|---|---|---|---|
| **State** | **Franchise Agreements Signed but Franchised Businesses not Opened** | **Projected New Franchised Business Openings in Next Fiscal Year** | **Projected Company-Owned Openings in Next Fiscal Year** |
| California | 0 | 1 | 0 |
| Florida | 0 | 1 | 0 |
| Georgia | 0 | 1 | 0 |
| Missouri | 0 | 0 | 0 |
| New York | 0 | 2 | 0 |
| Oklahoma | 0 | 1 | 0 |
| Oregon | 0 | 2 | 0 |
| Texas | 0 | 0 | 0 |
| Virginia | 0 | 1 | 0 |
| Total | 0 | 9 | 0 |

Franchisee Information

A list of our franchisees is attached as Exhibit G to this disclosure document. As of the date of this Disclosure Document, there are no franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks prior to the issuance date of this Disclosure Document.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees may be able to communicate with you. During the last three fiscal years, no former franchisees have signed confidentiality clauses.

## ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit C to this Disclosure Document are our audited financial statements as of December 31, 2020, and December 31, 2021. We have not been franchising for a period of at least three years and, as such, we are not able to disclose our audited financial statements over the past three years. Our fiscal year end is December 31.

## ITEM 22. CONTRACTS

Exhibits D and E of this Franchise Disclosure Document contain all contracts proposed for use or in use regarding the offer of our franchises, including the following agreements:

Exhibit D – Franchise Agreement
- Exhibit A - Site Selection Addendum
- Exhibit B - Personal Guaranty and Guaranty of Spouses

Exhibit C - Collateral Assignment of Lease
Exhibit D - Conditional Assignment of Franchisee's Telephone Numbers and Listings
Exhibit E - Confidentiality and Restrictive Covenant Agreement
Exhibit F – Electronic Funds Withdrawal Authorization
Exhibit G - Franchisee Questionnaire/Compliance Certification
Exhibit E – Sample Termination and Release Agreement

## ITEM 23. RECEIPT

Exhibit J of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to:

Hite Digital International, LLC
1000 N. West St. Ste. 1501
Wilmington, DE 19801

**EXHIBIT A**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

**CALIFORNIA**
Commissioner of Financial Protection and Innovation
One Sansome Street
Suite 600
San Francisco, CA 94104
Tel: (415) 972-8559
Fax: (415) 972-8590
Toll Free: (866) 275-2677

**CONNECTICUT**
Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

**FLORIDA**
Tom Kenny, Regulatory Consultant
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

**HAWAII**
(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)
Department of Commerce &
Consumer Affairs
King Kalakaua Building
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

**MICHIGAN**
(for service of process)
Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
PO Box 30054, 6546 Mercantile Way
Lansing, Michigan 48909
Tel: (517) 241-6470

**ILLINOIS**
Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

**INDIANA**
(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)
Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

**IOWA**
Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059
email: iowasec@iid.state.ia.us

**MARYLAND**
(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

**NEW YORK**
(state agency)
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, NY 10005
Tel: 212-416-8236

**MICHIGAN**
(state agency)
Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
670 Law Building
Lansing, MI 48913
Tel: (517) 373-7117

**MINNESOTA**
Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, MN 55101-2198
Tel: (651) 539-1600

**NEBRASKA**
Gene Schenkelberg, Securities Analyst
Department of Banking & Finance
1200 N. Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
Tel: (402) 417-3445

**NEW YORK**
(for service of process)
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

**TEXAS**
Statutory Document Section
Secretary of State
1719 Brazos
Austin, Texas 78701
Attn: Dorothy Wilson
Tel: (512) 475-1769

**UTAH**
Director, Division of Consumer Protection
Utah Dept. of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
Tel: (801) 530-6601
Fax: (801) 530-6001

**VIRGINIA**
(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

**NORTH DAKOTA**
(for service of process)
North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

(state agency)
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510
Tel: (701) 328-2910

**OREGON**
Director, Department of Consumer &
Business Services
Division of Finance & Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
Tel: (503) 378-4140
Fax: (503) 947-7862
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**RHODE ISLAND**
Director, Department of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903-4232

**SOUTH DAKOTA**
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

**WASHINGTON**
(state agency)
Administrator
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
Tel: (360) 902-8760
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**WISCONSIN**
Commissioner of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
Tel: (608) 266-2801

**VIRGINIA**
(state agency)
Director
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Tel: (804) 371-9051

**WASHINGTON**
(for service of process)
Administrator
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

**EXHIBIT B**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

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**EXHIBIT C**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

# HITE DIGITAL INTERNATIONAL, LLC

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

HITE DIGITAL INTERNATIONAL, LLC

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020

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KraftCPAs PLLC

# INDEPENDENT AUDITOR'S REPORT

To the Member
Hite Digital International, LLC
Rehoboth Beach, Delaware

## OPINION

We have audited the financial statements of Hite Digital International, LLC (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the related statements of operations, changes in member's deficit and cash flows for the year ended December 31, 2021, and for the period from October 13, 2020 (inception) through December 31, 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hite Digital International, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021, and for the period from October 13, 2020 (inception) through December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

## BASIS FOR OPINION

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

## RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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



KraftCPAs PLLC • Certified Public Accountants and Consultants
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In performing an audit in accordance with GAAS, we:

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

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

Kraft CPAs PLLC

Nashville, Tennessee
April 4, 2022

HITE DIGITAL INTERNATIONAL, LLC

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | $ 8,223 | $ 61,380 |
| Accounts receivable | 54,950 | - |
| Prepaid expenses | - | 511 |
| TOTAL CURRENT ASSETS | 63,173 | 61,891 |
| TOTAL ASSETS | $ 63,173 | $ 61,891 |
| **LIABILITIES AND MEMBER'S DEFICIT** | | |
| CURRENT LIABILITIES | | |
| Current portion of contract liability | $ 109,404 | $ 16,854 |
| Accounts payable | 40,167 | - |
| TOTAL CURRENT LIABILITIES | 149,571 | 16,854 |
| Contract liability, less current portion | 366,688 | 67,416 |
| TOTAL LIABILITIES | 516,259 | 84,270 |
| MEMBER'S DEFICIT | (453,086) | (22,379) |
| TOTAL LIABILITIES AND MEMBER'S DEFICIT | $ 63,173 | $ 61,891 |

See accompanying notes to financial statements.

HITE DIGITAL INTERNATIONAL, LLC

STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 13, 2020 (INCEPTION) THROUGH DECEMBER 31, 2020

| | 2021 | 2020 |
|---|---|---|
| REVENUES | $ 401,436 | $ - |
| EXPENSES | | |
| Advertising | 437,328 | 2,580 |
| Travel | 57,645 | 11,872 |
| Professional fees | 25,322 | 38,664 |
| Contractors | 229,999 | 24,116 |
| Office expenses and other | 81,849 | 5,147 |
| TOTAL EXPENSES | 832,143 | 82,379 |
| NET LOSS | $ (430,707) | $ (82,379) |

See accompanying notes to financial statements.

HITE DIGITAL INTERNATIONAL, LLC

STATEMENTS OF CHANGES IN MEMBER'S DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 13, 2020 (INCEPTION) THROUGH DECEMBER 31, 2020

| | |
|---|---|
| Balance - October 13, 2020 (inception) | $ - |
| Member contribution | 60,000 |
| Net loss | (82,379) |
| Balance (deficit) - December 31, 2020 | (22,379) |
| Net loss | (430,707) |
| Balance (deficit) - December 31, 2021 | $ (453,086) |

See accompanying notes to financial statements.

HITE DIGITAL INTERNATIONAL, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM OCTOBER 13, 2020 (INCEPTION) THROUGH DECEMBER 31, 2020

| | 2021 | 2020 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | $ (430,707) | $ (82,379) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (54,950) | - |
| Prepaid expenses | 511 | (511) |
| Increase (decrease) in: | | |
| Contract liability | 391,822 | 84,270 |
| Accounts payable | 40,167 | - |
| TOTAL ADJUSTMENTS | 377,550 | 83,759 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | (53,157) | 1,380 |
| FINANCING ACTIVITIES | | |
| Member contribution | - | 60,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | 60,000 |
| (DECREASE) INCREASE IN CASH | (53,157) | 61,380 |
| CASH - BEGINNING OF PERIOD | 61,380 | - |
| CASH - END OF PERIOD | $ 8,223 | $ 61,380 |

See accompanying notes to financial statements.

## NOTE 1 - GENERAL

Hite Digital International, LLC (the "Company") organized as a Delaware Limited Liability Company on October 13, 2020. The Company is a digital marketing franchise that serves local marketing at scale. The Company provides franchisees with a system of business training, marketing, advertising programs and management support to assist franchisees in opening and operating franchises. As of December 31, 2021 the Company had 15 franchisees.

### Basis of presentation

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### Trade accounts receivable

Trade accounts receivable are reported at gross sales price less any applicable payments, adjustments and an allowance for doubtful accounts, if any. The Company extends credit based on evaluation of franchisee's financial condition and generally does not require collateral. Trade accounts receivable are generally due under normal trade terms within 30 to 90 days of invoice date. Trade accounts receivable are assessed as past due based on the number of days unpaid since the invoice date. The Company does not charge interest on trade accounts receivable.

### Revenue recognition

The Company has entered into agreements whereby franchisees pay the Company an initial franchise fee and, subsequent, a monthly royalty fee. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a franchisee.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

*Initial franchise fees* - The Company receives a nonrefundable initial franchise fee for any new franchise. In exchange for the initial fee, the Company provides the franchisee with a right to use its intellectual property over the term of the franchise agreement.

The initial franchise fees are included in contract liabilities upon receipt. Revenue from the initial franchise fees are recognized beginning when the performance obligation commences and continuing over the life of the individual franchise agreements. The Company typically grants franchise rights to franchisees for a term of 5 years. The Company considers the start of onboarding clients by the franchisee to be when the performance obligation commences.

*Royalty and other fees* - Franchisees are required to remit to the Company a percentage of their gross revenue as a monthly royalty fee. Additionally, franchisees contribute 1% of its gross revenues to the brand fund. The Company recognizes these sales-based fees as the underlying franchisee sales occur.

The Company’s contracts with customers do not generally result in significant obligations associated with returns, refunds or warranties.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to $437,328 for the year ended December 31, 2021 and $2,580 for the period ended December 31, 2020.

Income taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, taxable income or loss is passed through to the member individually, and the Company is not liable for federal income tax. The Company is not subject to state excise tax under current state law since substantially all of the Company's taxable income is self-employment income to the member.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2021 and April 4, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

## NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Company's cash balances may, at times, exceed statutory limits. The Company has not experienced any losses in such accounts, and management considers this to be a normal business risk.

NOTE 3 - CONTRACT BALANCES

Accounts receivable and contract liabilities from contracts with customers consisted of the following as of December 31, 2021 and 2020:

| | Accounts receivable | | Contract liabilities | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Beginning of period | $ - | $ - | $ 84,270 | $ - |
| End of period | $ 54,950 | $ - | $ 476,092 | $ 84,270 |

NOTE 4 - RELATED PARTY TRANSACTIONS

During 2021 and 2020, respectively the Company paid $214,657 and $24,166 for contractor labor and $275,172 and $0 for advertising services to a related party. At December 31, 2021 and 2020, accounts payable included $10,339 and $0 for amounts due to a related party for contractor labor and advertising services. At December 31, 2021 and 2020, accounts payable included $29,828 and $0 for funds deposited at the Company that belong to a related party.

**EXHIBIT D**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

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**EXHIBITS**

Exhibit A - Site Selection Addendum
Exhibit B - Personal Guaranty and Guaranty of Spouses
Exhibit C - Collateral Assignment of Lease
Exhibit D - Conditional Assignment of Franchisee's Telephone Numbers and Listings
Exhibit E - Confidentiality and Restrictive Covenant Agreement
Exhibit F - Electronic Funds Withdrawal Authorization

**DATA SHEET**

Franchisee: _____

Guarantors: _____

Effective Date: _____

Approved Location: _____

_____

Site Selection Area: _____

_____

Telephone Number: _____

E-Mail Address: _____

Initial Franchise Fee: _____

**The terms of this Data Sheet are incorporated into the attached Franchise Agreement.**

# HITE DIGITAL INTERNATIONAL, LLC
# FRANCHISE AGREEMENT

THIS AGREEMENT (the "Agreement" or "Franchise Agreement") is entered into and made effective this day of _____ by and between Hite Digital International, LLC, a Delaware limited liability company with a principal business address at 1000 N. West St., #1501, Wilmington, DE 19801 and the franchisee identified in the attached Data Sheet ("Franchisee").

## RECITALS

A. Franchisor and its principals have developed a system for operating businesses offering digital marketing services and related products and services under the "Hite Digital" name and mark (each a "Franchised Businesses" or "Business").

B. Franchisor is engaged in the business of granting franchisees the right to operate Franchised Businesses.

C. Franchisee desires to enter into an agreement with Franchisor to obtain the right to operate a Franchised Business using the system developed by Franchisor, the characteristics of which include, depending on Franchisee's location: Franchisor's proprietary standards and specifications for digital marketing services (the "Proprietary Processes"); standard specifications for supplies and equipment; sales techniques, merchandising, marketing, advertising, and management systems; and procedures for operating, promoting, and managing a Business in the manner set forth in this Agreement and in the Operations Manual, as defined in Section 6.1, and modified from time to time (the "System").

D. Franchisor and its franchisees use various trade names, trademarks and service marks including, without limitation, the mark "Hite Digital," in connection with the System (the "Proprietary Marks"). The rights to all Proprietary Marks Franchisor may now, or in the future designate as part of the System, will be owned exclusively by Franchisor or its affiliate and be used for the benefit of Franchisor, its affiliate and Franchisor's franchisees to identify to the public the source of the products and services marketed thereunder.

