# FRANCHISE DISCLOSURE DOCUMENT

Craft Beer Stellar, LLC
A Massachusetts Limited Liability Company
Cellar Floor, 51 Leonard Street
Belmont, MA 02478
Phone: (617) 993.3214
Email: ~~info~~franchise@craftbeercellar.com
Website: www.craftbeercellar.com

Craft Beer Cellar franchises operate a retail beer store focused on the sale of craft, micro, and artisanal brewed beers under the Marks and the Craft Beer Cellar programs and systems (the "Method of Operation").

The total investment necessary to begin operation of a Craft Beer Cellar franchise is $~~60,325~~70,725 to $~~187~~290,000. This includes between $~~26,000 and $27~~25,000 that must be paid to Franchisor or its affiliate(s).

The total additional investment necessary to become Craft Beer Cellar Area Developer is $~~12,500~~18,750 to $~~37,500~~56,250. This includes $~~12,500~~18,750 to $~~37,500~~56,250 that must be paid to the franchisor or its affiliate(s). If you elect and qualify for an Area Developer franchise, you must open a minimum of one franchise additional to the Craft Beer Cellar franchise 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, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Suzanne Schalow, 51 Leonard Street, Cellar Floor, Belmont, MA 02478, phone (617) 993-3214.

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

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

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

ISSUANCE DATE: ~~April 14, 2017~~

July 30, 2018

STATE COVER PAGE

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

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION, AND LITIGATION ONLY IN MASSACHUSETTS. OUT-OF-STATE LITIGATION AND MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE OR MEDIATE WITH US IN MASSACHUSETTS THAN IN YOUR OWN STATE.

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

3. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $~~60,325~~70,725 TO $~~187~~290,000.~~—~~ THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDER'S NEGATIVE EQUITY OF AS OF DECEMBER 31, 2017~~2016~~, WHICH IS ~~($33,199).~~$252,180.

4. YOU MUST MAINTAIN ~~MINIMIUM~~MINIMUM SALES ~~PERFORANCE~~PERFORMANCE LEVELS.~~–~~ YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN LOSS OF ANY RIGHTS YOU ARE GRANTED, TERMINATION OF YOUR FRANCHISE, AND LOSS OF YOUR INVESTMENT.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

**We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.**

Effective Date: [See the following page]

This Uniform Franchise Disclosure Document is effective as of:

General FTC (for states not requiring registration) – ~~April 14, 2017~~July 30, 2018

States Requiring Registration or other filing (registration not approved if blank):

| | |
|---|---|
| California: | ~~November 2, 2017~~ |
| Florida: | |
| Hawaii: | |
| Illinois: | |
| Indiana: | |
| Kentucky: | |
| Maryland: ______________________ | |
| Michigan: | |
| Minnesota: | |
| Nebraska: | |
| New York: | |
| North Dakota: | |
| Rhode Island: | ~~October 12, 2017~~ |
| South Dakota: | |
| Texas: | |
| Virginia: | ~~September 29, 2017~~ |
| Washington: | |
| Wisconsin: | |

# Table of Contents

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

We are Craft Beer Stellar, LLC (called "We," "Us," or "Our"). We are a limited liability company organized in Massachusetts on April 26, 2012. We do business under the name "Craft Beer Cellar" and the Craft Beer Cellar Marks. We do not do business under any other names. Craft Beer Cellar is called "us" or "we" in this Franchise Disclosure Document. "You" means the prospective purchaser of a Craft Beer Cellar franchise, and includes owners or partners of a corporation, partnership, or other legal entity that purchases a Craft Beer Cellar franchise. The franchises being offered in this disclosure document are referred to as "Craft Beer Cellars."

We have no parents. We do not have and have not had any predecessors. We offer franchises under the "Craft Beer Cellar" names and marks. Our principal office address is Cellar Floor, 51 Leonard Street, Belmont, MA 02478. Our phone number is (617) 993.3214. ~~We began offering the franchises being offered in this disclosure document on~~We have been franchising since July 15, 2012. We do not operate any businesses of the type being franchised. We have not and do not offer franchises in other lines of business. We and our affiliate may attempt to negotiate group discount rates for the benefit of our franchisees for products and services and marketing and sales materials.

Our registered agents for service of process are outlined in Exhibit C to this Disclosure Document.

~~Our~~ The first Craft Beer Cellar was opened in May of 2010 by our affiliate, Craft Beer Initiative, LLC~~ has continuously owned and operated Craft Beer Cellar locations, which offer products similar to the products and services offered by our franchisees since May of 2010. Craft Beer Initiative, LLC is~~, a Massachusetts Limited Liability Company with a principal address of 51 Leonard Street, Belmont, MA 02478. Our affiliate, Craft Beer Initiative, LLC has continuously owned and operated Craft Beer Cellar locations, offering products similar to the products and services offered by our franchisees since May of 2010.

~~We are the exclusive supplier of logo items, marketing materials, and some beers, glassware and apparel to Craft Beer Cellar franchisees.~~ To become a Craft Beer Cellar Franchisee, You will complete and sign a Franchise Agreement with Us (See Exhibit A) which will describe what You and We agree will be the area in which You will operate Your Business ("Your Territory"). If You decide to purchase more than one Franchise Business, You will be required to sign an Area Development Addendum, which is attached as an exhibit to the Franchise Agreement. In addition, for each additional Franchise Business that You open, as You and We agree in the Area Development Addendum. You will be required to sign additional Franchise Agreements for each individual Franchise Business. The Franchise Agreement that You sign in the future for each additional unit beyond Your first unit may be in a different form than the Franchise Agreement included in this Disclosure Document.

The market for Craft Beer Cellar products is adult beer drinkers over the age of 21. ~~The general~~

~~competition for franchisee's business is somewhat developed, but evolving.~~ The principal sources of direct competition for your franchise are independent and chain retail outlets that offer and provide retail beer sales, and related products such as grocery stores, convenient stores, and other liquor stores. ~~-~~The market for beer is well developed, but the market for artesian and local brews is ~~undeveloped~~under-developed and developing.

The products and services offered by our franchisees are generally offered and sold to retail markets. A Craft Beer Cellar franchise may depend on geography and weather, and there will be some seasonality to your franchise.~~-~~ Holidays may also generally represent increased traffic depending on your location.

Many jurisdictions have specific laws and regulations pertaining to the sales of alcoholic beverages, including laws and regulations relating to licensing, sales to persons under the age of 21, sales of alcoholic beverages to those that appear intoxicated. ~~-~~Additionally, many jurisdictions have specific laws and regulations pertaining to personal information and privacy, access by persons with disabilities, safety, and zoning. ~~-~~It is your responsibility to identify and comply with any and all laws applicable to your franchise, and we urge you to investigate these laws and regulations before becoming a Craft Beer Cellar franchisee.

Many landlords, especially if your franchise is located within a retail development, will regulate the sale of certain products and may obligate you to use clauses in the franchise location lease that regulate or limit what products or services you may offer and sell from the franchise location.

Most jurisdictions have laws and regulations that apply to all businesses generally~~,~~; these may include:

> Federal. Examples of federal laws are wage and hour, occupational health and safety, equal employment opportunity, communication with employees, environmental, and the Americans With Disabilities Act.
>
> State. State laws may cover the same topics as federal laws. Examples of state laws may include environmental, occupational health and safety, fire, health, and building and construction laws.
>
> Local. Local laws may cover the same topics as federal and state laws. ~~-~~Examples of local laws include health and sanitation, building codes, fire codes, and waste disposal.

## Item 2: Business Experience.

Suzanne Schalow - Co-Founder~~ & Push Cart Driver~~

Suzanne is one of our Co-Founders~~ and Push Cart Driver. ~~. She has held the position of Co-Founder~~ and Cart Driver~~ from our inception in April of 2012 to present. Suzanne is also one of the

Co-Founders of our affiliate, Craft Beer Initiative, LLC and been Founder ~~and Push Cart Driver for~~of our affiliate since its inception in May of 2010 to present.

Kathryn Baker - Co-Founder ~~& Liquid Liaison~~

Kathryn is one of our Co-Founders~~ and Liquid Liaison. ~~. She has held the position of Co-Founder ~~and Liquid Liaison~~ from our inception in April of 2012 to present. Kate is also one of the Co-Founders of our affiliate, Craft Beer Initiative, LLC and been Founder ~~and Liquid Liaison for~~of our affiliate since its inception in May of 2010 to present.

## Item 3: Litigation.

CBC-Framingham, LLC v. Craft Beer Stellar, LLC and Villa TBR Corp. (Superior Court Commonwealth of Massachusetts Docket No: 16-670). ~~–~~Per a complaint filed March 8, 2016, Plaintiff and Craft Beer Cellar franchisee, CBC Framingham (Framingham), filed claims alleging that we granted an encroaching adjacent franchise, which is a breach of contract, violation of Massachusetts' unfair trade practices, and breach implied a duty of good faith and fair dealing. Framingham is ~~seeking~~sought equitable~~ relief. On March 31, ~~. In August 2, 2017 a judgement~~2016,~~ in ~~exchange for Framingham posting a $200,0000 bond, a restraining order was granted against us precluding our franchisee~~favor of Villa TBR~~, co-defendant in the case, from operating a ~~ Corp against Craft Beer ~~Cellar~~Stellar, LLC was rendered. Pursuant to a settlement agreement, Craft Beer Stellar agreed to pay One Hundred Twenty Five Thousand and 00/100 ($125,000.00) to Villa TBR Corporation and One Hundred Fifty Thousand and 00/100 ($150,000.00) to Patrick Loranger and Villa TBR Corp and Craft Beer Stellar, LLC entered into a Joint Stipulation of Cross Appeals with ~~5 miles from Framingham's franchise. ~~prejudice on June 13. 2018.

No other litigation is required to be disclosed in this Item.

## Item 4: Bankruptcy.

No bankruptcy is required to be disclosed in this Item.

## Item 5: Initial Fees.

Initial Franchise Fee

You are required to pay to us an Initial Franchise Fee of $25,000 for the first Franchise you purchase. Simultaneous with the execution of the Franchise Agreement, you will pay to us the entire Initial Franchise Fee. ~~-~~We do not finance any portion of the Initial Franchise Fee. The Initial Franchise Fee is not refundable under any circumstances and is uniformly charged all franchisees.

Area Development Fee.

The Initial Area Developer Fee is ~~twelve~~eighteen thousand ~~five~~seven hundred and fifty dollars ($~~12,500~~18,750) for each additional franchise payable half upon signing the Area Developer Addendum and a half when ~~sign~~signing the Franchise Agreement for the additional franchisee. The Initial Area Developer Fee is not refundable under any circumstances and is uniformly charged all franchisees.

The initial fees are uniform. The initial Franchise Fee is not refundable under any circumstance.

~~Initial Inventory~~

~~You must purchase your initial inventory of logo items, marketing materials, and some beers, glassware and apparel from us. The purchase price of this initial inventory is between $1,000 and $2,000 depending on the size of your franchise business Premise. The initial inventory is uniformly changed to all franchisees. Monies paid for initial inventory are not refundable.~~

## Item 6: Other Fees.

| Type of Fee | Amount | Date Due | Remarks |
|---|---|---|---|
| Royalty Fee | 2% of your monthly Gross Revenue[1]. | Payable monthly by the 5th day of each month for the prior month. | This fee must be paid through automatic debit processes or other methods outlined in the Operations Manual.[2] |
| Local Advertising | Approximately $100 per month | As Incurred | You are not required to spend this amount. This is the recommended amount of money you spend on advertising and promoting your franchise business in your local area. |
| Computer | Currently $150 per | Payable monthly by | This fee must be |

| Type of Fee | Amount | Date Due | Remarks |
|---|---|---|---|
| Technology Fee | month | the 5th day of each month for the prior month. | paid through automatic debit processes or other methods outlined in the Operations Manual.[2] |
| Supplier Testing | Variable | As Incurred | If you request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. -You will reimburse us for the actual cost of the testing supplier's samples. |
| Additional Training | Then-current rates, currently $300 per day. -You must also reimburse us for our reasonable out of pocket costs (travel, accommodations, etc.). | Before opening or after you open your franchise for business. | You must give us not less than 35 days' prior written notice of your desire to receive additional training. -The duration of training is negotiable depending ~~upon~~on your needs.- You will not receive any compensation for services rendered by the trainee during this or any other training. -We may designate qualified franchisees or master franchisees to conduct some or all of your training. |
| Transfer Fee | 50% of the then current Initial Franchise Fee or $12,500, whichever is less | Before transfer | The transfer fee is due and payable upon execution of the transfer agreement. |
| Renewal | $75% of the then | Immediately | Payable to us at the |

| Type of Fee | Amount | Date Due | Remarks |
|---|---|---|---|
| | current Initial Franchise Fee or $18,750, whichever is less | upon renewal | time of renewal. |
| Relocation | You will reimburse us for our reasonable out-of-pocket costs concerning the relocation. | Before relocation | |
| Step-In Right Costs | As incurred | As Incurred | You must reimburse us for our out of pocket expenses and costs we incur if we step-in to operate your franchise pursuant to Franchise Agreement. |
| Late Charge | 1.5% per month | Each month that amounts owed remain unpaid | You will not be compelled to pay late charges at a rate greater than the maximum allowed by applicable law. |
| Late Payment Penalty | $50 per day from the date due until paid in full. Late Payment Penalties will be enforced if monthly sales information is not submitted by the required time. | As incurred | You will not be compelled to pay late payment penalty in an amount greater than the maximum allowed by applicable law |

*All fees are imposed by and payable to us. -All fees are non-refundable.- All fees are uniformly imposed.

Notes

[1.] Gross Revenue and Reporting: "Revenue" means all receipts generated by the franchise from any source including sales, exchanges, services, labor, service charges, etc. –Credit sales shall be calculated as of the date of sale without deduction for uncollected credit accounts. -"Revenue" shall not include bona fide credits for returns of merchandise, promotional discounts, or the amounts collected and paid to appropriate governmental authorities under the provisions of any Sales Tax, Retailer's Occupation, or similar Act. -The proceeds from any business interruption insurance or eminent domain recovery you receive are included in "Revenue." "Gross Revenue" means your total Revenue for each calendar month (or other specified period).

You will deliver to us, as outlined in the Operations Manual, an itemized report of your Gross Revenue for the preceding month. -The report must be in the form we designate.- All Royalty Fee payments based upon the Gross Revenue for the preceding month must be submitted with the report.

Taxes. You must pay any taxes imposed as a result of your payment to us of initial or ongoing fees.

[2.] Automatic Withdrawal: We may require you to make fee payments by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer or the Internet.

[3.] Telephone Directory Listings. You must maintain a business phone and maintain listings of the local telephone directory under the listings we may designate. -This business listing must meet the content requirements outlined in the Operations Manual.

All fees are nonrefundable and uniformly imposed on all new franchisees.

## Item 7: Estimated Initial Investment.

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of expenditure | Amount payment | Method of payment is to be made | When due | To whom |
|---|---|---|---|---|
| Franchise Fee[1] | $25,000 | Wire, EFT, ACH or other Electronic Transfer | Upon Signing Franchise Agreement | Us |
| Real Estate/Rent[2] | $1,500 to $8,000 | As Arranged | Before Beginning Operations | Lessor |
| Utility Deposits[3] | $100 to $1,000 | As Arranged | Before Beginning Operations | Utilities |
| Leasehold Improvements[4] | $~~100~~1,000 to $~~1~~100,000 | As Arranged | Before Beginning Operations | Contractors, Suppliers |
| Furniture, Fixtures & Equipment[5] | $~~2~~5,000 to $40,000 | As Arranged | Before Beginning Operations | Approved Suppliers |
| Initial Inventory[6] | $~~20~~25,000 to $~~60~~75,000 | As Arranged | Before Beginning Operations | Us Approved Suppliers |
| Insurance[7] | $1,500 to $6,000 | As Arranged | Before Beginning Operations | Insurance Companies |
| Signage[8] | $500 to $6,000 | As Arranged | Before Beginning Operations | Suppliers |
| Office Equipment & Supplies[9] | $25 to $~~500~~1,000 | As Arranged | Before Beginning Operations | Suppliers |
| Grand Opening Advertising[10] | $100 to $2,000 | As Arranged | First 3 Months of Operation | Advertising Suppliers |
| Computer Equipment (Hardware/Software/POS System)[11] | $~~2~~3,500 to $5,000 ~~to $4,500~~ | As Arranged | Before Beginning Operations | Suppliers |
| Training Travel Expenses[12] | $1,000 to $2,500 | As Arranged | Before Beginning Business | Airlines, Hotels, etc. |
| Licenses & Permits[13] | $500 to $3,500 | As Arranged | Before Beginning Business | Licensing Authorities |
| Legal & Accounting[14] | $1,000 to $~~2~~10,000 | As Arranged | Before Beginning Business | Attorney, Accountant |
| Additional Funds (3 months)[15] | $5,000 to $25,000 | As Arranged | As Necessary | Employees, Utilities, Lessor, Suppliers |

| Type of expenditure | Amount payment | Method of payment is to be made | When due | To whom |
|---|---|---|---|---|
| **TOTAL**[16] | $~~60,325~~70,725 to $~~187~~290,000 | | | |

You should anticipate the preceding initial expenditures in connection with the establishment of a Craft Beer Cellar franchised business and your first ~~3~~three months of operations. Additional factors related to each expenditure category are described in the following notes.

If you are purchasing multiple franchises, you will incur the estimated initial expenditures for each franchise you operate.

NOTES

[1] Franchise Fee. We do not finance this fee. The initial Franchise Fee is not refundable under any circumstance.

[2] Real Estate/Rent. You must lease or otherwise provide a suitable facility for the operation of the franchise. Typically, the facility will range in size from ~~900~~500 to 3,500 square feet. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based ~~upon~~on square footage, cost per square foot and required maintenance & triple net (NNN) costs. The low estimate is based on ~~an~~the assumption that you will have to pay a security deposit equal to one month's rent and is based on leasing a facility of 1,200 square feet. The high estimate based on leasing a facility of 3,500 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. The estimated range of costs in this category only includes your costs to enter into a lease agreement for the facility. Estimated rental costs for 3 months are included ~~within~~in the category "Additional Funds," (See Note 15 below).

Some Craft Beer Cellar franchises may be placed at a location where another, separate business is operated under another business name, in which case your franchise will be "co-branded" for the purposes of the Franchise Agreement. Before we approve of a co-branded location, we may require you to redecorate portions of the location with décor that fits within our branding specifications and guidelines.

[3] Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, internet, gas, and water. The amount of the deposit and whether the deposit is refundable will vary on the local utilities. You should contact your local utilities for more information.

[4] Leasehold Improvements. To adapt to a newly acquired facility for operation of the franchise, it must be renovated. The cost of the leasehold improvements will vary depending on factors, including size, condition, and location of the facility, local wage rates and the cost of materials. The

low estimate assumes that your landlord will provide a complete or partial build-out allowance. The amounts you pay for the leasehold improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

[5] Furniture, Fixtures & Equipment. You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your franchise. The cost of the furniture, fixtures, and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for furniture, fixtures or equipment are refundable. Factors determining whether furniture, fixtures, and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. You should inquire about the return policy of the suppliers at or before the time of purchasing or leasing.

[6] Initial Inventory. You must purchase an initial inventory. Costs vary based on the size and location of the franchise, time of the season, suppliers and other related factors. We do not know if the amounts you pay for other inventory items are refundable. Factors determining whether other inventory items are refundable typically include the condition of the items at the time of return, level of use, and length of time of possession. We require you and every franchisee to purchase your Craft Beer Cellar supplies and products from our approved vendors, our us. We do not allow you to contract with any other vendor or supplier in purchasing your Craft Beer Cellar supplies and products~~. As part of the initial inventory, you will need to purchase from us inventory items including logo items, marketing materials, some beers, glassware and apparel. The cost of inventory items from us will range between $1,000 and $2,000.~~ without our approval. We and our affiliate are not approved suppliers for certain but reserve the right to designate ourselves or our affiliate as a supplier. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[7] Insurance. You must purchase the following types and amounts of insurance:

1. "all risk" property insurance coverage for assets of the franchise;

2. workers' compensation insurance and employer liability coverage with a minimum limit of $1,000,000 or higher if your state law requires;

3. comprehensive general liability insurance with minimum liability coverage of $1,000,000 per occurrence, or higher if your state law requires;

4. business interruption insurance in the amount of $250,000;

5. automobile liability insurance of at least $500,000, or higher if your state law requires; and

6. liquor liability of at least $1,000,000, or higher if your state law requires

Factors that may affect your costs of insurance include the size and location of the franchise, the value of the leasehold improvements, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in this Agreement. The policy or policies will ~~insure~~ensure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

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

The insurance will ~~insure~~ensure us, you, and our respective subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of the Franchise. Your policies of insurance will contain a separate endorsement naming us as an additional named insured.

[8] Signage. This range includes the cost of all signage used in the franchise. The signage requirements and costs will vary based ~~upon~~on the size and location of the franchise, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[9] 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 market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at the time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[10] Grand Opening. You must spend the minimum amount we specify on grand opening advertising during the first ~~3~~three months of operation. We determine the minimum based on our assessment of your adverting costs in your area and the time of year that you are opening. You may choose to spend~~–~~. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, the location of the franchise, time of year and customer demographics in the surrounding area. The amounts you spend ~~for~~on grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[11] Computer Equipment (Hardware, Software, and POS System). You must purchase the computer equipment, hardware, and software necessary for operating the franchise. We do not know if the amounts you pay for the computer equipment may be refundable. The amounts you pay for

computer equipment are typically non-refundable, or if refundable, may be subject to a "restocking" fee. -You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[12] Training. -The cost of initial training is included in the franchise fee~~,~~; you will be responsible for transportation, meals, and lodging while attending training.