E. Franchisee has applied to Franchisor for a franchise to operate a Franchised Business and such application has been approved in reliance upon all of the representations made therein.

F. Franchisee hereby acknowledges that adherence to the terms of this Agreement and the standards and specifications of Franchisor are essential to the operation of Franchisee's Franchised Business and to the operations of the System.

**NOW, THEREFORE,** in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, Franchisor and Franchisee hereby agree as follows:

## 1 GRANT OF FRANCHISE

1.1 **Grant and Acceptance**. Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Agreement, and Franchisee hereby accepts, a franchise for the

right to establish and operate one (1) Franchised Business, under the System and Proprietary Marks identified below, and the right to use the System and Proprietary Marks in the operation of the Franchised Business. Franchisor has the right to supplement, improve or otherwise modify the System from time to time in Franchisor's discretion, and Franchisee agrees to comply with all changes, which may include, without limitation, the offer and sale of new or different products or services as Franchisor may specify.

1.2 **Territory**. Franchisee's Site Selection Area is not exclusive and is only intended to give Franchisee a general indication of the area within which Franchisee should locate the site for its Franchised Business. Franchisee may face competition from other franchisees, from outlets that Franchisor owns, or from other channels of distribution. Franchisee shall operate the Franchised Business from the specific site approved by Franchisor.

Franchisee acknowledges that other franchisees may operate their Franchised Businesses from home offices located within the Site Selection Area, and that such franchisee shall have the right to solicit clients within Franchisee's Site Selection Area so long as such clients are not leads registered to Franchisee's Franchised Business. Franchisee may advertise its services and solicit clients both within and outside the Site Selection Area. Franchisee may provide the services or sell products authorized for Hite Digital Businesses to customers whose principal residence (or principal business office, if the customer is a business entity) is outside the Site Selection Area, so long as such customers do not constitute leads registered to another Franchised Business.

1.3 **Approved Location**. Franchisee may operate the Franchised Business from a home office located within the Site Selection Area (unless Franchisor approves otherwise). If Franchisee leases a commercial office space, such space must be located within the Site Selection Area, no more than twenty (20) miles from Franchisee's primary residence, and Franchisee must request approval from Franchisor, which Franchisor may grant or refuse in its sole discretion, and submit to it a copy of the lease prior to signing a lease. If Franchisor has not approved a location for Franchisee to operate the Franchised Business as of the date Franchisee signs this Agreement, the parties will enter into the Site Selection Addendum attached as Exhibit A to this Agreement, the terms of which will govern the parties' site selection obligations. Franchisee may not relocate the Franchised Business without Franchisor's prior written consent.

1.4 **Exclusions and Reservations**. Franchisor and its affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on the Franchised Business. Franchisor has the right to: (i) establish or license franchises and/or company-owned outlets anywhere selling similar products and providing similar services under the Marks or under names, symbols, and marks other than the Marks, including within or outside the Site Selection Area; (ii) sell, or license others to sell, products and services through alternative distribution channels, including e-commerce (Internet), using the Marks; (iii) advertise, or authorize others to advertise anywhere, using the Marks; (iv) establish or license Franchised Businesses under the Marks, at any location; (v) acquire existing businesses anywhere and convert them to the Hite Digital name and/or operate them under another name, either directly or through licensees; (vi) be acquired by or merge with other companies; and (vii) engage in any other activities not expressly prohibited by the Franchise Agreement. Franchisor will not compensate Franchisee for Franchisor's activities in Franchisee's Site Selection Area.

1.5 **Other Channels of Distribution.** Franchisee acknowledges and agrees that certain

of Franchisor's, or its affiliates', products and services, whether now existing or developed in the future, may be distributed in Franchisee's Site Selection Area by Franchisor, Franchisor's affiliates, or Franchisor's franchisees, licensees or designees, in such manner and through such channels of distribution as Franchisor, in its sole discretion, will determine. Franchisee understands that this Agreement grants Franchisee no rights: (i) to distribute such products or services as described in this Section 1.5; or (ii) to share in any of the proceeds received by any such party therefrom. Franchisee may not maintain a website with respect to the Franchised Business without Franchisor's prior written consent. Franchisor has the right to condition its approval on the terms that Franchisor determines are necessary, such as requiring that Franchisee's domain name and home page belong to Franchisor and be licensed to Franchisee for Franchisee's use during the term of this Franchise Agreement.

## 2 TERM AND RENEWAL

2.1 **Term**. The initial term of the Franchise is for a period of five (5) years, which will begin on the date that the Franchisor signs this Agreement.

2.2 **Renewal**. Franchisee has the right to renew this Agreement for one (1) additional (5) year renewal term, provided Franchisee has met the following conditions:

2.2.1 Franchisee has notified Franchisor of Franchisee's intention to renew this Agreement in writing at least ninety (90) days prior to expiration of the current term;

2.2.2 Franchisee has demonstrated, to Franchisor's satisfaction, that Franchisee has the right to operate the Franchised Business at the Approved Location for the duration of the renewal term; or, if Franchisee is unable to operate the Franchised Business at the Approved Location, Franchisee has secured a substitute location acceptable to Franchisor;

2.2.3 Franchisee has completed, to Franchisor's satisfaction, no later than ninety (90) days prior to the expiration of the then-current term, all maintenance, refurbishing, renovating, updating and remodeling of the Franchised Business's premises, and any updates to required hardware and software, required to bring the Franchised Business and all equipment into full compliance with Franchisor's then-current System standards and specifications;

2.2.4 Franchisee is not in breach of any provision of this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's approved/designated suppliers and vendors, and Franchisee has substantially complied with all such agreements during their respective terms;

2.2.5 Franchisee has satisfied all Franchisee's monetary obligations to Franchisor, Franchisor's affiliates, Franchisor's approved/designated suppliers and vendors;

2.2.6 Franchisee executes Franchisor's then-current form of franchise agreement, the terms of which may materially vary from the terms of this Agreement and may include, without limitation, increased royalty fees and increased marketing and advertising obligations;

2.2.7 Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees at Franchisee's expense, as of the date of such renewal, if any;

2.2.8 Franchisee signs a general release, in the form Franchisor prescribes, with the release not inconsistent with any applicable state statute regulating franchises; and

2.2.9 Franchisee pays Franchisor a renewal fee in an amount that is the greater of (a) 50% of the then-current franchise fee or (b) $10,000.

## 3 FEES

3.1 **Initial Franchise Fee.** In consideration of the franchise granted to Franchisee, Franchisee must pay Franchisor an initial franchise fee equal to: (i) for a franchise in a state with no existing Hite Digital businesses, $49,950; and (ii) for a franchise in a state that has one (1) or more Hite Digital businesses as of the Effective Date of this Agreement , $99,900. The initial franchise fee is non-refundable and deemed fully earned upon payment in consideration for administrative and other expenses Franchisor incurs in granting the franchise and for Franchisor's lost or deferred opportunity to franchise to others.

3.2 **Royalty Fee**. Franchisee must pay Franchisor a monthly royalty fee on the first day of each month (or if the first day of the month falls on a weekend or bank holiday, the next business day), calculated as follows: (i) for the first 90 days after signing this Franchise Agreement, eight percent (8%) of Franchisee's Gross Revenues during the immediately preceding Business Month (as defined below); and (ii) following the first 90 days and for the remainder of the Term, an amount equal to the greater of (a) $250 per month; or (b) eight percent (8%) of Franchisee's Gross Revenues during the immediately preceding Business Month (as defined below) ("Royalty"). "Gross Revenues" includes all revenues Franchisee generates from all business conducted at or from Franchisee's Franchised Business during the preceding reporting period, including amounts received from digital marketing services, products, merchandise, and tangible property of any nature whatsoever, whether in cash or for credit, and whether collected or uncollected. Gross Revenues, however, does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged, and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also, excluded from Gross Revenues are the amounts of any documented refunds, chargebacks, credits and allowances given to customers in good faith pursuant to Franchisor's standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee.

3.3 **Gross Revenues Reports.** Franchisee must send Franchisor a signed Gross Revenues report (each, a "Gross Revenues Report") on the first day of each month (or if the first day of the month falls on a weekend or bank holiday, the next business day) stating the Gross Revenues earned by the Franchised Business for the prior month (each, a "Business Month"). For purposes of this Section 3, a "Business Month" begins on the first day of the calendar month and ends on the last day of the calendar month. The Gross Revenues Reports must set forth Franchisee's Gross Revenues generated during the previous Business Month, Franchisee's calculation of the Royalty, Brand Development Fee (as defined in Section 12.5), and any other information Franchisor may require. Franchisor may change the due date, form and content of the Gross Revenues Reports from time to time.

3.4 **Manner of Payment.** The Royalty and Brand Development Fees will be made on

a monthly basis, on the first day of each month (or if the first day of the month falls on a weekend or bank holiday, the next business day) following receipt of the Gross Revenues Reports in the manner Franchisor specifies. Franchisor may institute an electronic funds transfer program (the "EFT Program") under which Franchisor automatically deducts the Royalty and Brand Development Fees owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from Franchisee's bank account. Franchisee must deposit all revenues from operation of Franchisee's Franchised Business into one bank account within three (3) days of receipt, including cash, checks, and credit card receipts. Before opening Franchisee's Franchised Business, Franchisee must provide Franchisor with Franchisee's bank name, address and account number, a voided check from the bank account, and sign and give to Franchisor and Franchisee's bank, all documents, including Exhibit F to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee will immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor will inform Franchisee of the amount to be taken from Franchisee's account at least one (1) day beforehand. Franchisor reserves the right to require Franchisee to pay any fees due under this agreement by such other means as Franchisor may specify from time to time. If any Gross Revenues Report has not been received within the time period required by this Agreement, then Franchisor may process an electronic funds transfer for the subject month based on the most recent Gross Revenues Report provided by Franchisee to Franchisor, provided, that if a Gross Revenues Report for the subject month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the electronic funds transfer, then Franchisor shall be entitled to withdraw additional funds through an electronic funds transfer from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the electronic funds transfer, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

3.5 **Insufficient Funds.** If the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor has the right to immediately debit from Franchisee's bank account interest on such amount from the date it was due until all past due amounts are paid, at a rate of the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law, plus an insufficient funds fee of $100 per occurrence, per payment period overdue. Should any electronic funds transfer not be honored by Franchisee's bank for any reason, Franchisee agrees that Franchisee will be responsible for that payment and any service charge. If any payments are not received when due, Franchisee will be charged interest at a rate of the lesser of eighteen percent (18%) per annum or the maximum rate permitted by law.

3.6 **Failure to Pay Fees in a Timely Manner.** Any late payment or underpayment of the Royalty, Brand Development Fees, or Cooperative contributions (as described in Section 12.6 below), or any other charges or fees Franchisee owes Franchisor or Franchisor's affiliates, will bear interest from the due date until paid at the lesser of eighteen percent (18%) per annum or the highest lawful interest rate which may be charged for commercial transactions in the state in which Franchisee's Franchised Business is located and will be subject to a late fee of $100 per occurrence, per payment period overdue. Nothing contained in this Section will prevent Franchisor from exercising, in Franchisor's sole judgment, any other rights or remedies available to Franchisor under this Agreement.

3.7 **Taxes on Payments**. In the event any taxing authority, wherever located, imposes

any future tax, levy or assessment on any payment Franchisee makes to Franchisor, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

3.8 **Technology Fee**. Franchisor reserves the right to charge Franchisee an on-going technology fee to pay for certain aspects of Franchisee's computer system and/or software ("Technology Fee"). Franchisor reserves the right to designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time upon providing reasonable notice to Franchisee. The current monthly fee is $500 and is subject to change.

3.9 **Operations Manual Replacement Fee**. If Franchisee's copy of the Confidential Operating Manual is lost, destroyed or significantly damaged, Franchisee will be required to obtain a replacement copy and pay us our then-current fee for a replacement copy.

3.10 **Testing or Supplier Approval Fee**. Franchisee must reimburse Franchisor for Franchisor's reasonable costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, or pay Franchisor a fee of $500, whichever is greater, regardless of whether Franchisor subsequently approves the item or supplier. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier.

## 4 PROPRIETARY MARKS

4.1 **Franchisee's Use of the Proprietary Marks and Other Proprietary Material**.

4.1.1 Franchisee must use only the Proprietary Marks that Franchisor designates and must use them only in the manner Franchisor authorizes and permits.

4.1.2 Franchisee must use the Proprietary Marks only for the operation of the Franchised Business at the Approved Location and for advertising the Franchised Business.

4.1.3 Franchisee will use all Proprietary Marks without prefix or suffix and in conjunction with the symbols "TM," "SM," "S," or "R," as applicable. Franchisee may not use the Proprietary Marks in connection with the offer or sale of any services or products that Franchisor has not authorized for use in connection with the System. Franchisee may not use the Proprietary Marks as part of Franchisee's corporate or other legal name. Franchisee's corporate name and all fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use. Franchisee must use Franchisee's corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "Hite Digital" or another business name approved by Franchisor. Franchisee must promptly register at the office of the county in which Franchisee's Franchised Business is located, or such other public office as provided for by the laws of the state in which Franchisee's Franchised Business is located, as doing business under such assumed business name.

4.1.4 Franchisee must identify itself as the owner of the Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, customer forms and questionnaires, business stationery, and advertisements.