[13] Licenses & Permits.– State and local government agencies typically charge fees for occupancy permits, operating licenses and construction permits. -Your actual costs may vary from the estimates based on the requirements of state and local government agencies. -These fees are typically non-refundable.- You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

[14] Legal & Accounting. -You may need to employ an attorney, an accountant and other consultants to assist you in establishing your franchise. -These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants. -These fees are typically non-refundable.– You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

[15] Additional Funds. -We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities and employees' salaries for the first ~~3~~three months that your franchise is open.- These are only estimates based on our affiliate's experience in opening and operating a similar business. -The predominant factors for calculating the ~~3~~three-month estimate are amounts paid for employee wages and inventory. We cannot guarantee that our recommendation will be sufficient. -Additional working capital may be required if sales are low or operating costs are high.- These expenses are typically non-refundable.

[16] Total. –In compiling this chart, we relied on our and our affiliate's history, knowledge and experience.- The amounts shown are estimates only and may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your franchise and your business experience and acumen. -You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. -These figures are estimates only, and we cannot guarantee that you will not have additional expenses in starting the franchise.

~~Additional~~The additional estimated investment necessary for an Area Developer Addendum

**YOUR ESTIMATED INITIAL INVESTMENT**

| **Type of expenditure** | **Amount ~~payment~~Payment** | **Method of payment is to be made** | **When Due** | **To Whom** |
|---|---|---|---|---|
| Initial Area Development Fee[1] | $~~12,500~~18,750 to | Wire, EFT, ACH or other Electronic | Half upon signing the Area Develop | Us |

| | | | | |
|---|---|---|---|---|
| | $~~37,500~~56,250 | Transfer | Agreement and half upon Signing Franchise Agreement | |
| Total | $~~12,500~~18,750 to $~~37,500~~56,250 | | | |

[1] If you wish to be granted a right to open more than one Craft Beer Cellar, you must sign an Area Developer Addendum, which is an exhibit to the Franchise Agreement. Under an Area Development Addendum, you must open a minimum of one additional Franchise. There is no set maximum number of additional franchises that may opened under an Area Developer Addendum, the number of the additional franchise under an Area Developer Agreement will depend on your desire and your qualifications for additional franchises. The Initial Area Developer Fee is $~~12,500~~18,750 for each additional franchise. The table reflects an upper range of 3 additional franchisees and the lower range is for one additional franchisee.

We do not offer direct or indirect financing to you for any items.

We require no other payments.

These tables estimate your initial start-up expenses. These figures represent our estimates based ~~upon~~on our experience and the experience of our licensees and estimated costs provided by authorized suppliers and vendors. We do not guarantee that you will not have additional and different expenses than those we have identified in this table. Your actual costs will depend upon many factors, including, how well you follow our directions and suggestions, your business skill and experience, local economic conditions, the local market for your products, the location and condition of your franchise premises, the prevailing wage rates, competition, and your sales levels during the initial period.

## Item 8: Restrictions on Sources of Products and Services.

Operations Manual

We will lend to you a copy of our Operations Manual at the mandatory training program described in Section 11, below. We may amend the Operations Manual, including changes that may affect minimum requirements for your franchise operations. You will strictly follow the requirements of the Operations Manual as we amend it. You will carry out immediately all changes at your cost~~,~~ unless we otherwise specify. We reasonably may designate minimum standards for operations and designate guidelines, as specified in the Operations Manual. The Operations Manual is confidential and our exclusive property.

The Operations Manual contains the Craft Beer Cellar System and related specifications, standards, build-out and furnishing requirements, co-branding requirements, operating procedures, accounting and bookkeeping methods, marketing programs and ideas, advertising suggestions, operation requirements, public relations guidelines, service guidelines and other rules that we may prescribe.

Inventory

You must purchase an initial inventory before beginning operations of your Craft Beer Cellar franchise, and continually purchase supplies and products on an ongoing basis as needed. In an effort to maintain quality, uniformity and low costs to your System as a whole, we require you and every franchisee to purchase your Craft Beer Cellar inventory approved vendors and us. We do not allow you to contract with any other vendor or supplier in purchasing your Craft Beer Cellar inventory~~. We are currently the only exclusive approved suppliers for certain logo items, marketing materials, some beers, glassware, and apparel. The initial inventory purchased from us includes logo items, some marketing materials, some beers, glassware and apparel. The cost of initial inventory for these items from us will range between $1,000 and $2,000.~~, without our approval.

Advertising

If you decide to advertise, you must purchase all advertising materials from us or approved suppliers to ensure uniformity and quality of the advertising. We are currently ~~an~~ approved suppliers for marketing materials. We are not the only approved supplier ~~for~~of some marketing materials.

Furniture, Fixtures, and Equipment

All furniture, fixtures, equipment, including computer equipment, and signage you purchase must be in accordance with Craft Beer Cellar specifications as stated in the Operations Manual and Brand Guidelines. These specifications include standards and specifications for the appearance, quality, price, performance, and functionality. The standards and specifications are based on our affiliate's experience in operating a business of the type we are franchising and through research and testing in our affiliate's business. We may communicate our standards and specifications directly to suppliers who wish to supply you with furniture, fixtures, equipment, inventory, and signage under specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the franchise during training before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location and through the Operations Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices or via the Internet. While we have created standards and specifications for the development of your franchise, and while we have designated some vendors and suppliers, we may not have designated all vendors and suppliers at the time of the issuance of this Disclosure Document.

All specifications that we require of you and lists of equipment and approved suppliers will be included in the Operations Manual. We will, upon request, provide them to approved suppliers and suppliers seeking approval. We will use our best judgment to set and modify specifications to maintain the integrity and quality of the franchise system.

Approval of Alternate Suppliers

With advance written notice, you may request our approval to obtain products, equipment, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples and other data to allow us to determine whether the items from these other sources meet our specifications and standards. These specifications and standards will relate to quality, durability, value, cleanliness, composition, strength and the suppliers' capacity and facility to supply your needs in the quantities, at ~~the~~ times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing before approval and use. You will reimburse us for the actual cost of the tests. We may license any supplier that can meet or exceed our quality control requirements and standards, for a reasonable license fee, to produce and deliver Craft Beer Cellar products to you but to no other person. Our confidential requirements, systems, and formulas will be revealed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently follow our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose within 30 days of receiving written notice from you of your request for approval.

We or our agents may inspect any approved manufacturer, supplier or distributor facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. If we find from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved. ~~We are the exclusive supplier of logo items, marketing materials, and some beers, glassware and apparel to Craft Beer Cellar franchisees.~~ We and our affiliate are not currently an approved supplier, but we reserve the right designate ourselves or our affiliate as a supplier.

Our Revenue Derived From Providing Products to You

We and our affiliate may receive rebates, price adjustments, or discounts on products or services sold to you by recommended or approved suppliers. Designated suppliers did not make any payments include the sale of similar goods or ~~serve~~services to ~~the~~ us at a lower price than to franchise during the calendar year ending December 31, 2017.~~2016.~~

~~Prior to 2017, Craft Beer Initiative, LLC was the exclusive supplier of logo items, marketing materials, and some beers, glassware and apparel to Craft Beer Cellar franchisees.~~ As a result of the sale of all required purchases and leases of products and services to Craft Beer Cellar

~~franchisees~~Franchisees in calendar year 2017, we ~~2016, our affiliate, Craft Beer Initiative, LLC~~ derived $~~87,330.50~~19,321 in revenue, representing ~~just under 4.5~~3.7% of our ~~affiliate, Craft Beer Initiative, LLC~~ total revenue of $~~1,929,129.03. We are current as of 2017 the exclusive supplier of logo items, marketing materials, and some beers, glassware and apparel to Craft Beer Cellar franchisees, in calendar~~ 522,109~~2016 did not offer or sell any products or service to Craft Beer Cellar franchise and we did not derived any revenue as a result of the sale of required purchases and leases of products and services to Craft Beer Cellar franchisees in calendar year 2016.~~

We estimate that the proportion of your purchases and leases of goods and services from approved suppliers or of products that meet our specifications to be approximately 10% to 25% of all the purchases and leases in establishing your Craft Beer Cellar Franchise Business and approximately 10% to 25% of your ongoing costs of operating your Craft Beer Cellar Franchise Business.

~~Suzanne Schalow, our Co-Founder & Push Cart Driver and Kathryn Baker, our Co-Founder & Liquid Liaison,~~None of the Craft Beer Stellar, LLC officers, directors, or managers have an ~~ownership~~ interest in ~~our affiliate, Craft Beer Initiative, LLC, which was a supplier of glassware and appareled to~~any of the Craft Beer Cellar ~~franchisees~~approved or designated vendors.

Accounting Software

~~You must use QuickBooks software for accounting and database management system.~~ You are required to use appropriate accounting and database management systems~~, though~~. QuickBooks ~~in~~is suggested, but not required.

Other Obligations

There are no other obligations for you to purchase or lease according to specifications or from approved suppliers. ~~-~~Except as explained above, we have no required specifications, designated suppliers or approved suppliers for goods, services, or real estate related to your franchise business. Except as explained above, we will not derive revenue from your purchases or leases. ~~Current~~The current price structure for selling goods to you is that everything is sold at the same cost that we pay for each, yet we add an additional handling fee on all items that we sell to you.

We currently provide material benefits to franchisees based on the use of designated or approved sources including the right to renew your franchise rights and to obtain additional franchises.

We intend to negotiate purchase arrangements with suppliers, including price terms, for the benefit of Craft Beer Cellar franchisees. ~~-~~We have ~~not yet~~ entered into any formal purchasing ~~or distribution cooperatives~~Boelter Brands to provide merchandise, such as glassware, key chains, koozies, bottle openers, coolers, mugs, tap handles and other beer related ~~to the franchise system, but we reserve the right to do so.~~ accessories. In the future, we ~~hope to~~may create and augment the effectiveness of cooperatives for the purchase of materials and the provision of advertising, for the benefit of the Craft Beer Cellar franchise system.

You may not sell any products, services or activities other than those specifically recognized and approved by us as part of Craft Beer Cellar franchise system without our prior written approval.