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

4.1.6 Franchisee will not use the Proprietary Marks to incur any obligation or indebtedness on Franchisor's behalf.

4.1.7 Franchisee will execute all documents Franchisor deems necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

4.1.8 Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks and Proprietary Software (as defined in Section 7.8.5 below), if any, Franchisor may now or hereafter designate for use in connection with the System, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Proprietary Marks, the Proprietary Software, and Operations Manual (collectively the "Proprietary Material"). Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Material, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Franchisor's rights to the Proprietary Material. Franchisor has the right, though not the obligation, to defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Material. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has used the Proprietary Material in accordance with this Agreement, Franchisor will bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Proprietary Material in accordance with this Agreement, Franchisee will bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Proprietary Material, Franchisee will execute any and all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Material in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of-pocket costs in performing such acts.

4.1.9 Franchisee expressly understands and acknowledges that:

4.1.9.1 Franchisor or its affiliates or licensors own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Proprietary Marks;

4.1.9.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

4.1.9.3 During the term of this Agreement and after its expiration or termination, Franchisee will not directly or indirectly contest the validity of, or Franchisor's ownership of, or right to use and to license others to use, the Proprietary Marks or any other Proprietary Material;

4.1.9.4 Franchisee's use of the Proprietary Material does not give

Franchisee any ownership interest or other interest in or to the Proprietary Material;

4.1.9.5 Any and all goodwill arising from Franchisee's use of the Proprietary Material will inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the System, the Proprietary Marks, or any other Proprietary Material;

4.1.9.6 Except as specified in Section 1 hereof, the license of the Proprietary Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use the Proprietary Marks itself in connection with selling products and services; (ii) to grant other licenses for the Proprietary Marks; and (iii) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

4.1.9.7 Franchisor has the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. Franchisee must discontinue using all Proprietary Marks that Franchisor has notified Franchisee, in writing, have been modified or discontinued within ten (10) days of receiving written notice and, at Franchisee's sole cost and expense, must promptly begin using such additional, modified or substituted Proprietary Marks.

## 5 CONFIDENTIAL INFORMATION

5.1 **Nondisclosure**. During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secret and confidential information ("Confidential Information"), including operating procedures, sources of supply, supplier contracts, advertising materials, equipment specifications, any information contained in the Operations Manual, trade secrets, the Proprietary Processes, copyrighted materials, and other methods, techniques and know-how concerning the operation of the Franchised Business that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation of the Franchised Business. Franchisee will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. Franchisee may divulge Confidential Information only to those of Franchisee's employees as must have access to it in order to operate the Franchised Business. Franchisee acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i)-(iv) collectively "Customer Lists"), and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Franchisee may divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data that Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement. Franchisee acknowledges and agrees that Franchisor has expended considerable time, effort, and money to develop the System, that the enumerated Confidential Information is not well known outside of the System, that the Confidential Information is of great value to the Franchisor, and that Franchisor is implementing this non-disclosure policy in an effort to protect its trade secrets and Confidential Information. Franchisee acknowledges that in the event of

the actual or threatened breach of this Section 5.1, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm.

5.2 **Employees**. Franchisee must require all of Franchisee's employees to execute covenants promising to maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business premises. Such covenants will be in a form satisfactory to Franchisor and substantially similar to the Confidentiality and Restrictive Covenant Agreement attached as Exhibit E to the Franchise Agreement. These covenants must, without limitation, specifically identify Franchisor as a third-party beneficiary of such covenants with independent rights to enforce those covenants.

5.3 **New Concepts.** If Franchisee, Franchisee's employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, including, but not limited to, any modifications or additions to the Proprietary Processes, Franchisee must promptly notify Franchisor and provide Franchisor with all necessary related information, without receiving compensation in return. Any such concept, process or improvement will become Franchisor's sole property, and Franchisor will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. Franchisee and Franchisee's principals and agents hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's principals and agents agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Franchisee and Franchisee's principals and agents hereby irrevocably designate and appoint Franchisor as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 5.3 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals and agents hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

## 6 FRANCHISOR'S OBLIGATIONS

6.1 **Operations Manual**. Franchisor will loan Franchisee one (1) copy of Franchisor's proprietary and confidential Operations Manual and any other manual Franchisor may now or hereafter designate for use in operating a Franchised Business (collectively, the "Operations Manual"), in hardcopy and/or electronic format. Franchisee will operate the Franchised Business in strict compliance with the Operations Manual, as it may be reasonably changed from time to time. The Operations Manual must remain confidential and Franchisor's exclusive property. Franchisee will not disclose, duplicate or make any unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. Franchisee will ensure that Franchisee's copy of the Operations Manual is current and up to date and keep a copy of the Operations Manual on the Franchised Business premises. If there is a dispute relating to the contents of the Operations Manual, the master copy, which Franchisor maintains at Franchisor's corporate headquarters, will control. Franchisor reserves the right to disclose updates to the Operations Manual via electronic means, including over Franchisor's website

or any intranet or extranet system established in connection with the System.

6.2 **Equipment Selection**. Franchisor will provide Franchisee with specifications and requirements for the equipment required for the opening of Franchisee's Franchised Business.

6.3 **Supplies**. Franchisor will provide specifications for and designate sources of suppliers from which Franchisee agrees to purchase goods and supplies necessary for the ongoing operations of Franchisee's Franchised Business.

6.4 **Ongoing Assistance**. Franchisor will provide Franchisee continuing consultation and advice as Franchisor deems necessary and appropriate regarding the management and operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication and on-site visits. If Franchisee requires and requests additional on-site assistance from Franchisor, or if Franchisor mandates additional training, subject to the availability of Franchisor's personnel, Franchisor will provide Franchisee with such assistance at Franchisor's then-current rate for providing such assistance, plus expenses, including Franchisor's travel and lodging expenses.

6.5 **Additional Training**. Franchisor may, in Franchisor's sole discretion, hold refresher and ongoing training courses, or training courses upon a significant change to the System, in order to provide additional assistance to Franchisees. Franchisor may require Franchisee and Franchisee's employees to attend such training at its then-current fee for providing such training. All expenses, including Franchisee and Franchisee's employees' transportation, meal, and lodging expenses to attend such training shall be Franchisee's sole responsibility.

6.6 **Annual Conference**. Franchisor may, in Franchisor's discretion, hold an annual conference at a location to be selected by Franchisor (the "Annual Conference"). Franchisor will determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding Franchised Business operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the Annual Conference, for a duration designated by Franchisor, and to pay Franchisor's then-current registration fee if it chooses to charge a registration fee in its sole discretion. All expenses, including Franchisee's and Franchisee's employees' transportation to and from the Annual Conference, lodging, meals, and salaries during the Annual Conference, are Franchisee's sole responsibility. Franchisor may use Brand Development Fees for purposes related to the Annual Conference, including costs related to productions, programs, and materials. If Franchisee fails to attend the Annual Conference without Franchisor's prior written consent, Franchisee must pay Franchisor a fee of $1,000.

6.7 **Site Selection**. Franchisor may identify markets for future development and potential sites for Franchisee's Franchised Business; provided, however, Franchisee will remain responsible for selecting a location, subject to Franchisor's approval, and negotiating a lease (if applicable), as more fully discussed in Section 7.1 below. Franchisor's assistance with the site selection process in no way constitutes a representation or guarantee of success in the proposed location.

6.8 **Toll Free Telephone Number**. Franchisor has the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of dealing with prospective

customers, customer service, customer follow-up and satisfaction surveys. If Franchisor establishes a toll-free number, Franchisee must comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Operations Manual or otherwise in writing, and Franchisee may be required to pay a fee related to the establishment, operation and maintenance of the toll-free telephone number.

## 7 FRANCHISEE'S OBLIGATIONS

7.1 **Site Location and Approval**. Franchisee may operate the Franchised Business from a home office located within the Site Selection Area. If Franchisee needs to secure real estate for the operation of the Franchised Business, Franchisee must secure such real estate, by purchase or lease, within 60 days of signing this Agreement, and it must be located within twenty (20) miles of Franchisee's primary residence. If Franchisor has not approved a location for Franchisee to operate the Franchised Business as of the date Franchisee signs this Agreement, the parties will enter into the Site Selection Addendum attached as Exhibit A to this Agreement, the terms of which will govern the parties' site selection obligations. Franchisor has the right to review, evaluate and approve Franchisee's proposed lease for the Approved Location ("Lease") prior to execution. Franchisor may condition Franchisor's approval of any proposed Lease on, among other things, Franchisee and Franchisee's landlord's execution of a Collateral Assignment of Lease (attached as Exhibit C to this Agreement) which (i) grants Franchisor the right, but not the obligation, to assume the Lease upon (a) Franchisee's default on the Lease, or (b) termination, transfer or expiration of this Agreement; and (ii) authorizes and requires Franchisee's landlord to disclose to Franchisor, upon Franchisor's request, sales and other information Franchisee has furnished to the landlord. Franchisee must deliver an executed copy of the Lease and the Collateral Assignment of Lease to Franchisor within fifteen (15) days of execution of the Lease. Neither Franchisor's review of the Lease nor Franchisor's acceptance of the site Franchisee has selected constitutes a representation or guarantee that Franchisee will succeed at the selected Approved Location or an expression of Franchisor's opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Franchised Business premises.

7.1.1 *Relocation*. If, for any reason, the Lease term is shorter than the term of this Agreement and the Lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Approved Location, Franchisee must notify Franchisor and request the right to relocate Franchisee's Franchised Business. Franchisee must relocate Franchisee's Franchised Business to a mutually acceptable site within Franchisee's Site Selection Area to complete the unexpired portion of the term of this Agreement. Franchisee must notify Franchisor of Franchisee's intention to relocate, procure a site acceptable to Franchisor within ninety (90) days prior to closing operations at Franchisee's current Approved Location, and open for business at the new Approved Location within thirty (30) days of closing business at Franchisee's existing Approved Location. Franchisee must reimburse Franchisor for the actual costs it incurs in connection with approving the relocation of Franchisee's Franchised Business. If Franchisee relocates, Franchisee must reimburse Franchisor for the expenses it actually incurred in approving such relocation.

7.2 **Training**. Franchisee (or Franchisee's principal, as applicable) and its Key Manager, as defined in Section 7.6.5, (if applicable) must attend and successfully complete Franchisor's initial training program as set forth in Section 8.1.

7.3 **Opening Requirements**. Franchisee must open the Franchised Business for business no later than ninety (90) days after this Agreement is signed. For purposes of this Agreement, Franchisee will be deemed to have opened the business when Franchisee first opens the Franchised Business to serve customers.

7.4 **Purchasing Requirements**.

7.4.1 *Compliance with Standards*. Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Agreement and the Operations Manual are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee must adhere to the standards and specifications set forth in this Agreement and the Operations Manual and any revisions or amendments to same, including, without limitation, standards and specifications for provision of digital marketing services, the provision or sale of any related goods or services, required purchases from designated suppliers. Franchisee must use the supplies and equipment that comply with Franchisor's then-current standards and specifications, which Franchisor establishes from time to time. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes.

7.4.2 *Designated and Approved Suppliers*. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase: (a) Franchised Business equipment; and (b) supplies, computer hardware and software, and other equipment from Franchisor's designated or approved suppliers (which may include third party suppliers, Franchisor and/or one or more of Franchisor's affiliates). Franchisor may communicate its list of designated and approved suppliers in the Operations Manual or through other written specifications, which may be communicated electronically. Franchisee hereby acknowledges that Franchisor, Franchisor's affiliate and/or one or more third parties may be one of several, or the only, approved supplier of any item. Franchisee further acknowledges that Franchisor and/or Franchisor's affiliates have the right to derive material consideration on account of Franchisee purchases or leases. Without limiting the foregoing, Franchisor and/or its affiliates have the right to realize a profit on any items that Franchisor, Franchisor's affiliates or Franchisor's approved suppliers supply to Franchisee. Franchisor reserves the right to designate itself as a supplier or the sole supplier of any item, equipment, product and/or service, including, without limitation, the products listed above and the products and/or services sold at the Franchised Business.

7.4.3 *Supplier Approval*. In the event Franchisee wishes to purchase any unapproved item, including supplies and equipment, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor with a sample of the item Franchisee wishes to purchase for testing purposes. Franchisee must reimburse Franchisor for Franchisor's reasonable costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, or pay Franchisor a fee of $500, whichever is greater, regardless of whether Franchisor subsequently approves the item or supplier. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only

directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. If Franchisor approves the product or supplier for use with the entire franchise System, Franchisor shall refund the application fee to Franchisee within thirty (30) days of such decision. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Franchisor shall make a good faith effort to respond to Franchisee's request for a new supplier within thirty (30) days of receiving all of the necessary materials. If Franchisor does not respond within the thirty (30) day timeframe, the supplier is deemed disapproved. Nothing herein will require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. Franchisor may revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier and/or offering and selling such products. Franchisee must use products purchased from approved suppliers solely in connection with the operation of Franchisee's Franchised Business and not for any competitive business purpose.

7.4.4 *System Suppliers*. Franchisor may establish business relationships, from time to time, with suppliers who may produce, among other things, supplies and equipment, according to Franchisor's proprietary standards and specifications or private label goods that Franchisor has authorized and prescribed for sale by System franchisees ("System Suppliers"). Franchisee recognizes that such products are essential to the operation of the Franchised Business and to the System generally. Franchisee further recognizes that Franchisee's failure to pay System Suppliers may interfere with such suppliers' willingness to supply the System, which may result in other System franchisees' inability to obtain product or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee agrees to pay System Suppliers as and when due.

7.5 **Authorized Products and Services**. Franchisee will offer for sale all products and services that Franchisor prescribes and only those products and services that Franchisor prescribes. Franchisee may not offer any other products for sale, rent, or lease without having received Franchisor's prior written authorization. Franchisee must offer and sell all private label products that Franchisor may now or in the future designate for sale by System franchisees. Franchisee must discontinue offering any product or service Franchisor disapproves.

7.6 **Operations**.

7.6.1 Franchisee must operate Franchisee's Franchised Business for at least those hours, days, and months that Franchisor specifies in the Operations Manual.

7.6.2 Franchisee must maintain the Franchised Business in a clean, safe and attractive manner, and in accordance with all applicable requirements of law, including all federal, state and local health laws or regulations, and the Operations Manual. Franchisee and Franchisee's employees must give prompt, courteous and efficient service to the public and otherwise operate the Franchised Business so as to preserve, maintain and enhance the reputation and goodwill of the System.

7.6.2.1 In order to ensure that all services provided by Franchisee meet Franchisor's high standards, and in order to protect Franchisor's goodwill, Proprietary Marks, Proprietary Processes and other proprietary material, all services will be provided only by properly trained personnel strictly in accordance with Franchisor's techniques and processes, and the Operations Manual, and will be provided to customers only from the Approved Location in conformity with Franchisor's marketing plan and concept. Franchisee acknowledges that such techniques and processes are integral to the System and failure to strictly adhere to such techniques and processes will be detrimental to the System and Proprietary Marks and will constitute a default of this Agreement.

7.6.3 Franchisee must employ a sufficient number of qualified, competent personnel, offer prompt, courteous and efficient service to the public, and otherwise operate the Franchised Business in compliance with the Operations Manual to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of Franchisee's Franchised Business during working hours must dress in conformance with Franchisor's standards, must present a neat and clean appearance in conformance with Franchisor's reasonable standards and must render competent, efficient service to the customers of the Franchised Business.

7.6.4 Franchisee agrees to conduct the Franchised Business in accordance with the Operations Manual. Franchisee must immediately train and instruct Franchisee's employees in accordance with the Operations Manual and will continue such training and instruction as long as each employee is employed. The Operations Manual will set forth the practices, procedures and methods to be used in Franchisee's Franchised Business and Franchisor may require Franchisee to conform Franchisee's practices to national programs, which Franchisor has designed and promulgated as part of Franchisor's System.

7.6.5 Franchisee (or at least one of Franchisee's principals if Franchisee is a corporation, partnership or other entity) must personally supervise the day-to-day operations of the Franchised Business. Franchisee (or at least one of Franchisee's principals if Franchisee is a corporation, partnership or other entity) must devote his or her personal full-time attention and best efforts to the management and operation of the Franchised Business. If Franchisee is a corporation, partnership or other entity, Franchisee may, however, delegate the day-to-day operation of Franchisee's Franchised Business to a key manager who has Franchised Business experience ("Key Manager"). Franchisor must approve Franchisee's Key Manager in writing prior to hiring, and Franchisee's Key Manager must successfully complete Franchisor's initial training program before assuming any managerial responsibility. Franchisee's Franchised Business must, at all times, be staffed with at least one (1) individual who has successfully completed Franchisor's initial training program as set forth in Section 8.1. Franchisee will keep Franchisor informed at all times of the identity of any employee acting as Key Manager of a Franchised Business. In the event that a Key Manager resigns or is otherwise terminated from Franchisee's Franchised Business, Franchisee will hire a replacement approved in writing by Franchisor who meets Franchisor's then-current standards for Key Managers within thirty (30) days after termination or resignation of the prior Key Manager. Franchisee must train the new Key Manager within thirty (30) days of hiring. Franchisor reserves the right, without the obligation, to train the new Key Manager directly. Any Key Manager(s) must devote full-time and best efforts to the day-to-day operation and management of the Franchised Business and cannot engage in any other business activity without Franchisor's prior written consent.

7.6.6 Franchisee must, at all times, maintain such working capital as may be

reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the Franchised Business in a businesslike, proper and efficient manner.

7.6.7 Franchisee must at all times employ a sufficient number of employees to adequately meet consumer demand.

7.6.8 Franchisee must provide all digital marketing services in accordance with Franchisor's standards and specifications.

7.7 **Site Evaluation**. Franchisee agrees that in order to maintain the high quality and uniform standards associated with the System and to protect its goodwill and reputation, Franchisee will permit Franchisor, during business hours, to inspect Franchisee's Franchised Business, confer with Franchisee and Franchisee's employees and customers, check equipment and methods, and perform any other inspection that Franchisor deems necessary to protect the standards of quality and uniformity of the System and Franchisee's performance under this Agreement. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor.

7.8 **Computer Software and Hardware**.

7.8.1 *Computer System*. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee.

7.8.2 *Required Software*. Franchisor shall have the right, but not the obligation, to develop or designate: (i) computer software programs Franchisee must use in connection with any component of the Computer System (the "Required Software"), which Franchisee shall install at Franchisee's expense; (ii) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install at Franchisee's expense; (iii) the tangible media upon which Franchisee records data; and (iv) the database file structure of the Computer System. Franchisee shall be responsible for the payment of all fees associated with the Required Software, Computer System and POS System.

7.8.3 *Compliance with Requirements*. At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisee agrees to pay all fees associated with the use of Required Software, which may be payable to Franchisor or Franchisor's approved or designated suppliers. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software, including any security software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees its compliance with this Section 7.8.3 shall be at Franchisee's sole cost and expense.

7.8.4 *Franchisor's Access*. Franchisor may require that Franchisee's Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor shall also have the right to, at any time without notice,

electronically connect with Franchisee's Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisor's right to access the information and data on Franchisee's POS System and Computer System. Franchisee shall deliver to Franchisor all access codes, static internet protocol ("IP") addresses and other information to facilitate Franchisor's access to the data described in this Section 7.8 within thirty (30) days of opening the Franchised Business.

7.8.5 *Proprietary Software*. Franchisor may now or in the future create or designate a proprietary software program, and Franchisor will retain a proprietary interest in all databases, lists, templates, programs and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software (the "Proprietary Software"). Proprietary Software may conduct, among other things, scheduling, accounting, fulfillment, and related activities. Franchisee must obtain the computer hardware necessary to implement the Proprietary Software into the Franchised Business and comply with all specifications and standards prescribed by Franchisor regarding the Proprietary Software as provided in the Operations Manual. This Proprietary Software will be Franchisor's proprietary product, and the information collected therefrom will be deemed Franchisor's confidential information. Franchisee agrees to sign Franchisor's then-current form of software license agreement for any Proprietary Software Franchisor may now or in the future create, pay any license fees associated with use of Proprietary Software, and upgrade the Proprietary Software as Franchisor designates.

7.8.6 *Computer Network*. Franchisee is required to participate in any System-wide computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor online; (ii) view and print portions of the Operations Manual, including any updates or modifications thereto; (iii) download approved advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) to complete any initial or ongoing training. Franchisee agrees to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

7.9 **Personal Conduct**. Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor's Proprietary Marks into disrepute.

7.10 **Best Efforts**. Franchisee must use its best efforts to promote and increase the demand for provided services. All of Franchisee's advertising and promotion must be completely factual and conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and System.

7.11 **Telephone.** Franchisee must obtain a new telephone number and telephone listing at Franchisee's expense, to be listed under the "Hite Digital" name (or another name approved by Franchisor) and not under Franchisee's corporate, partnership, or individual name, and to be used exclusively in connection with Franchisee's operation of the Franchised Business. Upon the expiration, transfer or termination of this Agreement for any reason, Franchisee must terminate Franchisee's use of such telephone number and listing and assign the same to Franchisor or

Franchisor's designee. Franchisee must answer the telephone in the manner Franchisor specifies in the Operations Manual.

7.12 **Payment of Debts**. Franchisee is solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Business; and determining whether, and on what terms, to obtain any financing or credit that Franchisee deems advisable or necessary for the conduct of the Franchised Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between System Suppliers and System franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from Franchisee's operation of the Franchised Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

7.13 **Compliance with Applicable Laws.** Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business (including, without limitation, all government regulations relating to occupational hazards and health, consumer protection, trade regulation, workers' compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA") regarding the design and operation of the Franchised Business). Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

7.14 **Health and Safety Standards.** Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within two (2) days of its receipt thereof, a copy of all health inspection reports and any violation or citation that indicates Franchisee's failure to maintain federal, state, or local health or safety standards in the operation of the Franchised Business. Franchisee's failure to cure such violations within twenty-four (24) hours shall constitute grounds for immediate termination, upon notice, pursuant to Section 15.2.8 of this Agreement.

7.15 **Trade Secrets and Confidential Information**. Franchisee must maintain the confidentiality of all Confidential Information as set forth in Section 5 of this Agreement.

7.16 **Image**. Franchisee acknowledges that Franchisor has developed the System to offer and sell products that will distinguish the Franchised Business from other businesses that offer similar products and services valued at different prices and with less attention paid to quality and customer service. Franchisee agrees to offer products and services and to operate the Franchised Business in such a manner that emulates and enhances the image Franchisor intends for the System. Franchisee

further acknowledges and agrees that each aspect of the System is important not only to Franchisee but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system-wide uniformity and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Hite Digital business. Franchisee will, in the operation of the Franchised Business, materials imprinted with the Proprietary Marks and colors as prescribed from time to time by Franchisor.

7.17 **Pending Actions.** Franchisee must notify Franchisor, in writing, within five (5) days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

7.18 **Standard Maintenance and System Conformity**. Franchisee agrees to repair, refinish, repaint, replace, and/or otherwise redo the Franchised Business, including supplies, equipment and any other tangible part or property of the Franchised Business, at Franchisee's sole expense at such times as Franchisor may reasonably direct. At any time after the 5th year of the term, Franchisor has the right to direct Franchisee to re-equip or otherwise refurbish the Approved Location in the manner necessary to bring it into conformance with other franchises of the type Franchisor and Franchisor's franchisees are opening at the time of such direction.

## 8 TRAINING

8.1 **Initial Training Program**. Franchisee must attend, and complete to Franchisor's satisfaction, Franchisor's initial tuition-free training program. Franchisor reserves the right to require up to two (2) additional employees to attend Franchisor's initial training program along with Franchisee. If Franchisee is a partnership, corporation or limited liability company, at least one (1) of the trainees must be Franchisee's general partner, principal shareholder, or manager as appropriate. If Franchisee has a Key Manager, as described in Section 7.6.5, then he or she will attend and complete the required training. The required training lasts up to five (5) days and will consist of classroom and practical experience, including training in offering customer service, maintaining financial controls and general bookkeeping procedures, operational techniques, human resources, instruction on using any required hardware or software, and maintenance procedures. All training will be held at Franchisor's affiliate-owned business, located in Wilmington, Delaware, or a different site designated by Franchisor. All trainees whom Franchisee designates must attend the training course at the same time. All training related expenses, including Franchisee and Franchisee's employees' transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Franchisee and Franchisee's employee shall attend and complete Franchisor's initial training class to Franchisor's satisfaction at least thirty (30) days prior to the opening of Franchisee's Franchised Business. Should Franchisee or Franchisee's employees fail to complete the initial training program to Franchisor's satisfaction, the respective person may repeat the course, or in the case of an employee, Franchisee may send a replacement (the "Replacement Personnel") to the next available initial training program. Franchisor may charge for such Replacement Personnel attending an initial training program. Failure by Franchisee, an employee or any Replacement Personnel to complete the initial training program to Franchisor's satisfaction within the time period prescribed in this Agreement will constitute default of this Agreement and Franchisor may terminate the Agreement.

8.2 **Additional On-Site Training**. As part of the initial training program, Franchisor will provide Franchisee with two (2) days of on on-site assistance at Franchisee's location immediately prior to and after the opening of its Franchised Business at no additional charge ("Additional On-Site Training"). Additional On-Site Training will include review and assessment of operations, staff training/performance, and final plans for opening. If additional training is required beyond the Additional On-Site Training, Franchisee will be advised of the adjustments needed to successfully complete the initial training program and be approved for opening.

8.3 **Training of Additional Personnel.** Franchisee's other employees may be trained by Franchisee, or at Franchisee's request, and subject to the availability of Franchisor's personnel, Franchisor will train Franchisee's additional personnel and require Franchisee to pay Franchisor's then-current fee for additional training. All training related expenses for Franchisee's additional teaching personnel, including transportation to and from the training site, lodging, meals, and salaries during training, are Franchisee's sole responsibility. Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel. Updated training materials will be provided to Franchisee by Franchisor upon written request. All training materials provided to Franchisee by Franchisor will, at all times, remain Franchisor's property, and Franchisee agrees not to challenge Franchisor's or Franchisor's affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

8.4 **Additional or Refresher Training Programs.** To assist Franchisee in the operation of Franchisee's Franchised Business, Franchisor may offer additional training programs and/or refresher courses to Franchisee, Franchisee's Key Manager and/or Franchisee's employees. Franchisor may require Franchisee's attendance at these programs and/or courses up to five (5) days per year. Franchisee is responsible for the expenses of Franchisee, Franchisee's Key Manager, and Franchisee's employees, including transportation to and from the training site and lodging, meals, and salaries during such training.