## Item 9: Franchisee's Obligations.

**This table lists your principal obligations under the franchise and other related 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 Franchise Agreement ("FA") and Area Development Addendum ("ADA") | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | FA Section 1.1 & 1.2<br>ADA Section 3 | Items 6 |
| b. Pre-opening purchases/leases | FA Sections 4.1, 5.1 & 8.2 | Items 7 |
| c. Site development and other pre-opening requirements | FA Sections 1.3, 3.1, 4.1 & 5.1 | Items 7, 8 |
| d. Initial and ongoing training | FA Sections 3.1 & 3.2, Section 5 | Items 6 |
| e. Opening | FA Sections 4.1 and 5.1 Section 2<br>ADA Section 3 | Item 11 |
| f. Fees | FA Sections 2.1, 2.2, 2.3, 2.4, 6.1 & 7.1<br>ADA Section 1 | Items 5, 6, & 17 |
| g. Compliance with standards & policies/Operations Manual | FA Sections 5 & 6.3<br>ADA Section 4 | Items 11 & 17 |
| h. Trademarks and proprietary information | FA Sections 1.1, 5.1, 5.3, 5.5.4, 5.5, 5.8, 5.9, 6.5, 9.2 & 9.10 | Items 13, 14, & 17 |
| i. Restrictions on products and services offered | FA Sections 1.2, 1.5, 5.1, 5.2, 5.5, 5.6, 5.7, 5.9, 5.10, 6.3 & 6.5 | Items 8, 12, 13, 16 & 17 |
| j. Warranty and customer service requirements | FA Sections 5.1, 5.2 & 5.5 | Item 1 |
| k. Territorial development and sales quotas | FA Section 1.1<br>ADA Section 3 | Items 7 & 12 |
| l. Ongoing product & service purchases | FA Sections 2.9, 5.1, 5.2, 5.5, 5.9, 5.10 & 8.2 | Items 7 & 8 |
| m. Maintenance, | FA Sections 1.4, 5.1, 5.2, 5.5 | Items 7, 11 & 17 |

| Obligation | Section in Franchise Agreement ("FA") and Area Development Addendum ("ADA") | Disclosure Document Item |
|---|---|---|
| appearance and remodeling requirements | &6.5 | |
| n. Insurance | FA Section 8.2 | Item 7 |
| o. Advertising | FA Sections 1.5, 2.3, 2.4, 2.6, 5.1, 5.2, 5.3, 5.4, 5.5 & 6.5 | Items 9 & 11 |
| p. Indemnification | FA Sections 6.7 & 8.1 | Item 6 |
| q. Owner's participation/ management/ staffing | FA Sections 2.9, 3, 4.1, 5, 6.5, 6.8, 7, 9.3, 9.10, 9.12 & 9.14 ADA Section 5 | Items 11, 15 & 17 |
| r. Records and reports | FA Sections 2.8, 5.1, 5.2 & 5.5 | Items 6, 11 & 17 |
| s. Inspections and audits | FA Sections 2.9, 5.1, 5.2 & 5.5 | Items 6, 11 & 17 |
| t. Transfer | FA Section 7 | Item 17 |
| u. Renewal | FA Section 6.1 | Item 17 |
| v. Post-termination obligations | FA Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10 | Item 17 |
| w. Non-competition covenants | FA Sections 5.8, 5.9, 6.5, 6.6, 6.8, 9.9, 9.10 | Item 17 |
| x. Dispute resolution | FA Sections 9.7 & 9.8 | Item 17 |

## Item 10: Financing.

We do not offer direct or indirect financing. -We do not guarantee your note, lease or obligation.

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

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

Pre-Opening obligations

Before you open your franchise, we will:

~~1)~~1. Designate your Franchise location and Franchise Territory in the Franchise Agreement before the Franchise Agreement is executed. -(Franchise Agreement, Section 1.1) If you are simultaneously purchasing multiple franchises, we will designate your Designated Territory and the Development Schedule that ~~establish~~establishes where and when you must open your franchised stores (Area Development Addendum, Sections 2 and 3)

~~2)~~2. You must select the site for your Franchise location. We consult with independent commercial real estate advisors and brokers, from time to time, and may offer you real estate assistance at no additional cost. We'll work closely with you and enlist outside services when we feel it's needed or necessary, especially in markets that we don't know well or have any experience. (Franchise Agreement 1.3)

~~3)~~3. Approve or disapprove of proposed sites for the Franchise Premises and the lease for the Franchise Premises, if any. ~~-~~If you desire to place your Franchise Premises in a co-branded location with an existing business (such as food retailers, etc.), we may require you to redecorate portions of the Franchise Premises with colors and style that fit within our branding specifications and guidelines (Franchise Agreement, Section 1.3).

~~4)~~4. Upon relocation, provide consult with independent commercial real estate advisors and brokers, from time to time, and may offer you real estate assistance at no additional cost. We'll work closely with you and enlist outside services when we feel it's needed or necessary, especially in markets that we don't know well or have any experience. (Franchise Agreement, Section 1.5).

~~5)~~5. Provide standards and specifications for site design, construction, remodeling, decorating, layout, equipment, and furnishings. (Franchise Agreement, Section 1.4)

~~6)~~6. Provide layout, furnishings, and equipment for the site of your Franchise Premise (Franchise Agreement, Section 1.4).

~~7)~~7. Provide equipment specifications for your franchise (Franchise Agreement Section 1.4)

~~8)~~8. Provide initial orientation and training to you and your designated manager(s). ~~-~~(Franchise Agreement, Section 3.1, Area Development Addendum, Section 5).

~~9)~~9. Loan you a copy of the Operations Manual. (Franchise Agreement, Section 5.1).

10. The table of contents for our Operations Manual including the number of pages per chapter as of the date of this Disclosure Document is attached as Exhibit D.

~~10)~~11. Give you a list of any approved or designated suppliers. (Franchise Agreement, Section 5.1).

~~11)~~12. Guidance regarding employee hiring and management as enumerated in our Operations Manual (Franchise Agreement, Section 4.3).

~~12)~~13. We provide a proprietary price estimating processes and systems in our Operating Manual (Franchise Agreement, Section 4.3)

Site Selection

We do not select the site or area in which you select a site for your franchised business. You are solely responsible for selecting the site and area for your franchised business. We do not generally own the premises and lease the site for your franchised business. We are not obligated to do so~~,~~ but ~~will~~may consult with you about site selection. We consult with independent commercial real estate advisors and brokers, from time to time, and may offer you real estate assistance at no additional cost. We'll work closely with you and enlist outside services when we feel it's needed or necessary, especially in markets that we don't know well or have any experience. (Franchise Agreement, Section 1.3)

The site that you select for your franchised business must be approved by us. Factors we consider site are location, size of the site, and terms of the lease. The exact determination of the Franchise Premises will depend upon our approval and market analysis, your market penetration plans and franchise placement strategies. Among the factors, we consider to determine the feasibility of possible Franchise Premises are population demographics and other businesses in the area pursuant to census and chamber of commerce information. (Franchise Agreement 1.3)

Before you enter a lease or purchase agreement for the Franchise Premises, you must submit the lease or purchase documents to us for approval. Lease documents must include the Franchise Premises Lease Agreement Rider in a form we approve, pursuant to which we may assume the lease. Upon the presentment of the lease or purchase document, we will have 30 days to approve or disapprove the proposed Franchise Premise. (Franchise Agreement 1.3). You have 300 days from signing the franchise agreement to secure a site for your franchised business approved by us and to open your franchised business. If we cannot agree on a site or if you fail to secure an approved site and open within 300 days from signing the franchise, it is a default of the franchise agreement, and upon notice to you, we may terminate your franchise agreement. (Franchise Agreement 4.1)

If you sign an Area Developer Addendum, you must open additional franchisees per the development schedule (Area Developer Addendum Section 3) which is 12 to 60 months. -If you do not open franchises per the Development Schedule, you will lose your Initial Area Development Fee and you will ~~loss~~lose the right to open ~~addition~~additional franchises under the Area Developer Addendum. -However, the failure to open will not be a default of the franchises already open.- (Area Development Addendum Section 4)

Time to Open

The typical length of time between the signing of the Franchise Agreement or first payment of consideration for the Franchise and the opening of the Franchise for business is between 270 and 365 days. –You are expected to complete the mandatory training program and commence your franchise business operations within 365 days after you sign the franchise agreement. -Factors that may affect this time are finding and negotiating for the Franchise Premises, arranging for the training session, equipping the Franchise, obtaining initial equipment, financing, and business permit requirements, and your personal operational needs.- (Franchise Agreement 4.1)

If you do not satisfactorily complete initial training with 300 days or open the Franchise within 365 days, we may terminate the Franchise Agreement. -We will retain the Initial Franchise Fee. -You then are required to return any products or materials you have obtained from us.– (Franchise Agreement, Section 4.1).

Operations Manual

The Craft Beer Cellar Operations Manual is confidential and remains our property. –It contains mandatory and suggested specifications, standards, and procedures.- We may modify the Operations Manual, but the modifications will not alter your basic status and rights under the franchise agreement. –The revisions may include advancements and developments in supplies, products, services, equipment, sales, marketing, operational techniques, and other items and procedures used for the operation of the franchise. -As of the date of this disclosure document, the Table of Contents (Exhibit D) consists of approximately 250 pages. (Franchise Agreement, Section 5.1)

Training

Mandatory Initial Training

Before you commence your franchised business operations, we will provide you a mandatory initial training program that lasts 5 - 10 days. -The initial training program is held at our headquarters in Belmont, MA and an affiliate-owned location, currently in Belmont, MA or at another location that we designate. –(Franchise Agreement, Section 3.1). –We currently offer 5 - 10 days of on-site training, at no additional cost to you. -The initial training program is included in the Initial Franchise Fee. -Accommodations, travel, room, board, and wage expenses during this period are borne by you. If the franchise is managed by any persons other than you, you must notify us of the identity of the managers. –The training program must be completed by all franchisees and their designated managers (if any) unless, at our reasonable discretion, based upon a franchisee's or a designated manager's experience, it is deemed unnecessary.

If you simultaneously purchase multiple franchises and sign the Area Development Addendum, we have no obligation to provide the initial franchise training program to you, your designated managers, negotiators, or client managers except pursuant to your first franchise agreement (See Area Development Addendum, Section 5).

As of the date of this disclosure document, the current agenda for the training ~~includes~~include:

**TRAINING PROGRAM**

| **Subject** | **Hours of Classroom Training** | **Hours of On-The-Job Training** | **Location** |
|---|---|---|---|
| Accounting & Insurance | 1 | .5 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Design & Décor | 1 | .5 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Construction & Equipment | 1 | .5 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Signage | 1 | 1 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Preparing ~~to~~for Open | 2 | 3.5 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Personnel & Training | 4 | 6 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Items Offered for Sale | 8 | 8 | Our affiliate location in Belmont, MA and Your Franchise Location |

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---|---|---|---|
| Preparation of Products | 8 | 8 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Paperwork & Controls | 3 | 4 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Evaluation & Compliance | 1 | 1 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Cleaning & Maintenance | 1 | 1 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Security & Safety | 1 | 1 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Social Media | 8 | 4 | Our affiliate location in Belmont, MA and Your Franchise Location |
| Total | 40 | 40 | |

***** The Training Schedule may be amended**.**

Our trainers are Suzanne Schalow, ~~Kathryn~~Kate Baker,~~John Thompson, Mark Goodman~~ Sallie Portuondo, Patrick Howe, ~~Aaron Balentine & Carli Isadore~~Phil Cassella, Virginia Thomas, Ken Cioffredi and others under their supervision. -The above-mentioned persons are all currently part of ~~the HQ/Brand~~Craft Beer Cellar's Leadership Team. Suzanne & Kate have operated our affiliate's outlet in Belmont, MA since November 2010. Kate & Suzanne operated our affiliate's outlet in Winchester, MA, for eighteen months and have been our either Co-Founders, Partners or Managers since the inception in May 2012. –We use the Operations Manual for instructional material. If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. There are no limits to our right to assign a substitute trainer to provide training. All trainers, including substitutes trainers, at a ~~minium~~minimum, will be a current member of our Head ~~QuarterBrand~~Quarter Brand Team. The trainers are not required to have a ~~minium~~minimum length of tenure with us or with the retail beer industry.

You must request to schedule a training session for you and the designated manager, if any, at least 30 days before the session is to start. Training is scheduled and held a based number of franchisees requesting training in a particular time frame and the franchisor's training personnel's availability. In general, training is scheduled at least once a month. The initial mandatory training program must be completed no later than 8 weeks before the scheduled date of the opening of the franchise.