## 9 INSURANCE

Franchisee agrees to purchase/procure and maintain such insurance covering the operation and location of the Franchised Business as Franchisor may designate from time to time. Franchisor's present insurance requirements are as follows: (1) broad form comprehensive general liability coverage against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business or otherwise in conjunction with the conduct of the Franchised Business pursuant to the this Agreement, and broad form contractual liability coverage under one or more policies of insurance containing the minimum liability coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate, or as otherwise prescribed by Franchisor from time to time; (2) rental insurance in a minimum amount of $500,000 or property insurance in a minimum amount of $1,000,000; (3) worker's compensation and employer's liability insurance in statutory amounts and unemployment insurance and state disability insurance as required by the applicable governing law, but no less than $1,000,000, for Franchisee's employees; (4) product liability insurance containing a minimum liability coverage of $2,000,000; (5) employment practices liability coverage of $1,000,000, or such amount as reasonably determined by Franchisor; (6) owned and non-owned automobile liability insurance with minimum combined single

limits of $1,000,000; (7) commercial umbrella insurance in a minimum amount of $1,000,000; and (8) any other insurance that Franchisor may specify in the Operations Manual or otherwise in writing from time to time. Franchisee agrees to provide Franchisor with proof of coverage on demand. Franchisee agrees to obtain these insurance policies from insurance carriers that are rated "A-VIII" or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which Franchisee operates its Franchised Business. All insurance policies must: (i) name Franchisor (and Franchisor's members, officers, directors, and employees) as additional insureds; and (ii) contain a waiver by the insurance carrier of all subrogation rights against Franchisor. Furthermore, Franchisee shall be required to provide ten (10) days prior written notice of the termination, expiration, cancellation or modification of any insurance policy. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the Lease of the Approved Location or by any of Franchisee's lenders or equipment lessors. If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect and Franchisee shall pay Franchisor, on demand, the premium cost thereof and administrative costs of eighteen percent (18%) in connection with Franchisor's obtaining the insurance. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty-four (24) hours. Franchisee has a twenty-four (24) hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, nonrenewal or material modification, except upon at least thirty (30) days prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certification of insurance that demonstrates compliance with this Section. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## 10 FINANCIAL RECORDS AND REPORTS

Franchisee must maintain, for at least five (5) fiscal years from their preparation, complete financial records for the operation of the Franchised Business in accordance with generally accepted accounting principles and must provide Franchisor, at Franchisor's request, with: (i) a monthly Gross Revenues Report signed by Franchisee and in the form Franchisor specifies that contains the sales information pertaining to the preceding Business Week including, without limitation, a summary of all monies received during the relevant period, as well as services purchased, average sales, and any other additional information which Franchisor deems necessary to properly evaluate Franchisee's progress; (ii) a monthly income statement and profit and loss statement, in a format specified by Franchisor, including a standard chart of accounts, within fifteen (15) days after the end of each month; (iii) annual financial reports and operating statements in the form Franchisor specifies, prepared by a certain public accountant or state licensed public accountant, within thirty (30) days after the close of each of Franchisee's fiscal years; (iv) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which Franchisee's Franchised Business is operated, within thirty (30) days after their timely completion; and (v) such other reports as Franchisor may from time to time require, in the form and at the time Franchisor prescribes. Franchisee's fiscal year must be on a calendar year basis. Franchisee agrees to provide an unaudited quarterly profit and loss statement covering Franchisee's Franchised Business. These reports are due on the fifteenth ($15^{th}$) day of each quarter. Franchisee must also provide an unaudited profit and loss statement covering the Franchised Business for Franchisee's fiscal year end. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at

Franchisor's discretion, may specify the form in which the business records are to be maintained and provide a uniform set of business records for Franchisee to use. Franchisor will have full access to all of Franchisee's data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at Franchisee's sole expense.

## 11 BOOKS AND RECORDS

Franchisee must maintain accurate business records, reports, accounts, books and data relating to the operation of Franchisee's Franchised Business. Franchisor and Franchisor's designees have the right to inspect and/or audit Franchisee's business records at any time during normal business hours, to determine whether Franchisee is current with suppliers and are otherwise operating in compliance with the terms of this Agreement and the Operations Manual. If any audit reveals that Franchisee has understated Franchisee's Royalty or marketing payments by more than two percent (2%), or if Franchisee has failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12)-month period, Franchisee must pay the reasonable cost of such audit and/or inspection, including the cost of outside auditors and attorneys (to the extent Franchisor incurs such costs), together with amounts due for Royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Agreement.

## 12 MARKETING AND ADVERTISING

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

12.1 **Generally**. Franchisee must submit to Franchisor, at least twenty (20) days prior to publication or use, samples of all sales, promotional, and advertising materials Franchisee desires to use, including, but not limited to, print, radio and television advertising, digital advertising, supplies and packaging that Franchisor has not previously approved. Such submission will not affect Franchisee's right to determine the prices at which Franchisee sells Franchisee's products. Within ten (10) days of Franchisor's receipt of any sample sales promotional material or advertising materials from Franchisee, Franchisor will notify Franchisee in writing of Franchisor's approval or disapproval of the materials. If Franchisor's written approval thereof is not received within ten (10) days, the submitted material will be deemed to have been approved. Franchisee cannot use any advertising or promotional materials that have not previously been approved by Franchisor. All advertising must prominently display the Proprietary Marks and comply with any standards for use of the Proprietary Marks Franchisor establishes as set forth in the Operations Manual or otherwise in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, within time frames prescribed by Franchisor, at Franchisee's sole cost and expense.

12.2 **Advertising Restriction**. Franchisee may advertise its services and solicit clients both within and outside the Site Selection Area. Franchisee may provide the services or sell the products authorized for Hite Digital Businesses to customers who principal residence (or principal business office, if the customer is a business entity) is outside Franchisee's Site Selection Area, so long as such customers do not constitute leads registered to another Franchised Business. Franchisee

may not advertise the Franchised Business, or any products or services offered by the Franchised Business via the Internet or any other means of e-commerce, except as permitted in Section 12.3.

12.3 **Internet Website.** Franchisee must have and maintain adequate hardware and software in order to access the Internet at the bit speed Franchisor requires from time to time. Franchisee is prohibited, however, from establishing any website or other presence on the Internet, except as provided herein.

12.3.1 Franchisor may, but is not obligated to, establish an Internet website that provides information about the System and the products and services offered by Hite Digital businesses. In the event Franchisor exercises its right to create such a website, Franchisor shall have sole discretion and control over the website (including timing, design, contents and continuation).

12.3.2 Franchisor may, but is not obligated to, create interior pages on its website(s) that contain information about the Franchised Business and other Hite Digital franchised businesses. If Franchisor does create such pages, Franchisor may require Franchisee to prepare all or a portion of the page for the Franchised Business, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

12.3.3 Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such World Wide Web or Internet site in accordance with System standards and any other policies Franchisor designates in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s).

12.3.4 Franchisor shall have the right to modify the provisions of this Section.

12.3.5 Franchisor may use a portion of the Brand Development Fee or the Technology Fee to pay or reimburse itself for the costs incurred in connection with the development, maintenance and update of its website.

12.3.6 Franchisee acknowledges that Franchisor and/or Franchisor's affiliates are the lawful, rightful and sole owner of the Internet domain name www.hitedigital.com as well as any other Internet domain names registered by Franchisor and/or Franchisor's affiliates, and unconditionally disclaims any ownership interest in such Internet domain names and any Internet domain names similar thereto. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

12.4 **Brand Fund**. Franchisor has established a brand fund (the "Brand Fund") for the common benefit of System Franchisees. Franchisee shall participate in and contribute monthly to the Brand Fund in an amount equal to the greater of: (i) $1,500, or (ii) two percent (2%) of Franchisee's Gross Revenues (the "Brand Development Fee") in the manner Franchisor prescribes. If Franchisor

requires Franchisee to contribute to the Brand Fund, Franchisee must pay the Brand Development Fee in the same manner as the Royalty due under this Agreement. Franchisor has the right to require that an advertising/marketing cooperative and/or franchisee advisory council be formed, changed, dissolved or merged.

12.4.1 Franchisor will use Brand Development Fees, in Franchisor's sole discretion, to develop, produce and distribute national, regional and/or local marketing and to create advertising materials and public relations programs which promote, in Franchisor's sole judgment, the services offered by System franchisees. Franchisor has the sole right to determine contributions and expenditures from the Brand Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs; provided, however, that Franchisor will make a good faith effort to expend Brand Development Fees in the general best interests of the System on a national or regional basis. Franchisor may use the Brand Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertisements and other marketing, including the cost of preparing and producing television, radio, magazine, Internet and newspaper advertising campaigns, the cost of direct mail and outdoor billboard advertising; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. Nevertheless, Franchisee acknowledges that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While Franchisor does not anticipate any part of the Brand Development Fees will be used for advertising that is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Development Fees for public relations or recognition of the Hite Digital brand and for the creation and maintenance of a website, a portion of which may be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating the availability of franchises. Sales materials, if developed, may be sold to franchisees at a reasonable cost.

12.4.2 Franchisor may periodically assist franchises to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the Brand Fund. The cost of these programs may be charged directly to Franchisee if Franchisee's results from a Survey fall below System-established minimum standards for such Surveys.

12.4.3 Franchisor has the right to reimburse itself from the Brand Development Fees for such reasonable costs and overhead, if any, that Franchisor may incur in activities reasonably related to the direction and implementation of the Brand Fund.

12.4.4 Franchisor will prepare, on an annual basis, and will have available for Franchisee within ninety (90) days of the end of the fiscal year, a statement of contributions and expenditures for the Brand Fund. The statement will be presented to Franchisee upon Franchisee's written request. The Brand Fund is not required to be independently audited.

12.5 **Regional Advertising and Promotional Cooperative**. Franchisor will have the right, in Franchisor's discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Franchised Business. If a Cooperative is established applicable to the Franchised Business, Franchisee must participate in the Cooperative. Cooperative contributions will be credited towards the Brand Fund discussed in Section 12.4 above. Cooperative contributions

will not exceed the Brand Fund Requirement unless a majority of the Cooperative votes to increase that requirement. The following provisions will apply to each Cooperative:

12.5.1 Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

12.5.2 Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members;

12.5.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 12.1 hereof;

12.5.4 The Cooperative's activities will be agreed upon by a majority vote of the member franchisees in the Cooperative. All Cooperative contributions will be credited against the Brand Fund Requirement. The Cooperative may, by the majority vote of its members, require a Cooperative contribution in excess of the Brand Fund Requirement; and

12.5.5 Each member franchisee must submit to the Cooperative, no later than the first business day of each month, for the preceding Business Month, its respective contribution as provided in this Agreement together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval.

12.5.6 Franchisor may grant to Franchisee, in its sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request from Franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption will be final.

## 13 INDEPENDENT CONTRACTOR; INDEMNIFICATION

13.1 **Independent Contractor Status**. Franchisee is an independent contractor responsible for full control over the internal management and daily operation of Franchisee's Franchised Business, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee must contain Franchisee's corporate or fictitious name and a conspicuously displayed notice in the place Franchisor designates, stating: (i) Franchisee operates Franchisee's Franchised Business as an independently owned and operated Hite Digital Franchised Business, and (ii) Franchisee independently owns and operates the Franchised Business as a System franchisee. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor will in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor will Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. Neither this Agreement nor Franchisor's

course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractors.

13.2 **Indemnification**. Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (a) the operation of Franchisee's Franchised Business, including the use, condition, or construction, equipping, decorating, maintenance or operation of the Franchised Business premises, the provision of digital marketing services and Franchisee's advertising; (b) the use of the Proprietary Marks and other Proprietary Material; (c) the transfer of any interest in this Agreement or Franchisee's Franchised Business in any manner not in accordance with this Agreement; (d) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals. For purposes of this indemnification, "Claims" will mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Franchisee to Franchisor. Franchisor will have the right to defend any such claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor will, in no manner or form, diminish Franchisee's and each of Franchisee's principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 14 SALE OR TRANSFER

14.1 **Transfer**. Franchisee's rights under this Agreement are personal, and Franchisee must not sell, transfer, assign or encumber Franchisee's interest in the Franchised Business without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent will be voidable at Franchisor's option and will subject this Agreement to termination as specified herein.

14.2 **Death or Disability**.

14.2.1 *Representative's Right to Continue as Franchisee*. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as franchisee under this Agreement if: (i) within 45 days from the date of death, disability or incapacity (the "45-Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company to satisfy Franchisee's obligations to Franchisor and

Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.

14.2.2 *Franchised Business Operation During and After 45-Day Period*. Franchisor is under no obligation to operate the Franchised Business or incur any obligation on behalf of any incapacitated franchisee, during or after the 45-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) will appoint a previously approved acting interim manager to operate the Franchised Business during the 45-Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor has the right, but not the obligation, to operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor's sole and absolute discretion. Franchisor may pay itself a management fee of fifteen percent (15%) of Gross Revenues earned during such time period to reimburse Franchisor for Franchisor's management services and other costs, including, without limitation travel and lodging expenses ("Management Fee"). Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorneys' fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of Franchisee's Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of Franchisee's Franchised Business. This Management Fee is in addition to the amounts due under this Agreement for Royalty and other payments during the time which Franchisor takes over the management of the Franchised Business.

14.3 **Ownership Changes**. A sale, transfer or assignment requiring Franchisor's prior written consent will be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock that results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, member or manager owning more than ten percent (10%) of the outstanding shares of the corporation, will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above will not be subject to Franchisor's right of first refusal as set forth in Section 14.3.1.