You or any designated full-time manager must complete the initial mandatory training program to our satisfaction, or we may terminate the Franchise Agreement. (Franchise Agreement, Section 3.1, Area Development Addendum, Section 5). You are encouraged to schedule your training as soon as possible after executing the Franchise Agreement. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because you or the manager fails to complete the mandatory training to our satisfaction.

If you desire to have more than three individuals receive initial training, these additional individuals will be accommodated at our convenience. We reserve the right to charge a reasonable fee for the provision of the training regardless of when and where the individuals participate in initial training. In addition, if refresher training is provided, you must pay the cost to attend refresher training.

We may at any time during initial training inform you that an individual attending training on your behalf is not suitable due to criminal activities, disruptive behavior, poor attendance or other reasons. Upon that notice, our obligations to train that individual will be deemed to have been discharged.

We may, at our discretion or upon your request, provide other supervision, training, assistance, and services before or after the opening of your business; such as coach or trainer communications, online or video instructional programs via our website or intranet, literature, advertising materials, displays, flyers, and additional training or assistance. You will not be required to travel to attend additional training.

Our Obligations during the Operation of Your Franchise Business

After you open your franchise, we will:

~~1)~~1. At your option and upon not less than ~~thirty~~30 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates. This additional training consists of visits to our franchises, work experience and observation of franchise operations. The duration of training is negotiable depending ~~upon~~on your needs.~~ ~~ You will not receive any compensation for services rendered by the trainee during this or any other training. ~~ ~~(Franchise Agreement, Section 3.2).

~~2)~~2. From time to time we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. ~~ ~~These programs and seminars will be held at locations we designate and will be provided without charge to you. ~~ ~~You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. ~~ ~~(Franchise Agreement, Section 3.2).~~ ~~ In addition, we may deem it appropriate or necessary to provide additional training and supervision to you and your managers and employees at your franchise location. ~~ ~~If so, you must fully participate in and complete this additional training and supervision, including additional or revised training programs and processes that may be added to the Operations Manual in the future. ~~ ~~We may charge a reasonable Training Fee for these additional training sessions.

~~3)~~3. Inspect the Franchise and conduct activities to ensure compliance with the terms of the Franchise Agreement and Operations Manual to assure consistent quality and service throughout our franchise system. ~~ ~~(Franchise Agreement, Sections 2.9 and 5).

~~4)~~4. We may provide other supervision, assistance or services although we are not bound by the Franchise Agreement or any related agreement to do so. ~~ ~~These may include, among other things, advertising materials, literature, additional assistance in training, promotional materials, bulletins on new products or services, and new sales and marketing developments and techniques.

Franchisor Advertising

We may, but are not required to, spend any amount of money on advertising in your area or territory.

Local Advertising Expenditures

~~We do not require you to spend any specific amount on local advertising. We do recommend that you plan on spending approximately $100 per month on beer related festivals, events, and social media marketing. We do not collect any advertising fees.~~ You must spend between $100 and $2,000 as we specify on grand opening advertising during the first three months of operation. We determine the minimum based on our assessment of your adverting costs in your area and the time of year that you are opening. You may choose to spend. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, the location of the franchise, time of year and customer demographics in the surrounding area. We do not collect any advertising fees.

National Advertising Regional Advertising

Except with our prior written permission, you are not permitted to place, under any circumstances, advertisements using the Service Marks in or originating from any area other than the Franchise Territory. Only we may place national or regional advertising.

You are not required to participate in or contribute to a national marketing fund. We do not have the right to form, change, dissolve, or merge any national marketing fund.

You are not required to participate or contribute to regional marketing cooperative. We do not have the right to form, change, dissolve, or merge any regional cooperative.

Grand Opening

You must spend between $100 and $2,000 as we specify on grand opening advertising during the first 3 months of operation. We determine the minimum based on our assessment of your adverting costs in your area and the time of year that you are opening. You may choose to spend more. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, the location of the franchise, time of year and customer demographics in the surrounding area.

Franchise Advisory ~~Counsel~~Council

We do not have a franchisee advisory council. We do not have the right to form, change, dissolve, or merge any advisory council.

Promotional Materials

You will submit to us all advertising copy and other advertising and promotional materials before you use them in your local advertising program. You will not use any advertising copy or other promotional material until we approve it. You specifically acknowledge and agree that any ~~web site~~website will be deemed “advertising” under this Agreement and will be subject to (among other things) our approval and restrictions and requirements outlined in the Operations Manual. (The term “web site” means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.)

Computer Systems

We will require you to have computer equipment and systems that meet our specifications. We require you to have credit card processing as you must accept credit card payments from your clients. We require you to use the same credit card processor that we use, as all Craft Beer Cellar stores share in Gift Card Processing. You must lease, purchase or otherwise acquire, from sources of we will require you to have computer equipment and systems that meet our specifications. We require you to have credit card processing as you must accept credit card payments from your customers. We require you to use the same credit card processor as our affiliate location. We require you to participate in and use the same gift card processor that we use at our affiliate location. Craft Beer Cellar Gift Cards are issuable and redeemable at all Craft Beer Cellar locations through gift card pooling. You must lease, purchase or otherwise acquire, from sources of your choice and at your expense, software, and hardware which strictly conform to our specifications. You are required to use PC America's Cash Register Express for your point of sale system.

~~The~~This point of sale software costs around $~~500~~700 and runs in conjunction with hardware which will cost an additional $3,~~000~~500 - $4,250. We will give you at least 30 days' written notice, describing any hardware or software upgrade requirements to the system before you are obligated to initially install the computer systems. ~~The cost of purchasing or leasing~~If you do not already have the ~~point of sale and~~ computer systems that we require before you purchase a franchise, the estimated cost of purchasing the computer systems that we require is ~~between $2~~approximately $5,000~~ to $4,500..~~.

You must have a computer. We may require you to use an information processing and communication system that is fully compatible with any program or system which we, in our sole discretion, may employ. If we require, you must record and transmit all financial information using this system and our designated ISP or other communication vendors. We may at our discretion change standards for reporting to provide effective technology for the entire system. We may have full ability to poll your data, system and related information by means of direct access whether in person~~,~~ or by phone or modem. We may have independent access to the information that will be generated and stored in your information processing and communication system. We may have access to all of your data, and there will be no contractual limitation on our right to access your information or data. We will not implement any electronic system that will disrupt or damage your electronic system, and our access will be read-only.

None of this hardware or software is proprietary to us. Most hardware and software that is functionally equivalent and fully compatible to that listed may be used.

~~-~~You may, but are not obligated to, update or upgrade hardware and software during the term of the agreement. We estimate that these optional updates or upgrades will be approximately $100 to $300 per year and will not exceed .01% of your gross annual income. This hardware and software ~~is~~are used for communications, accounting and record keeping. We do not now have, but may in the future require, independent access to and use of the information and data on your computer systems. There are no contractual limits on such access and use.

The annual cost incurred by the franchisee for any optional or required maintenance updating, updating or support contracts for the point of sale and computer system is between $2,000 and

$2,500. -We currently require a “computer technology” fee that covers email and some social media marketing~~, yelp on line marketing~~ access, monthly website/shopping cart fees, as well as our contracted computer assistance team at a rate of $150 a month, billable through electronic withdraw from your monthly royalties account, on or around the 5th of each month, after you open for business.

Neither We and our affiliate or any third parties have any obligation to provide any ongoing maintenance, repairs, upgrades or updates.

Required List of Computer Equipment

1. POS System
2. Hard Drive
3. Monitor (Must be Touch Screen)
4. Mouse (cordless preferred) + Mouse Pad
5. Keyboard (wireless preferred)
6. Receipt Printer
7. Pole Display
8. Cash Drawer Kick-Out
9. UPC/SKU Scanner
10. CRE Software
11. Adobe Software
12. General Store Computer Requirements
13. Modem (must have high~~-~~-speed internet)
14. Router (access to at least two ~~wifi~~WIFI networks; one secure and one for guest access)
15. Phone
16. Credit Card Processing Terminal (either stand~~-~~-alone or internal software; see Amit Jain from RBS Worldpay)

## Item 12: Territory.

Franchise Premises and Protected Territory

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

You will be granted a protected territory of a ~~2~~two-mile radius from your Franchise Premises, except in cases where the population of such territory is at or greater than 50,000 people per square mile. In such cases, you will be granted a territory of a 1 to 1.5-mile radius (the “Franchise Territory”). We will approve or reject a proposed location within 30 days after we have completed our review of the proposed location.

If the location ~~for~~of the Franchise Premises has not been pre-approved, the area within which the

Franchise may be placed may be identified using geographical or political boundaries. The exact determination of the Franchise Premises will depend upon your approval and our market analysis, market penetration plans and franchise placement strategies. Among the factors, we consider determining the feasibility of possible Franchise Premises are population demographics, densities, average household incomes, and other businesses in the area pursuant to census ~~and chamber of commerce~~ information. Once we have approved a specific location for your Franchise Premises, you will operate your Franchise there. You cannot operate the Franchise anywhere else without our prior written consent. Your Craft Beer Cellar franchise will extend solely to that specific location.

We will not place or authorize anyone else to place a Craft Beer Cellar store in you Franchise Territory. We intend to reduce or extend certain Franchise Territories in special circumstances such as where the Franchise Premises is at a limited-venue location or for high population density, high business density, urban and downtown locations). The Franchise Territory is identified in Section 1.1 of the Franchise Agreement.

So, long as the Franchise Agreement is in force, and you are not in default in any material provision of the Agreement and you meet performance standards required in the Franchise Agreement, we will not establish or allow others to establish a Craft Beer Cellar business within your Franchise Territory. The Performance Standard requires that you must achieve an increase of 2% in month over month Gross Revenues (“Monthly Performance Standard”) and an average of 5% increase in Gross Revenues or greater annually (“Annual Performance Standard”). If you fail to meet the Monthly Performance Standard for 6 consecutive months or any Annual Performance Standard, you may be held in default of your Franchise Agreement, and we may open a Craft Beer Cellar within your Territory or grant a franchise to another to open a Craft Beer Cellar within your territory. We are not obligated to compensate you for us or another offering or accepting an order from within your Franchise Territory. You may not establish or operate any other Craft Beer Cellar establishment without executing a separate franchise agreement for that facility. To establish additional franchise outlets, you must not be in default in any material provision of any and all agreements between you and us; your proposed location must meet our franchise placement and market penetration criteria~~;~~, and you must sign our then-current franchise agreement.

You agree not to conduct any advertising outside the Franchise Territory without our prior written consent.

Some Craft Beer Cellar franchises may be placed at a location where another, separate business is operated under another business name. If the Franchise Premises is at that type of location, it will be deemed “co-branded” for the purposes of the Franchise Agreement.

Relocation

You will not relocate the Franchise or your Franchise Premises, if any, without our prior written approval. Any relocation will be at your sole expense. You may relocate the Franchise to another location, if (1) you are not in breach of the Franchise Agreement; (2) you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location (3) you develop, furnish, and equip, at your sole expense, the new location according to our then current specifications and standards; (4) you pay all reasonable out-of-pocket expenses we incur because of the relocation. The terms “Franchise Territory” and "Franchise Premises" will include the relocated business site; and you satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual~~.~~.