14.3.1 *Right of First Refusal*. If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 14.4 hereof), Franchisee must first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee will obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee will have a maximum period of sixty (60) days to complete

the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 14.3.2 hereof. Franchisee will effectuate no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section 14.3.1. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which will not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

14.3.2 *Conditions for Approval*. Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement upon satisfaction of the following occurrences:

14.3.2.1 All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;

14.3.2.2 Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

14.3.2.3 Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the release will not be inconsistent with any applicable state statute regulating franchising;

14.3.2.4 Franchisee or transferee will provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;

14.3.2.5 The transferee must demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee cannot be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain that is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;

14.3.2.6 The transferee must execute Franchisor's then-current Franchise Agreement for the unexpired term of this Agreement;

14.3.2.7 Franchisee or transferee must pay Franchisor a transfer fee equal to $10,000. If Franchisor permits the transferee to sign its then-current franchise agreement for a full

five-year term, Franchisor may require Franchisee or the transferee to pay Franchisor a transfer fee equal to 100% of the then-current initial franchise fee;

14.3.2.8 The transferee must satisfactorily complete Franchisor's training Program at the transferee's expense within the time frame Franchisor sets forth;

14.3.2.9 Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement;

14.3.2.10 The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

14.3.2.11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

14.3.2.12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.3.2.13 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;

14.3.2.14 Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of franchise disclosure document, and Franchisor will not be liable for any representations not included in the franchise disclosure document;

14.3.2.15 Franchisor's approval of the transfer will not constitute a waiver of any claims Franchisor may have against the transferring party;

14.3.2.16 Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Franchised Business as Franchisee has supplied Franchisor hereunder; and

14.3.2.17 In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

14.4 **Transfer to a Corporation or Limited Liability Company**. If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 14.3.2.7, and such assignment will not be subject to Franchisor's right of first refusal in Section 14.3.1:

14.4.1 The corporation or limited liability company is newly organized, and its activities are confined to operating the Franchised Business;

14.4.2 Franchisee is, and at all times remains, the owner of at least 51% of the outstanding shares of the corporation or a controlling interest in the limited liability company;

14.4.3 The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and

14.4.4 All stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates and execute a non-compete agreement as set forth in Section 17.4 hereof.

14.5 **Franchisor's Right to Transfer**. Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

## 15 BREACH AND TERMINATION

15.1 **Automatic Termination**. This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

15.1.1 *Voluntary Bankruptcy*. If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

15.1.2 *Involuntary Bankruptcy*. If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

15.1.3 *Unauthorized Transfer*. Franchisee purports to sell, transfer or otherwise dispose of Franchisee or any interest in the Franchised Business in violation of Section 14 hereof.

15.2 **With Notice and Without Opportunity to Cure**. Franchisor has the right to terminate this Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

15.2.1 *Criminal Acts*. If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or take part in any criminal misconduct relevant to the operation of Franchisee's Franchised Business.

15.2.2 *Fraud*. If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of Franchisee's Franchised Business.

15.2.3 *Misrepresentation*. If Franchisee or Franchisee's principals make any

misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation.

15.2.4 *Failure to Complete Training*. If Franchisee fails to complete initial training as provided in Section 8.1.

15.2.5 *Repeated Breaches*. If Franchisor sends Franchisee two (2) or more written notices to cure pursuant to Sections 15.3 or 15.4 hereof in any twelve (12)-month period.

15.2.6 *Breach of Other Agreements*. If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's affiliates, or threaten any material breach of any such agreement, or any Lease for the Approved Location, and fails to cure such breach within any permitted period for cure.

15.2.7 *Misuse of the Proprietary Marks or Confidential Information*. If Franchisee or Franchisee's principals materially violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information.

15.2.8 *Violation of Health Code*. If Franchisee violates any health, safety or sanitation law, ordinance or regulation or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public.

15.2.9 *Violation of In-term Restrictive Covenant*. If Franchisee violates the in-term restrictive covenant contained in Section 17.1.

15.2.10 *Liens*. If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within 30 days.

15.2.11 *Insolvency*. If Franchisee or any of Franchisee's principals become insolvent.

15.2.12 *Abandonment*. If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the franchisee business in accordance with the terms of this Agreement and will apply in any event Franchisee fails to operate the Franchised Business as a System Franchised Business for a period of five (5) or more consecutive days without Franchisor's prior written approval, or upon Franchisor's receipt of communication from Franchisee that it does not intend to reopen.

15.2.13 *Unauthorized Products or Services*. If Franchisee offers any unauthorized and unapproved products or services at or from the Franchised Business.

15.2.14 *Unapproved Purchases*. Franchisee orders or purchases supplies or equipment from an unapproved supplier or which Franchisor has not approved.

15.2.15 *Proprietary Software*. Franchisee misuses or makes unauthorized use of any Proprietary Software that Franchisor may develop for use in connection with the System.

15.2.16 *Insurance*. Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Section 9.

15.2.17 *Government Regulations*. Franchisee fails, within fifteen (15) days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

15.2.18 *Government Actions*. Any government action is taken against Franchisee that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

15.2.19 *Anti-Terrorist Activities*. Franchisee fails to comply with the provisions of Section 22.7.

15.2.20 *Personal Use of Franchised Business Property*. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits.

15.2.21 *Insufficient Funds*. If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor three (3) or more times within any twelve (12) month period.

15.2.22 *Under-reporting of Gross Revenues*. If any audit reveals that Franchisee has understated Franchisee's Royalty or marketing payments by more than two percent (2%) or if Franchisee has failed to submit timely reports and/or remittances for any two (2) reporting periods within any 12-month period, as described in Section 11.

15.2.23 *Default Under Lease*. Franchisee defaults in obligations under any Lease agreement for the Approved Location.

15.3 **Upon 15 Days' Notice to Cure**. Franchisor has the right to terminate this Agreement if any of the following defaults remains uncured after expiration of the fifteen (15)-day cure period:

15.3.1 *Nonpayment*. If Franchisee fails to pay as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's System Suppliers or vendors.

15.3.2 *Endorsement of Checks*. Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

15.3.3 *Failure to Open*. If Franchisee fails to commence operations of Franchisee's Franchised Business within the time prescribed in Section 7.3 of this Agreement.

15.3.4 *Interruption of Service*. If Franchisee fails to maintain the prescribed months, days or hours of operation at the Franchised Business.

15.3.5 _ *Failure to Personally Supervise Franchised Business Operations or Employ Adequate Personnel*. If Franchisee fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

15.3.6 *Quality Control*. If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual.

15.3.7 *Other Conduct Reflecting Adversely on System*. Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Proprietary Marks, or the products offered through the System.

15.3.8 *Licenses and Permits.* Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Franchised Business.

15.4 **Upon 30 Days' Notice to Cure**. Franchisor has the right to terminate this Agreement if Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates and fails to cure such default after notice and expiration of the thirty (30)-day cure period.

15.5 **Step in Rights**. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights, Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the Franchised Business premises or otherwise assume control and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines, in Franchisor's sole discretion that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must pay Franchisor a reasonable management fee and reimburse Franchisor for all reasonable costs and overhead, if any, incurred in connection with its operation of Franchisee's Franchised Business including, without limitations, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations, plus a twenty percent (20%) service charge. This fee is in addition to the payment of the Royalty and all other fees due under this Agreement during the time Franchisor exercises its rights under this Agreement. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of Franchisor's operation of the Franchised Business.

15.6 **Nonwaiver**. Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder will not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

## 16 RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

16.1 **Franchisee's Obligations**. Upon termination of this Agreement, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, Franchisee must, at Franchisee's cost and expense:

16.1.1 Immediately cease all operations under this Agreement;

16.1.2 Immediately pay Franchisor all unpaid fees and pay Franchisor, Franchisor's affiliates, Franchisor's major suppliers and vendors, all other monies owed;

16.1.3 Immediately discontinue the use of the Proprietary Marks;

16.1.4 Immediately return the Operations Manual and all other Proprietary Materials and Confidential Information Franchisor loaned to Franchisee and immediately and permanently cease use of such information and materials;

16.1.5 Immediately cease using all telephone numbers and listings used in connection with the operation of the Franchised Business, and direct the telephone company to transfer all such numbers and listings to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Franchisee's Telephone Numbers and Listings attached hereto as Exhibit D or, if Franchisor directs, to disconnect the numbers within fifteen (15) days of termination or expiration of this Agreement;

16.1.6 Immediately vacate the Franchised Business (unless the Franchised Business is run from a home office), and if Franchisor exercised Franchisor's rights pursuant to the Collateral Assignment of Lease attached as Exhibit C, arrange for transfer of the Lease to Franchisor within fifteen (15) days of termination or expiration of this Agreement;

16.1.7 Immediately surrender all stationery, printed matter, advertising and marketing materials and other items containing the Proprietary Marks as Franchisor directs and all items that are a part of the trade dress of the System, no later than five (5) days after the termination or expiration of this Agreement;

16.1.8 Immediately cease to hold itself out as Franchisor's franchisee;

16.1.9 Take such action as will be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after the termination, expiration or transfer of this Agreement;

16.1.10 Permit Franchisor to make a final inspection of Franchisee's financial records, books, and other accounting records within one (1) month of the effective date of termination, expiration, or transfer;

16.1.11 Comply with the post-termination covenants set forth in Section 17 hereof, all of which will survive the transfer, termination or expiration of this Agreement;

16.1.12 Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System;

16.1.13 Immediately cease from engaging in any contacts with customers or former customers of the Franchised Business; and

16.1.13 Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16.

16.2 **Option to Purchase Personal Property.** Upon the termination or expiration of this Agreement, Franchisor, or Franchisor's designee will also have the option, but not the obligation, to purchase any personal property used in connection with operation of Franchisee's Franchised Business by providing Franchisee written notice of Franchisor's election within sixty (60) days after such termination or expiration and by paying Franchisee the book value for such personal property within sixty (60) days of such notice. For purposes of this paragraph, "book value" means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a ten (10)-year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor's right to purchase any personal property subject to a lease or finance agreement, the purchase price of such personal property will equal the amount of Franchisee's remaining obligations under the lease or finance agreement, as applicable. Franchisor will be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor's option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of Franchisee's property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

16.3 **Exclusions.** Franchisor may exclude from the personal property purchased under Section 16.2 cash or its equivalent and any supplies, equipment, and materials that are not reasonably necessary (in function or quality) to the Franchised Business's operation or that Franchisor has not approved as meeting standards for the Franchised Business.

16.4 **Damages, Costs, and Expenses.** In the event of termination for any default by Franchisee, Franchisee will promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation will create and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee's personal property, supplies, and equipment related to the operation of the Franchised Business.

## 17 COVENANTS

Franchisee acknowledges that as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, in order to protect Franchisor and all Franchisor's franchisees, Franchisee agrees as follows:

17.1 **During the Term of This Agreement.** During the term of this Agreement, neither

Franchisee, Franchisee's officers, directors, principals, or Key Managers, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, or Key Managers may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

17.1.1 Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in any other business deriving ten percent (10%) or more of its revenue from digital marketing services or any other goods or services offered or authorized for sale by System franchisees (a "Competing Business") or any business that licenses the right to operate a Competing Business; provided, however, that this Section does not apply to Franchisee's operation of a Franchised Business under Franchisor's System;

17.1.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

17.1.3 Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

17.2 **After the Term of This Agreement.**

17.2.1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's officers, directors, principals, or Key Managers, nor any member of the immediate family of Franchisee or Franchisee's officers, directors, principals, or Key Managers may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor granting franchises or licenses for Competing Businesses at the time this Agreement is terminated or otherwise expires and is not renewed.

17.2.2 For a period of two (2) years after the expiration, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, Franchisee's principals, nor any member of the immediate family of Franchisee or Franchisee's principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

17.2.2.1 Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in any Competing Business: (i) within the Site Selection Area, including at the Approved Location; or (ii) within a twenty (20) mile radius of the Franchised Business;

17.2.2.2 Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose;

17.2.2.3 Solicit any of Franchisor's employees, or the employees of

Franchisor's affiliates or any other System franchisee to discontinue employment.

17.3 **Intent and Enforcement**. It is the parties' intent that the provisions of this Section 17 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Section 17 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other Hite Digital franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 17 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 17, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees, on Franchisee's own behalf and on behalf of the persons who are liable under this Section 17, that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 17 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 17 will be tolled during any default under this Section 17.

17.4 **Employees.** Franchisee will ensure that Franchisee's principals, employees and members of their immediate families who have access to Franchisor's Confidential Information, including all of Franchisee's managers and other key employees, execute a Confidentiality and Restrictive Covenant Agreement, in the form attached as Exhibit E to the Franchise Agreement, or as Franchisor, in Franchisor's sole discretion, otherwise prescribes. Franchisee must furnish Franchisor a copy of each executed agreement.

17.5 **No Defense.** Franchisee hereby agrees the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 17.

## 18 DISPUTE RESOLUTION

18.1 **Choice of Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Delaware (without reference to its conflict of laws principals).

18.2 **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's CEO, after providing notice as set forth in Section 18.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

18.3 **Mediation**. At Franchisor's option, all claims or disputes between Franchisor and Franchisee or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Franchisee or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal

dispute resolution procedure sent forth in Section 18.2 above, must be submitted first to mediation, in Wilmington, Delaware under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates in respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation, and Franchisor and Franchisee will share mediation costs equally. This agreement to mediate will survive any termination or expiration of this Agreement.

18.3.1 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 18.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

18.3.1.1 Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

18.3.1.2 Any claims pertaining to or arising out of any warranty issue; or

18.3.1.3 Any of the restrictive covenants contained in this Agreement.

18.4 **Selection of Venue**. Nothing contained in this Agreement will prevent Franchisor from applying to and obtaining from any court of competent jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Wilmington, Delaware and the jurisdiction and venue of the United States District Court presiding over Wilmington, Delaware. Franchisee acknowledges that the parties have entered into this Agreement in Wilmington, Delaware and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Wilmington, Delaware, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Delware set forth above.

18.5 **Third Party Beneficiaries**. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation provision set forth in this Section 18, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

18.6 **Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice will

preclude any claim for damages.

18.7 **No Right to Offset**. Franchisee is prohibited from withholding all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

18.8 **Injunctive Relief**. Nothing in this Agreement will prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

18.9 **Limitation of Action**. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off.