Continuation of Your Franchise

Your territorial protections are dependent on you are not in default in any material provision of the Agreement and you meeting performance standards required in the Franchise Agreement. The Performance Standard requires that you must achieve an increase of 2% in month over month Gross Revenues (“Monthly Performance Standard”) and an average of 5% increase in Gross Revenues or greater annually (“Annual Performance Standard”). If you fail to meet the Monthly Performance Standard for 6 consecutive months or any Annual Performance Standard, you may be held in default of your Franchise Agreement, and we may open a Craft Beer Cellar within your Territory or grant a franchise to another to open a Craft Beer Cellar within your territory. There are no other circumstances that permit us to modify or alter your territorial rights during the term of your franchise agreement.

First Right of Purchase and Right of First Refusal

You do not receive the right, and you have no options, rights of first refusal or similar rights to acquire additional franchises or grant sub franchises within the Franchise Territory or in contiguous territories.

Our Use of the Service Marks and Craft Beer Cellar Products and Services

We retain all rights not specifically granted to you in the Franchise Agreement. This includes our right to use or license the use of our service marks and trademarks to others. Neither we nor our affiliate ~~are~~is restricted from participating in other distribution methods, whether or not within the Franchise Territory, including corporate and national accounts, Internet, other forms of media now or in the future developed, wholesale and mail order channels under marks and product configurations different than those offered through your franchise.

We retain the sole right to market on the Internet, including all use of ~~web sites~~websites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing~~,~~ and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on ~~web sites~~websites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our ~~web site.~~ website. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee ~~web site be~~website is accessed only through our home page. Subject to the terms of use on our ~~web site~~website, we may gather, develop and use in any lawful manner information about any visitor to the ~~web site~~website, including but not limited to your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the ~~web site~~website or were otherwise in contact with you.

We have not established, and at this time we do not intend to establish other franchises or company-owned outlets selling similar products or services under a different method of operation, trade name or trademark.

We may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

Your Use of the Service Marks and Craft Beer Cellar Products and Services

Except with our prior written permission, you will not place under any circumstances advertisements using the Marks in or originating from any area other than the Franchise Territory.

Except as otherwise provided in the Franchise Agreement or the Operations Manual, you may not directly market to, solicit or service customers whose principal home address or place of business is outside the Franchise Territory. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. All Internet marketing is part of our marketing programs described in the Operations Manual and defined in the Franchise Agreement~~,~~ and must be coordinated through us and approved by us.

You may not market independently on the Internet or acquire an independent Internet domain name or ~~web site.~~ website. You may not solicit or accept orders outside your Franchise Territory under other channels of distribution (such as the Internet, other forms of media now or in the future developed, wholesale and mail order channels) without our prior written approval.

Only we may place national or regional advertising.

Your Franchise Agreement does not give you any other option, the right of first refusal, or similar right to acquire additional franchises. Except as disclosed in this Item, there are no other circumstances that permit us to modify your territorial rights. We are not obligated to compensate or pay you for soliciting or accepting orders from insider your Territory.

## Area Development Program

If you sign an Area Development Addendum, provided that you open and operate Craft Beer Cellar Franchised Businesses in accordance with the Development Schedule and the minimum number of Franchises that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a Craft Beer Cellar Franchised Business under the Marks and the System within the Development Area.

We reserve the right to own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, outside the Development Area; acquire a system of Competitive Businesses with units located within your Development Area or outside the Development Area; sell the services and products authorized for Craft Beer Cellar Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, joint marketing with partner companies, direct mail, catalogue sales, Internet sites and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate; advertise, promote, market or sell goods or services using the Craft Beer Cellar Marks over the Internet, the World Wide Web or any other electronic network.

If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement and all of your exclusive territorial rights will be eliminated. We otherwise will not change the size of your Development Area.

## Item 13: Trademarks.

Our principal "Craft Beer Cellar" mark is owned by our affiliate Craft Beer Initiative, LLC and is registered on the Principal Register of the U.S. Patent and Trademark Office as follows:

| Mark | Registration Number | Registration Date |
|---|---|---|
| Craft Beer Cellar<br>(standard character mark) | 4294856 | February 26, 2013 |

We have filed all required affidavits with the United Patent and Trademark Office. The trademark has not been renewed. There are no effective material determinations of the U. S. Patent and Trademark Office, the administrator of any state or court concerning our ~~trademarkor~~trademark or any pending material litigation involving principal marks that are material to the franchise. There are no infringement, opposition, or cancellation proceedings, including infringement, opposition or cancellation proceedings in which anyone unsuccessfully sought to prevent registration of our trademark. There is no pending federal or state court litigation regarding our use or ownership of our trademark.

There are no currently effective agreements that significantly limit our right to use or license the use of our trademark in a manner which materially affects the franchise. ~~Franchisor~~The franchisor has the right to control any administrative proceedings or litigation involving our trademark. Franchisor knows of no superior prior rights or infringing uses that could materially affect your right to use our trademark in the state where your franchise will be located.

We and our affiliate company also claim common law rights to the "Craft Beer Cellar" names and all related marks, logos, designs, and slogans, including without limitation the following logo:

We will allow you to use these and all other trade names, trademarks, service marks, and logos we now own or may in the future develop for our franchise system.

The trademarks are our exclusive property. You will immediately notify us of any infringement of, or challenge to, your use of the trademarks or any marks identical to or confusingly similar to the trademarks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the trademarks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the trademarks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the trademarks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or trademarks~~,~~ or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the trademarks will apply with equal force to any modified or substituted names or marks. You must follow our rules when you use the trademarks. You may not use the trademarks in any manner we have not authorized in writing.

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

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

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

We claim common law rights to the trademarks and any other marks used by us in interstate commerce in the United States. This claim is based upon our widespread use of the names in interstate commerce.

## Item 14: Patents, Copyrights, and Proprietary Information.

We own no patents material to the franchise. We own no copyright registrations material to the franchise. We consider our Operations Manual our copyrighted material along with our advertising products, our training videos, online tutorials and other training materials, and to our paper and service products, and to all modifications and additions to them. There are no determinations, agreements, infringements or obligations currently affecting these notices or copyrights. You have no rights to the copyrighted material. You are granted the right and are required to use the copyrighted items only with your operation of the franchise during the term of your franchise agreement.

The Operations Manual is described in Exhibit D. -Although we have not filed applications for copyright registration, all copyrighted materials are our property. -This describes limits on the use of the copyrighted materials by you and your employees. -We claim proprietary rights in our proprietary price estimating processes and systems. -We consider these proprietary processes and systems as our trade secrets.- You are only permitted to use our proprietary processes and systems in accordance with the Franchise Agreement and only as long as you are a franchisee. -You must contact us immediately if you learn of any unauthorized use of our proprietary information. -You must also agree to not contest our rights to and interest in our copyrights and other proprietary information.

We have no patents material ~~to~~for your franchise.

We claim proprietary rights to certain confidential information and trade secrets related to our franchise system.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. We are not obligated to protect these copyrights.

You will not acquire any interest in the Proprietary Information. All Proprietary Information must be returned to us immediately upon the termination of the Franchise Agreement for any reason. The Proprietary Information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Operating Manuals or any other written communication from us; (4) will not disclose or duplicate any part of the Proprietary Information other than disclosure to an employee of the franchised business to the extent necessary to do his or her job; and (5) will adopt and implement all reasonable procedures we may require ~~to prevent~~preventing unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the franchised business and the use of nondisclosure and noncompetition clauses in employment agreements. All shareholders, officers, directors, partners, and members of the franchisee are presumed to have access to Proprietary Information~~,~~ and must sign a Nondisclosure and Noncompetition Agreement to maintain the confidentiality of the Proprietary Information and conform to the noncompetition covenants.

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

Your onsite supervisor does not have to have an ownership in the franchise; however, we strongly recommend that you (or one of your owners if you are a corporation or partnership~~),~~) participate fully in the actual day-to-day operation of the franchise business. -However, you may designate a Manager to assume responsibility for day-to-day operations. -If you purchase multiple franchises, it may be unfeasible for you to participate fully in the actual day-to-day operation of each franchise, depending on the number of franchises purchased and the number of offices that you are required to or elect to open. Any Managers you employ to help you to operate the franchise must successfully complete the mandatory training program. The manager and all of your owners must agree to be bound by the confidentiality and non-competition provisions of the franchise agreement. In addition to the above-prescribed training, one owner must complete our Certified Beercierge certification within eighteen months from the day you open for business. Any Cicerone training is encouraged, as a supplement to our Beercierge training and is encouraged, but not required. All employees (including Owners) must complete Apprentice Beercierge training before you open for business. Thereafter all employees must complete their Apprentice Certification within 30 days from their date of hire.

Each shareholder, partner, member, and other equity owner of the franchisee, and each individual shareholder, partner, member, and other equity owner of any shareholder, partner, member, and other equity owner that is itself a business entity, must personally guarantee all of the franchisee's the obligations and performance under the Franchise Agreement.

Our Step-In Rights. To prevent any interruption of the franchised business that would cause harm to the franchise and to our franchise system and lessen their value. We may step in to operate the franchise when we deem necessary. Reasons may include our determination that: you are incapable of operating the franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; you have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property~~;~~, or we decide that operational problems require us to operate the franchise for a time.

All Revenue derived from our operation of the franchise will be for your account. We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the franchise. We will keep in a separate account all Revenue generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

## Item16: Restrictions on What the Franchisee May Sell.

We require that you use, offer and sell only those products and services that we approve in writing. You must offer all products and services that we designate as required by our franchisees. We reserve the right, without limitation, to modify, delete and add to the authorized products and services. We may add and delete products or services to or from the Permitted Products and Services at any time. We may also designate any products or services as optional.

## Item17: Renewal, Termination, Transfer and Dispute Resolution.

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

## THE FRANCHISE RELATIONSHIP

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | FA Section 1.1 | 10 years |
| b. Renewal or extension of term | FA Section 6.1 | If you are in good standing, you may renew for periods of 5 years under the terms of our then current franchise agreement forms that may have materially different terms and conditions than your original contract. |
| c. Requirements for franchisee to renew or extend | FA Section 6.1 | "Renewal" means that you, upon the expiration of the original term of the franchise agreement, have the right to enter into a new agreement according to our then~~-~~ current franchise agreement forms that may have materially different terms and conditions than your original contract. You must give notice at least three and not more than ~~6~~six months before expiration of the initial term; faithfully perform under the initial agreement; refurbish the Franchise and replace obsolete equipment; sign general release; sign a new agreement; pay 75% of the then current Initial Franchise Fee or $18,750, whichever is less renewal fee; and go through re-training |
| d. Termination by franchisee | FA Section 6.2 | You may terminate the Franchise Agreement if you comply with the terms of the Franchise Agreement and if we substantially breach any |

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| | | material provision of the Agreement and fail to cure or reasonably to begin to cure that breach within 60 days after receipt of written notice specifying the breach. Termination will be effective 10 days after you deliver to us written notice of termination for our failure to cure within the allowed period. |
| e. Termination by franchisor without cause | Not Applicable | |
| f. Termination by franchisor with cause | FA Section 6.3 | We can terminate only if you default.- Any material violation or breach of the Franchise Agreement is deemed a material breach of any other franchise or other agreement between you and us. -The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and any relevant addenda and any or all of such other franchise agreements. -If you sign the Area Development Addendum and if it is terminated, all remaining franchise agreements, for franchises that have not yet been opened for business pursuant to the relevant development schedule, if any, may thereafter be opened at any available location where we have the right to offer and place franchises in accordance with state and federal franchise and business opportunity disclosure and registration laws and pursuant to our contractual |

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| | | commitments (including those with our other franchisees) and in compliance with our franchise placement, market development |
| g. "Cause" defined – curable defaults | FA Section 6.3(2) | Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise or fail to pay any Franchise, Royalty fees or other amounts owed pursuant to this Agreement within 5 days after receipt of written notice that the fees or amounts are overdue. |
| h. "Cause" defined – non- curable defaults | FA Section 6.3(2) | Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction, noncompliance with laws, ~~non-payment~~nonpayment of fees, repeated under reporting of sales, the disclosure of information. |
| i. Franchisee's obligations on termination or nonrenewal. | FA Section 6.5 & 6.8 | De-identification, return of manuals, release of phone numbers and listings, de-identification of your franchise equipment and premises, payment of sums owed, confidentiality, and non-competition. |
| j. Assignment of contract by franchisor | FA Section 7.1 | There are no restrictions on our right to transfer. |
| k. "Transfer" by franchisee - defined | FA Section 7.1 | Restrictions apply if you sell, transfer, assign, encumber, give, lease, or sublease (collectively called "transfer") |

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| | | the whole or any part of: the franchise agreement, substantial assets of the franchise, or ownership or control of you. |
| l. Franchisor's approval of the transfer by the franchisee | FA Section 7.1 | We have the right to approve all transfers. |
| m. Conditions for franchisor approval of the transfer | FA Section 7.1 | The transferee must qualify as a franchisee, he must assume your obligations, you may not be in default, the transferee must successfully complete the mandatory training, the current assignment fee is 50% of the then current Initial Franchise Fee or $12,500, whichever is less, the transferee must sign a new franchise agreement on our then current terms, and you must release us. |
| n. Franchisor's right of first refusal to acquire franchisee's business | FA Section 7.4 | If you receive an offer, we will have the right to purchase on the same terms and conditions as offered to you, a 60-day notice and right to decide. |
| o. Franchisor's option to purchase franchisee's business | FA Section 7.3 | You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchised business. We will elect to exercise our option to purchase within 60 business days after our receipt of your written notification. If we offer you an amount that you do not agree to, you may try to sell to a third party. You are obligated before any transfer to |

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| | | a third party to comply with all criteria outlined in the paragraphs related to First Right of Refusal. |
| p. Death or Disability of franchisee | FA Section 7.2 | Within 90 days, your heirs, beneficiaries, devisees or legal representatives may apply to continue to operate the franchise~~,~~ or transfer Franchise interest. |
| q. Non-Competition Covenants During the Term of the Franchise | FA Sections 5.8 & 5.9 | You may not disclose confidential information or compete. |
| r. Non-Competition Covenants After the Franchise is Terminated or Expires | FA Sections 5.9 & 6.8 | No competition is allowed for ~~2~~two years within the Territory, within a 100-mile radius of the Territory, within a 100-mile radius of any location where we operate or have granted the franchise to operate a Craft Beer Cellar business, and within the United States of America and Canada. |
| s. Modification of the Agreement | FA Sections 6.5 and 9.7 | We may modify the Operations Manual. Modifications to the language of the Franchise Agreement require the signed written agreement ~~of~~between the parties. |
| t. Integration/Merger Clause | FA Sections 5.1, 5.5, & 9.7 | Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable.~~-~~ Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure |

| Provision | Section in Franchise of Franchise Agreement | Summary |
|---|---|---|
| | | document that we furnished to you. -Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. |
| u. Dispute Resolution by Arbitration or Mediation | FA Section 9.12 | Except for certain claims, all disputes must be arbitrated in accordance with the procedures of the American Arbitration Association in Middlesex County, MA, except as stated in State Addenda to this Disclosure Document. |
| v. -Choice of Forum | FA Section 9.12 | Litigation and arbitration must be in Middlesex County, MA (subject to applicable state law).- Some states do not allow franchisees to give up their right to bring or defend lawsuits in the courts of their state. –See Exhibit D to this Disclosure Document for state addenda to this Item. |
| w. -Choice of Law | FA Section 9.12 | Massachusetts law applies except as otherwise provided in the Franchise Agreement (subject to applicable state law). -Some states do not allow franchisees to give up their right to bring or defend lawsuits in the courts of their state. -See Exhibit D to this Disclosure Document for state-specific addenda to this Item. |

Area Development Relationship

| Provision | Section in the Area Developer Addendum (ADA) | Summary |
|---|---|---|
| a. Length of the franchise term | ADA Section 3 | Per the term of the Development Schedule, which is 12 months for each additional franchise |
| b. Renewal or extension of term | Not Applicable | |
| c. Requirements for franchisee to renew or extend | Not Applicable | |
| d. | | |
| e. Termination by franchisee | Not Applicable | |
| f. Termination by franchisor without cause | Not Applicable | |
| g. Termination by franchisor with cause | ADA Section 4 | We can terminate only if you default. |
| j. "Cause" defined – curable defaults | Not Applicable | |
| k. "Cause" defined —non- curable defaults | ADA Section 4 | Any material violation or breach of any Franchise Agreement is deemed a material breach of any other franchise or other agreement between you and us. -We may also terminate the Area Developer Addendum if you fail to open franchises per the Development Schedule. |
| l. Franchisee's obligations on termination or nonrenewal. | Not Applicable | |

| Provision | Section in the Area Developer Addendum (ADA) | Summary |
|---|---|---|
| m. Assignment of contract by franchisor | Not Applicable | There are no restrictions on our right to transfer. |
| p. "Transfer" by franchisee - defined | Not Applicable | |
| n. Franchisor's approval of transfer by franchisee | Not Applicable | |
| q. Conditions for franchisor approval of transfer | Not Applicable | |
| r. Death or Disability of franchisee | Not Applicable | |
| s.Non-Competition Covenants During the Term of the Franchise | Not Applicable | |
| t. Non-Competition Covenants After the Franchise is Terminated or Expires | Not Applicable | |
| t. Modification of the Agreement | Not Applicable | |
| u. Integration/Merger Clause | Not Applicable | |
| u.Dispute Resolution by Arbitration or Mediation | Not Applicable | |
| v. -Choice of Forum | Not Applicable | |
| w. -Choice of Law | Not Applicable | |

See State Law Addendum for state-specific disclosures.

## Item 18: Public Figures.

No public figure is involved in our franchise program.

## Item 19: Financial Performance Representations.

The FTC's Franchise Rule permits a franchisor to disclose 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 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 performance at a particular location or under particular circumstances.

~~There is no assurance that you will do as well. The table does not include any financial performance information for any franchises. See the notes following the table for additional information.~~

**Financial Performance Data for Our Affiliate Store in Belmont, MA**

~~CRAFT BEER INITIATIVE LLC~~

~~PROFIT AND LOSS~~

~~January – December~~

CRAFT BEER INITIATIVE LLC

PROFIT AND LOSS

January - December 2017

| | TOTAL |
|---|---|
| Income | |
| Coupons | **-2,262.66** |
| Franchisee Purchases | **13,198.60** |
| Handling Fee | 445.43 |
| Jockey Box, tap, tub rental | 6,392.58 |
| Merchandise Sales - Beer | 1,740,009.88 |
| Merchandise Sales - Beverage | 4,029.50 |
| Merchandise Sales - Clothing | 1,334.86 |
| Merchandise Sales - Delivery Fees | 11,071.93 |
| Merchandise Sales - Food | 5,127.19 |
| Merchandise Sales - Gift Cards | 1,185.00 |

| | |
|---|---|
| Merchandise Sales - Magazines | 55.94 |
| Merchandise Sales - Merchandise | 10,236.10 |
| Merchandise Sales - Tap Pumps | 154.00 |
| Merchandise Sales - Wine | 124,809.37 |
| Sales Discounts | **-18,669.07** |
| Sales of Product Income | 681.23 |
| Services | 4,327.83 |
| Special Event Sales | 600.00 |
| Transportation Fees | 0.00 |
| Uncategorized Income | 744.00 |
| **Total Income** | **$1,903,471.71** |
| Cost of Goods Sold | |
| Inventory Adjustment | 14,472.67 |
| Merchant Account Fees | 46,609.74 |
| PayPal Fees | 1,677.40 |
| Postage and Shipping | 8,101.42 |
| Processing Fees | 3,491.52 |
| Product Samples/Waste Expense | 2,864.31 |
| Purchase Discounts | -8.16 |
| Purchases - Resale Beer | 1,202,094.01 |
| Purchases - Resale Beverage | 2,023.15 |
| Purchases - Resale Clothing | -1,100.36 |
| Purchases - Resale Food | 3,949.17 |
| Purchases - Resale Magazines | 324.66 |
| Purchases - Resale Merchandise | 8,542.03 |
| Purchases - Resale Wine | 77,854.21 |
| Purchases-Gift Card | 9.09 |
| **Total Cost of Goods Sold** | **$1,370,904.86** |
| GROSS PROFIT | **$532,566.85** |
| Expenses | |
| Advertising and Promotion | 5,598.54 |
| Alarm Company | 1,276.07 |
| Auto Lease | 4,623.82 |
| Automobile Expenses | 6,741.45 |
| Bank Fee | 7,638.49 |
| Bank Service Charges | 5,817.51 |
| Beer Smart Academy | -207.55 |
| Business Licenses and Permits-B | 865.00 |
| CAM | -624.37 |
| Casual Labor | 55.00 |
| Charitable Contributions | **1,063.59** |
| Computer and Internet Expenses | 1,419.16 |
| Continuing Education | -228.15 |
| Contract Labor | 74.93 |
| Deliveries | 45.30 |
| Discrepancy-Cash Over/Short | 2,198.26 |
| Dues and Subscriptions | 445.00 |
| Equipment Purchases | 589.72 |

| | |
|---|---|
| Finance Charge | 961.15 |
| Insurance Expense | **17,730.39** |
| Interest Expense | **6,067.98** |
| Janitorial Expense | 631.47 |
| Late Fee | 261.00 |
| Meals and Entertainment | 73.78 |
| Miscellaneous Expense | 384.26 |
| NNN | 14,969.03 |
| Office Supplies | 241.99 |
| Outside Services | 75.00 |
| Parking Expense | 35.00 |
| Payroll Expenses | **225,604.43** |
| Professional Fees | 5,993.38 |
| QuickBooks Payments Fees | 456.82 |
| Rent/Lease Expense-Belmont | 65,270.64 |
| Rent/Lease Expense-The Annex | 0.00 |
| Repairs and Maintenance | 1,763.35 |
| Service Charge | 320.00 |
| Shipping Supplies | 18.00 |
| Store Supplies | 18,540.43 |
| Taxes | **2,137.36** |
| Taxes Paid | 15.00 |
| Travel Expense | 884.20 |
| Uniforms | 444.00 |
| Utilities | |
| Cable-Phone, TV, Internet | 4,360.50 |
| Electric | 9,054.38 |
| Gas | 627.34 |
| Water/Sewer reimbursement | 148.86 |
| **Total Utilities** | **14,191.08** |
| **Total Expenses** | **$414,461.51** |
| NET OPERATING INCOME | **$118,105.34** |
| Other Expenses ask my accountant | 0.00 |
| Reconciliation Discrepancies-1 | 0.00 |
| **Total Other Expenses** | **$0.00** |
| NET OTHER INCOME | **$0.00** |
| NET INCOME | **$118,105.34** |

This financial performance representation is based on the performance of company-owned outlet. You will incur royalty fees, National Advertising Contributions and other franchise fees, which our company owned outlet did not incur per the below

| | | | |
|---|---|---|---|
| Royalty Fee | 2% | $532,566.85 | $10,651.38 |
| Local Advertising | 12 | $100 | $1,200 |

The term "Gross Profits" means net profits minus all ordinary and recurring operating expenses, interest, income taxes, depreciation, and amortization.