18.9.1 Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

18.10 **Waiver of Punitive Damages**. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

**18.11 THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL,**

**NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

## 19 REPRESENTATIONS

19.1 **No Authority.** NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT FRANCHISOR'S AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY FRANCHISOR OR ON FRANCHISOR'S BEHALF THAT HAVE LED FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

19.2 **Receipt.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

19.3 **Opportunity for Review by Franchisee's Advisors.** FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

19.4 **Execution of Agreement.** EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP OR CORPORATION, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP OR CORPORATION WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP OR ALL OF THE SHAREHOLDERS OF THE CORPORATION, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP OR CORPORATION.

## 20 GUARANTY

If Franchisee is a corporation, or subsequent to execution hereof, Franchisee assigns this Agreement to a corporation, all shareholders of Franchisee's outstanding shares and their spouses (or if Franchisee is a partnership, or subsequent to execution hereof, Franchisee assigns this Agreement to a partnership, all partners and their spouses, or if Franchisee is a limited liability company, or subsequent to execution hereof Franchisee assigns this Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand, or presentment, the payment of all of Franchisee's monetary obligations under this Agreement, and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions of Franchisee's activities upon transfer, termination, or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors and their spouses must execute a continuing personal guarantee in the form attached hereto as Exhibit B.

## 21 NOTICES

All notices and requests to be given under this Agreement are to be in writing, and delivered by either hand delivery or overnight mail by a recognized carrier offering a delivery receipt, to the following addresses (which may be changed by written notice):

Franchisee Name/Address: _____

_____

_____

Franchisor Name/Address: JC Hite
Hite Digital International, LLC
1000 N. West Street
Suite 1501
Wilmington, DE 19801

With a copy to: F. Joseph Dunn, Esq.
Fisher Zucker LLC
21 S. 21st Street
Philadelphia, PA 19103

## 22 MISCELLANEOUS

22.1 **Entire Agreement.** This Agreement contains the entire Agreement of the parties. There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties. This agreement may not be modified except by a written document signed by both parties. Nothing in the Agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document furnished to Franchisee.

22.2 **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means Franchisee's spouse, parents, children and siblings and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "principals" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "Franchisor" and "Franchisee" include the party's successors, assigns or transferees. The parties have had a reasonable opportunity to review this Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof will arise in favor of any party by virtue of the authorship of any of the provisions of this Agreement.

22.3 **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision will be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it will then be severed, and the remainder of that provision will continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Proprietary Marks or the Confidential Information, including the Operations Manual and Franchisor's other trade secrets, is declared invalid or unenforceable, then Franchisor at Franchisor's option may terminate this Agreement immediately upon written notice to Franchisee.

22.4 **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which the Franchised Business is located, then the valid law or regulation of that state applicable to the franchise will supersede any provision of this Agreement that is less favorable to Franchisee.

22.5 **Additional Documentation**. Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section 22.5, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

22.6 **Force Majeure.** Neither Franchisee nor Franchisor or Franchisor's affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable.

22.7 **Anti-Terrorist Activities.** Franchisee certifies that neither Franchisee, nor

Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the "Annex"). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 13.2 of this Agreement pertain to Franchisee's obligations under this Section 22.7. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 15.2.19 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

22.8 **Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## 23 ACKNOWLEDGMENTS

Franchisee hereby acknowledges the following:

23.1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any

business failure Franchisee may experience as a franchisee under this Agreement.

_____

Initial

23.2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

_____

Initial

23.3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing this Agreement and that it/she/he understands all the terms and conditions of this Agreement. Franchisee further acknowledges that this Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____

Initial

23.4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by this Agreement that are contrary to the terms of this Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth herein. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining this Agreement.

_____

Initial

23.5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

_____

Initial

23.6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, or any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

_____

Initial

23.7. Franchisee acknowledges that it has received the Hite Digital International, LLC Franchise Disclosure Document with a complete copy of this Agreement and all related Exhibits and agreements at least fourteen (14) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

_____

Initial

23.8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys,

accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to this Agreement or the relationship thereby created.

_____

Initial

23.9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by this Agreement.

_____

Initial

23.10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____

Initial

23.11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

_____

Initial

23.12. Release of Prior Claims. BY EXECUTING THIS AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE HITE DIGITAL INTERNATIONAL, LLC AND THE HITE DIGITAL INDEMNITEES, AND ALL OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS AND SUCCESSORS AND ASSIGNS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

_____

Initial

***[signatures on following page]***

**SIGNATURES**

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**FRANCHISEE**

_____
(Individual, Partnership or Corporation Name)

By: _____

Title: _____

By: _____

Title: _____

**PERSONAL GUARANTORS**

_____

_____

**FRANCHISOR**

**HITE DIGITAL INTERNATIONAL, LLC**

By: _____

Title: _____

**Exhibit A**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

**SITE SELECTION ADDENDUM**

Hite Digital International, LLC ("Franchisor") and _____("Franchisee"), have this _____ day of _____ , 20____ , entered into a Franchise Agreement for the operation of a Franchised Business using Franchisor's Proprietary Marks and System (the "Franchised Business") and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within 90 days after Franchisee receives notice of approval of the Franchise Agreement, Franchisee must obtain a site, at Franchisee's expense, for the business franchised under the Franchise Agreement (the "Franchised Business"), which Franchisor will approve as hereinafter provided. The site must be within the following protected territory:

_____
_____ (the "Site Selection Protected Territory").

2. Franchisee's failure to obtain a site for the Franchised Business within the time required in Paragraph 1 will constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Prior to Franchisee's acquisition by lease or purchase of a site for the Franchised Business, Franchisee must submit to Franchisor, in the form Franchisor specifies, a completed site review form, such other information or materials as Franchisor may reasonably require, and a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee's favorable prospects for obtaining the proposed site. Recognizing that time is of the essence, Franchisee must submit a proposed site, together with the information and materials required by this Paragraph 3, to Franchisor for Franchisor's approval within sixty (60) days after execution of this Site Selection Addendum. Franchisor will have fifteen (15) days after receipt of such information and materials from Franchisee to approve or disapprove, in Franchisor's sole discretion, the site as a location for the Franchised Business. No proposed site will be deemed approved unless Franchisor has expressly approved it in writing.

4. Franchisor will furnish to Franchisee such site selection guidelines, consultation and on- site evaluation as Franchisor deems advisable as part of Franchisor's evaluation of Franchisee's request for site approval. Franchisor will not, however, provide on-site evaluation for any proposed site prior to Franchisor's receipt of the information and materials required by Paragraph 3 hereof. If Franchisor deems on-site evaluation necessary and appropriate, Franchisor will conduct up to one (1) on-site evaluation at Franchisor's cost. For each additional on-site evaluation (if any), Franchisee will reimburse Franchisor for Franchisor's reasonable expenses including, without limitation, the costs of travel, lodging, and meals.

5. If Franchisee will be occupying the Franchised Business premises under a lease, Franchisee must, prior to the execution of the lease, submit the lease to Franchisor for Franchisor's written approval. Franchisor's approval of the lease will be conditioned upon Franchisee's execution of a Collateral Assignment of Lease in the form Franchisor prescribes and the inclusion of the following terms and conditions:

5.1 That the initial term of the lease, or the initial term together with renewal terms, will be for not

less than ten (10) years with the option to renew the lease for one (1) additional ten (10)-year term;

5.2 That the lessor consents to Franchisee's use of such Proprietary Marks and initial signage as Franchisor may prescribe for the Franchised Business;

5.3 That the use of the premises be restricted solely to the operation of the Franchised Business;

5.4 That Franchisee be prohibited from subleasing or assigning all or any part of Franchisee's occupancy rights or extending the term of or renewing the lease without Franchisor's prior written consent;

5.5 That the lessor provide to Franchisor copies of any and all notices of default given to Franchisee under the lease;

5.6 That Franchisor has the right to enter the premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Franchise Agreement or under the lease;

5.7 That Franchisor (or Franchisor's designee) has the option, upon default, expiration, or termination of the Franchise Agreement, and upon notice to the lessor, to assume all of Franchisee's right under the lease terms, including the right to assign or sublease.

6. Franchisee must furnish Franchisor with a copy of any executed lease within ten (10) days after execution thereof.

7. After Franchisor has approved a site for the Franchised Business in writing and Franchisee has acquired the site pursuant to Paragraph 4 hereof, the site will constitute the Approved Location referred to in Section 1.3 of the Franchise Agreement.

8. Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor's purposes as of the time of the evaluation. Both parties to this Agreement acknowledge the application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change thereby altering the potential of a site. Such factors are unpredictable and are beyond Franchisor's control. Franchisor will not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of the Franchised Business at the site is based on Franchisee's own independent investigation of the suitability of the site.

9. This Site Selection Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and terms of this Site Selection Addendum will be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum on the day and year first above written.

**FRANCHISEE**

_____
(Individual, Partnership or Corporation Name)

By: _____

Title: _____

By: _____

Title: _____

**FRANCHISOR**

**HITE DIGITAL INTERNATIONAL, LLC**

By: _____

Title: _____

**Exhibit B**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

## PERSONAL GUARANTY AND GUARANTY OF SPOUSES

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

### ARTICLE I
### PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to Hite Digital International, LLC ("Franchisor") that you are all of the shareholders of, or all of the general partners of, or all of the members and managers of, or the spouse of any such shareholder, general partner, or member or manager of ___ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

### ARTICLE II CONFIDENTIALITY

During the term of this Agreement, you will receive information which Franchisor considers a trade secret and confidential information ("Confidential Information"). You will not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information including, without limitation, operating procedures, customer lists, sources of supply, supplier contracts, advertising materials, copyrighted materials, equipment specifications, any information contained in the Operations Manual, trade secrets, the Proprietary Processes, copyrighted materials, and other methods, techniques and know-how concerning the operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your relationship with Franchisee and role as a Guarantor of the Franchise Agreement.

**ARTICLE III**
**NON-COMPETITION**

1) **During the Term of the Franchise Agreement.** During the term of the Franchise Agreement, neither you, nor your principals, officers, directors, nor any members of your family or the family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in any other business deriving ten percent (10%) or more of its revenue from the provision of digital marketing services or other goods or services offered or authorized for sale by System franchisees (a "Competing Business") or any business that licenses the right to operate a Competing Business; provided, however, that this Section does not apply to the said parties' operation of a Franchised Business;

b) Employ or seek to employ any person who is at that time employed by Franchisor or Franchisor's affiliates or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

c) Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2) **After the Term of the Franchise Agreement.**

a) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your principals, officers, directors, nor any members of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor granting franchises or licenses for Competing Businesses at the time the Franchise Agreement is terminated or otherwise expires and is not renewed.

b) For a period of two (2) years after the expiration, transfer or termination of this Agreement, regardless of the cause, neither you, nor your principals, officers, directors, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

i) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in any Competing Business or any other goods or

services offered or authorized for sale by System franchisees, at the time the Franchise Agreement is terminated or otherwise expires and is not renewed, within a twenty (20)-mile radius of the Franchised Business; or

ii) Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose nor solicit any of Franchisor's employees or the employees of Franchisor's affiliates to discontinue employment.

3) **Intent and Enforcement**. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein will not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor will be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III will be tolled during any default under this Personal Guaranty.

## ARTICLE IV
## DISPUTE RESOLUTION

1) **Acknowledgment**. You acknowledge that this Personal Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its system.

2) **Governing Law.** This Personal Guaranty will be deemed to have been made in and governed by the laws of the State of Delaware (without reference to its conflict of laws principals).

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first will survive the termination or expiration of this Agreement.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guaranty or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation, in Charlotte, North Carolina under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such

mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and the parties will share the cost of mediator. This agreement to mediate at our option will survive the termination or expiration of the Franchise Agreement.

a) The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section IV if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(1) Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

(2) Any claims arising out of or pertaining to any warranty issued; or

(3) Any of the restrictive covenants contained in this agreement.

5) **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Personal Guaranty, and the mediation provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Personal Guaranty will prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties expressly agree to submit to the jurisdiction and venue of any court of general jurisdiction in Wilmington, Delaware and the jurisdiction and venue of the United States District Court presiding over Wilmington, Delaware.

8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

9) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) that you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery will be limited to actual damages. If any other term of this Personal Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect,

including, without limitation, the waiver of any right to claim any consequential damages.

10) **Limitation on Action.** You agree that no cause of action arising out of or under this Personal Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees.** If either party institutes any mediation action or judicial proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Personal Guaranty and the Franchise Agreement, and Franchisor prevails in such action, you will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Franchise Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Personal Guaranty will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Personal Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning that renders it valid and enforceable. The language of all provisions of this Personal Guaranty will be construed according to fair meaning and not strictly construed against either party. The provisions of this Personal Guaranty are severable, and this Personal Guaranty will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Personal Guaranty will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Personal Guaranty.

14) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Personal Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Personal Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Personal Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

15) **Successors**. References to "Franchisor" or "the undersigned," or "you" include the respective parties' successors, assigns or transferees.

16) **No Personal Liability**. You agree that fulfillment of any and all of Franchisor's obligations written in this Personal Guaranty or in the Franchise Agreement or based on any oral communications that may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee or you

for any reason.

**PERSONAL GUARANTORS**

_____

_____

_____

_____

**SPOUSES**

_____

_____

_____

_____

**Exhibit C**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**
**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned ("Assignor") hereby assigns and transfers to Hite Digital International, LLC, a Delaware limited liability company, with its principal place of business address at _____ ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement or this Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing.

If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and instead of Assignor for the purpose of effecting such extension or renewal.

**ASSIGNOR**:

_____

_____

Dated:_____
SIGNED AND SEALED this
day of _____ 20
Notary Public

**CONSENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the aforedescribed Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee has the right, but must not be obligated, to cure any default by Assignor under the Lease within 30 days (or such longer period of time as reasonably necessary to cure the default, so long as Assignee commences the cure within 30 days and thereafter diligently pursues the cure to completion) after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor must recognize Assignee as tenant under the Lease, provided that Assignee cures within the time period set forth above the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise.

DATED:_____

_____

_____

**Exhibit D**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT**
**OF FRANCHISEE'S TELEPHONE NUMBERS AND LISTINGS**

1. _____ ("Assignor"), in exchange for valuable consideration provided by Hite Digital International, LLC ("Assignee"), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Hite Digital Franchised Business at Assignor's above-referenced address (the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): _____
Facsimile Number(s): _____
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement):
_____.

2. The conditional agreement will become effective automatically upon termination or expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

BY: _____ Date: _____

TITLE:_____

**ASSIGNEE:**

**HITE DIGITAL INTERNATIONAL, LLC**

By: _____ Date:_____

**Exhibit E**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**
***(for trained employees, shareholders, officers, directors, general partners, members and managers and Key Manager of Franchisee)***

In consideration of my being a _____ of _____("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that: Franchisee has acquired the right from Hite Digital International, LLC (the "Company") to establish and operate a Hite Digital Franchised Business (the "Franchised Business" or "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, trademarks and service marks (the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Franchised Business (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location:_____ (the "Franchised Business Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain trade secrets, Proprietary Processes, copyrighted materials, methods and other techniques and know-how (the "Confidential Information").

2. Any and all information, knowledge, know-how, and techniques that the Company specifically designates as confidential will be deemed to be Confidential Information for purposes of this Agreement.

3. As an employee of Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Hite Digital International, LLC operations manual (the "Manual") and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I will hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I will not, while in my position with Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that operates or licenses any other Franchised Business, except for a Hite Digital Franchised Business operating under the System and Proprietary Marks.

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

8. I understand and acknowledge that the Company will have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement.

10. This Agreement will be construed under the laws of the State of Delaware (without reference to its conflict of laws principals). The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature: _____

Name: _____

**ACKNOWLEDGED BY FRANCHISEE**

By: _____

Name: _____

Title: _____

**Exhibit F**
**to**
**HITE DIGITAL INTERNATIONAL, LLC**
**FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

Bank Name : _____

ABA# : _____

Acct. No. : _____

Acct. Name : _____

Effective as of the date of the signature below, _____("Franchisee") hereby authorizes Hite Digital International, LLC ("Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at: (1) all Royalty and (2) all contributions to the Brand Fund. Such withdrawals will occur on a weekly basis, or on such other schedule as Company will specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Company. Franchisee will provide Company, in conjunction with this authorization, a voided check from the above- referenced account.

AGREED:

FRANCHISEE

By: _____

Print name: _____

Its: _____

**EXHIBIT E**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE TERMINATION AND RELEASE AGREEMENT**

**SAMPLE TERMINATION AND RELEASE AGREEMENT**

This Termination of Franchise Agreement and Release (the "Agreement") is made this day of _____, by and between Hite Digital International, LLC, a Delaware limited liability company with a principal business address at 1000 N. West Street, Suite 1501, Wilmington, Delaware 19801 ("Franchisor") and _____, a _____ with an address at _____ ("Transferor").

**BACKGROUND**

A. On _____, Transferor entered into a franchise agreement (the "Franchise Agreement") with Franchisor for the right to operate a Franchised Business at _____.

B. Transferor has satisfied all conditions of transfer as specified in the Franchise Agreement and now desires to sell the business to _____, who has been approved by Franchisor as an authorized transferee.

C. In order to complete Transferor's sale of the business, Transferor now desires to terminate the Franchise Agreement and all rights and obligations between the parties relating to the Franchise Agreement, and Franchisor desires to accept such termination, pursuant to the terms of this Agreement.

**AGREEMENT**

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the terms and conditions contained in this Agreement, the Franchise Agreement and all rights and obligations between Franchisor and Transferor arising from or related to the Franchise Agreement are terminated, effective as of the date of this Agreement.

2. Notwithstanding anything in this Agreement to the contrary, the parties agree that Transferor will remain bound by all of the post-term covenants and obligations contained in the Franchise Agreement including, without limitation, those relating to Confidential Information and non-competition.

3. Transferor represents and warrants that all of Transferor's monetary obligations to Franchisor and its subsidiaries and affiliates have been satisfied in full as of the date of this Agreement.

4. Transferor, for itself and all persons and entities claiming by, through or under it, releases, acquits and forever discharges Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors and assigns (the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or related to the offer, sale and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

5. Excluding the indemnification obligations set forth in the Franchise Agreement, and Transferor's obligations as set forth in paragraph 2 of this Agreement, Franchisor, for itself and all persons and entities claiming by, through or under it, releases, acquits and forever discharges Transferor and Transferor's employees, agents, servants, representatives, affiliates, successors and assigns (the "Transferor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which it, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Transferor Releasees arising out of or related to the offer, sale and operation of the business, and the parties' rights or obligations under the Franchise Agreement.

6. This Agreement constitutes the entire integrated agreement of the parties with respect to the subject matter contained in this Agreement and may not be subject to any modification without the written consent of the parties.

7. This Agreement will be construed under the laws of North Carolina; which laws will control in the event of

any conflict of law.

8. This Agreement will be for the benefit of and binding upon the parties and their respective representatives, successors and assigns.

9. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

10. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it will be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Agreement.

11. Transferor agrees that Transferor has and had a relationship with Franchisor at its offices in Charlotte, North Carolina and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement will be commenced and concluded in Charlotte, North Carolina pursuant to the dispute resolution provisions of the Franchise Agreement.

12. This Agreement may be executed in multiple counterparts by the various parties and the failure to have the signatures of all parties on a single Agreement will not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement will be deemed to be effective as original signatures.

I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

**HITE DIGITAL INTERNATIONAL, LLC**

By: _____

**TRANSFEROR**

By: _____

**EXHIBIT F**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA**

STATE LAW ADDENDUM - CALIFORNIA

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 FRANCHISE DISCLOSURE DOCUMENT.

Notwithstanding anything contained in the Franchise Agreement and Franchise Disclosure Document ("FDD") to the contrary, the following provisions of the California Investment Law shall apply to any franchise or franchisee located in the State of California, which shall control to the extent of any inconsistency:

Item 3 of the FDD is supplemented to include the following:

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

Item 5 of the FDD and Section 6.1 of the Franchise Agreement shall be supplemented to include the following:

The California Department of Financial Protection and Innovation has imposed financial assurances based on our financial condition. For this reason, the "initial franchise fees" are to be deferred. The "initial franchise fees" include any payments you make to us and our affiliates for goods and services before your Franchised Business is opened. The initial franchise fees will be deferred until all of our initial obligations to you have been fulfilled and you have opened your Franchised Business for business.

Item 6 of the FDD shall be supplemented to include the following:

In California, the highest interest rate allowed is 10% annually.

Item 12 of the FDD shall be supplemented to include the following:

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.

Item 17 of the FDD shall be supplemented to include the following:

California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the California Business & Professions Code Sections 20000 through 20043, the California Business & Professions Code Sections 20000 through 20043 controls.

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

The Franchise Agreement contains a provision requiring you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31312 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 through 31516).

The Franchise Agreement requires application of the law of the State of Pennsylvania. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

California law requires that you obtain a contractor's license of the California Contractors State License Board (CSLB) if the total cost (labor and materials) of one or more contracts on the project is $500 or more. Licenses may be issued to individuals, partnerships, corporations, or joint ventures. The CSLB does not issue licenses to Limited Liability Companies (LLCs).

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk if your franchise fails.

**OUR WEBSITE IS WWW.HITEDIGITAL.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.**

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.

Other Provisions Unaffected: All other terms and provisions contained in the Franchise Agreement and Franchise Disclosure Document shall remain in full force and effect, except to the extent specifically modified herein.

Dated on the _____ day of _____, 20____.

| | |
|---|---|
| HITE DIGITAL INTERNATIONAL, LLC | FRANCHISEE: _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**EXHIBIT G**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES AS OF DECEMBER 31, 2021**

| Franchisee | Address | City | State | Phone Number |
|---|---|---|---|---|
| Loren Alves | 11450 East 27th Place | Yuma | AZ | (928) 366-2111 |
| Gustavo Tapia | 2812 Bryant Street | San Francisco | CA | (628) 600-3985 |
| Douglas Delgado & Venus Cibils | 811 Piedmont Ave NE, Apt D | Atlanta | GA | (501) 204-8018 |
| Chad Pearman | 896 Windmill Springs Court | Middleton | ID | (208) 992-4678 |
| Ryan Ballard | 19518 S Skye Dr. | Frankfort | IL | (708) 390-8770 |
| Christopher Curley | 282 Allen Rd | Wells | ME | (207) 800-3053 |
| Adam McChesney | 4373 Ventura Place Drive | St. Louis | MO | (314) 530-8211 |
| Elizabeth Presher | 1173 Alexandersville Rd | Miamisburg | OH | (937) 815-0058 |
| Keagan Henson | 521 Hutton Rd | Yukon | OK | (405) 673-2763 |
| Travis Causey & Joshua Fairhurst | 432 SE G Street | Grants Pass | OR | (541)799-0682<br>(541) 799-0716 |
| Caleb Luketic | 2011 Sainfoin Way | Murfreesboro | TN | (615) 252-5775 |
| Tatiana Chamorro & Carlos Rivers | 1892 Pontchartrain Drive | Rockwall | TX | (903) 366-3439 |
| Blake Snodgrass | 5350 S Staples Street, Suite 333-E | Corpus Christi | TX | (512) 720-7877 |
| Brad Akers | 2807 Old Pecan Grove Lane | Houston | TX | (713) 731-5457 |
| Josh Sutton | 21903 Yuca Bend | San Antonio | TX | (210) 201-6641 |

**SIGNED BUT NOT YET OPENED AS OF DECEMBER 31, 2021**

None.

**EXHIBIT H**

**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION**

As you know, Hite Digital International, LLC ("we", "us"), and you are preparing to enter into a Franchise Agreement for the right to open and operate one (1) or more franchises (each, a "Franchised Business"). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You must sign and date this certification the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

Yes____ No ____ 1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?

Yes____ No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?

Yes____ No ____ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes____ No ____ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?

Yes____ No ____ 5. Have you reviewed the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?

Yes____ No ____ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

Yes____ No ____ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?

Yes____ No ____ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the Hite Digital mark or any other mark at any location outside your Designated Territory under the Franchise Agreement without regard to the proximity of these activities to you're the premises of your Franchised Business(es)?

Yes____ No ____ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our principal offices in Delaware?

Yes____ No ____ 10. Do you understand the Franchise Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?

Yes____ No ____ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement is us?

Yes____ No ____ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Designated Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?

Yes____ No ____ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?

Yes____ No ____ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?

Yes____ No ____ 15. Do you understand that we will send written notices, as required by your Franchise Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?

Yes____ No ____ 16. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?

Yes____ No ____ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No ____ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

| | |
|---|---|
| _____ | _____ |
| Signature of Franchise Applicant | Signature of Franchise Applicant |
| _____ | _____ |
| Name (please print) | Name (please print) |
| Dated: _____, 20_____ | Dated: _____, 20_____ |
| _____ | _____ |
| Signature of Franchise Applicant | Signature of Franchise Applicant |
| _____ | _____ |
| Name (please print) | Name (please print) |
| Dated: _____, 20_____ | Dated: _____, 20_____ |

**GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)**

**EXHIBIT I**
**TO HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Nebraska, New York, North Carolina, North Dakota, Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

| STATE | EFFECTIVE DATE |
|---|---|
| CALIFORNIA | Pending Registration |
| FLORIDA | EFFECTIVE |
| HAWAII | Not Registered |
| ILLINOIS | Not Registered |
| INDIANA | Not Registered |
| KENTUCKY | Not Registered |
| MARYLAND | Not Registered |
| MICHIGAN | Not Registered |
| MINNESOTA | Not Registered |
| NEBRASKA | Not Registered |
| NEW YORK | Pending Registration |
| NORTH DAKOTA | Not Registered |
| RHODE ISLAND | Not Registered |
| SOUTH DAKOTA | Not Registered |
| TEXAS | EFFECTIVE |
| UTAH | Not Registered |
| VIRGINIA | Not Registered |
| WASHINGTON | Not Registered |
| WISCONSIN | Not Registered |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**
**TO THE HITE DIGITAL INTERNATIONAL, LLC FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**
**(OUR COPY)**

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 Hite Digital International, LLC offers you a franchise it must provide this disclosure document to you within 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.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If Hite Digital International, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document.

A list of franchisor's agents registered to receive service of process is listed as Exhibit B to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of April 30, 2022, containing the following Exhibits.

A – List of State Administrators and List of Agents for Service of Process
B – Table of Contents of Operations Manual
C – Financial Statements
D – Franchise Agreement
E – Sample Termination and Release Agreement
F – State Specific Addenda
G – List of Franchisees
H – Franchisee Questionnaire/ Compliance Certification
I – State Effective Dates
J – Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

- J.C. Hite, 1000 N. West St. Ste. 1501, Wilmington, DE 19801, (302) 652-8400

Phone number:

_____

| If an individual: | If a Corporate Entity/Partnership: |
|---|---|
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Date: _____ | Title: _____ |
| Telephone Number: _____ | Name of Entity: _____ |
| | Date: _____ |

**RECEIPTS**
**(YOUR COPY)**

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 Hite Digital International, LLC offers you a franchise it must provide this disclosure document to you within 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.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

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Phone number:

_____

<u>If an individual:</u>

By: _____
Name: _____
Date: _____
Telephone Number: _____

<u>If a Corporate Entity/Partnership:</u>

By: _____
Name: _____
Title: _____
Name of Entity: _____
Date: _____