~~2016~~

| | ~~TOTAL~~ |
|---|---|
| **~~Income~~** | |
| ~~Merchandise Sales Beer~~ | ~~$1,694,057.62~~ |
| ~~Merchandise Sales Beverage~~ | ~~$3,175.93~~ |
| ~~Merchandise Sales Clothing~~ | ~~$2,407.07~~ |
| ~~Merchandise Sales Food~~ | ~~$7,882.88~~ |
| ~~Merchandise Sales Magazines~~ | ~~$137.35~~ |
| ~~Merchandise Sales Merchandise~~ | ~~$14,931.78~~ |
| ~~Merchandise Sales Wine~~ | ~~$152,897.73~~ |
| ~~Sales Discounts~~ | ~~$-40.074.92~~ |
| ~~Services~~ | ~~$3,056.73~~ |
| ~~Education~~ | ~~$3,326.29~~ |
| ~~CBC Store Purchases~~ | ~~$87330.57~~ |
| **~~Total Income~~** | **~~$1,929,129.03~~** |
| **~~Cost of Goods Sold~~** | |
| ~~Merchant Account Fees~~ | ~~$47,742.02~~ |
| ~~Product Samples/Waste Expense~~ | ~~$2,918.66~~ |
| ~~Purchases Resale Beer~~ | ~~$1,201,919.10~~ |
| ~~Purchases Resale Beverage~~ | ~~$3,397.99~~ |
| ~~Purchases Resale Clothing~~ | ~~$2,061.91~~ |
| ~~Purchases Resale Food~~ | ~~$5,569.05~~ |
| ~~Purchases Resale Magazines~~ | ~~$458.10~~ |
| ~~Purchases Resale Merchandise~~ | ~~$59,265.08~~ |
| ~~Purchases Resale Wine~~ | ~~$90,011.32~~ |
| ~~Purchases Gift Card~~ | ~~$10,250.00~~ |
| **~~Total Cost of Goods Sold~~** | **~~$1,423,593.23~~** |
| **~~Gross Profit~~** | **~~$505,535.80~~** |
| **~~Expenses~~** | |
| ~~Administrative Fees~~ | ~~$46.00~~ |
| ~~Advertising and Promotion~~ | ~~$13,516.44~~ |
| ~~Alarm Company~~ | ~~$1,635.44~~ |
| ~~Automobile Expense~~ | ~~$6,370.80~~ |
| ~~Business Licenses and Permits~~ | ~~$2,875.00~~ |
| ~~Charitable Contributions~~ | ~~$324.86~~ |
| ~~Computer & Internet Expenses~~ | ~~$1,474.93~~ |
| ~~Cash Over/Short~~ | ~~$-7.54~~ |
| ~~Dues & Subscriptions~~ | ~~$611.00~~ |
| ~~Equipment Purchases~~ | ~~$468.01~~ |
| ~~Equipment Rental~~ | ~~$-140.00~~ |
| ~~Handling Fee~~ | ~~$-665.01~~ |
| ~~Auto Insurance~~ | ~~$1,518.15~~ |
| ~~General Liability Insurance~~ | ~~$2,285.34~~ |
| ~~Life Insurance~~ | ~~$1,436.04~~ |
| ~~Liquor Liability Insurance~~ | ~~$3,076.20~~ |
| ~~Worker's Compensation~~ | ~~$1,504.33~~ |

| | |
|---|---|
| ~~Interest Expense~~ | ~~$3,449.46~~ |
| ~~Janitorial Expense~~ | ~~$533.72~~ |
| ~~NNN (Real Estate Taxes, Insurance & CAM)~~ | ~~$12,949.94~~ |
| ~~Office Supplies~~ | ~~$1,310.92~~ |
| ~~MA Sales Tax~~ | ~~$520.00~~ |
| ~~Parking Expense~~ | ~~$972.34~~ |
| **~~Payroll Expenses~~** | |
| ~~FUTA~~ | ~~$677.52~~ |
| ~~Medicare~~ | ~~$3,847.94~~ |
| ~~Payroll Processing Fees~~ | ~~$2,859.23~~ |
| ~~Social Security~~ | ~~$16,504.07~~ |
| ~~Wages~~ | ~~$256,840.93~~ |
| **~~Total Payroll Expenses~~** | **~~$289.077.65~~** |
| ~~Postage and Shipping~~ | ~~$722.99~~ |
| ~~Professional Web Fees (Web Design, Books, Taxes, Attorney)~~ | ~~$15,075.00~~ |
| ~~Lease Expense~~ | ~~$62,920.71~~ |
| ~~Repairs & Maintenance~~ | ~~$348.84~~ |
| ~~Shipping Supplies~~ | ~~$189.34~~ |
| ~~Store Supplies~~ | ~~$20,300.65~~ |
| ~~Excise Tax~~ | ~~$61.25~~ |
| ~~Taxes Property~~ | ~~$1,843.12~~ |
| ~~Uniforms~~ | ~~$149.75~~ |
| **~~Utilities~~** | |
| ~~Cable, Phone, TV, Internet~~ | ~~$3,505.18~~ |
| ~~Electric~~ | ~~$8,907.36~~ |
| ~~Gas~~ | ~~$267.85~~ |
| ~~Water & Sewer~~ | ~~$640.76~~ |
| **~~Total Utilities~~** | **~~$13,321.15~~** |
| **~~Total Expenses~~** | **~~$451,728.86~~** |
| **~~Gross Profits~~** | **~~$53,806.94~~** |

~~1)~~

~~2)~~1. This financial performant representation is based on the performance of affiliate-owned outlet. You will incur royalty fees, technology fees and other franchisee fees, which our affiliate out, did not incur.

~~3)~~2. The characteristics of our affiliate Craft Beer Initiative, LLC are materially the same as the franchises being offered.

~~4)~~3. This financial performance representation is the Gross Profits of our affiliate Craft Beer Initiative from its Belmont, MA store location.

~~5)~~4. Our affiliate's operation is located at 51 Leonard Street, Belmont, MA 02478.

~~6)~~5. The table does not include any franchises. During the calendar year 2017~~2016~~ and the relevant reporting period, there were ~~18~~29 franchises open for the full calendar year. None of the franchisee owned stores achieved sales volumes as high as the affiliate owned store. We do not have sufficient information to say whether or not any of the franchise owned stores achieved the same level of expenses or profitability as the affiliate owned store.

~~7)~~6. Our affiliate's Belmont, MA store has been operating since November 2010. Your franchise will materially differ from the stores used to make this financial performance representation.

**Financial Performance Data for our Franchisee locations**

Average Gross Sales for calendar year ~~2016 $613,949.45~~2017 $532,907.76

Median Gross Sales for the calendar year ~~2016 $427,356.47~~2017 $409,505.34

~~1)~~ This financial performance representation is the Gross Profits of our franchise locations that were open for the entire calendar year of ~~2016~~2017. Our management prepared this financial performance representation based. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

~~2)~~1) There were ~~19~~29 franchise locations that were open for the entire calendar year ~~2016~~2017.

~~3) Of~~ We do not have sufficient information to say whether or not any of the ~~19~~ franchise ~~location, open for the calendar year of 2016, 6 of these locations~~owned stores achieved ~~gross sales higher than~~the same level of expenses or profitability as the ~~average and 13 of these locations achieved sales lower than the average.~~

~~4) There were 13 franchise locations that were open for the calendar year 2015.~~

~~5)~~2) ~~5 of these locations opened for business in 2013 and 7 of these locations opened for business in 2014~~affiliate owned store.

Written substantiation for this financial performance representation is available to you upon reasonable written request.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable~~,~~ and consult with an attorney and other advisors prior to executing the Franchise Agreement.

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

Other than the preceding financial performance representation, Craft Beer Stellar, LLC does 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 are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Suzanne Schalow, 51 Leonard Street, Cellar Floor, Belmont, MA 02478, phone (617) 993-3214, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20: Outlets and Franchisee Information.

**Table No. ~~-~~1**

| SYSTEM WIDE OUTLET SUMMARY FOR YEARS ~~2014~~2015 TO ~~2016~~2017 | | | | |
|---|---|---|---|---|
| **Outlet Type** | **Year** | **Outlets at the Start of the Year** | **Outlets at the End of the Year** | **Net Change** |
| Franchised | 2015~~2014~~ | ~~6~~13 | ~~13~~21 | +~~7~~8 |
| | 2016 ~~2015~~ | ~~13~~21 | ~~21~~28 | +~~8~~7 |
| | 2017~~2016~~ | ~~21~~28 | ~~28~~33 | +~~7~~5 |
| Company Owned | 2015~~2014~~ | 1 | ~~2~~1 | ~~+1~~0 |
| | 2016 ~~2015~~ | ~~2~~1 | 1 | ~~-1~~0 |
| | 2017~~2016~~ | 1 | 1 | 0 |
| Total Outlets* | 2015~~2014~~ | ~~7~~14 | ~~15~~22 | +8 |
| | 2016 ~~2015~~ | ~~15~~22 | ~~22~~29 | +7 |
| | ~~2016~~2017 | ~~22~~29 | ~~29~~34 | +~~7~~5 |

**Table No. ~~-~~2**

| TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR THE YEARS ~~2014~~2015 TO ~~2016~~2017 | | |
|---|---|---|
| **State** | **Year** | **Number of Transfers** |
| MA | 2015~~2014~~ | ~~0~~1 |
| | 2016~~2015~~ | ~~1~~0 |
| | ~~2016~~2017 | ~~0~~3 |
| Total * | 2015~~2014~~ | 0 |
| | 2016 ~~2015~~ | ~~1~~2 |
| | ~~2016~~2017 | ~~0~~3 |

## Table No. 3

| STATUS OF FRANCHISE OUTLETS FOR YEARS ~~2014~~2015 TO ~~2016~~2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| State | Year | Outlets At Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations | Outlets At End of Year |
| | | ~~Start of Year~~ | | | | | | |
| AR | 2015~~2014~~ | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016~~2015~~ | 0 | ~~0~~1 | 0 | 0 | 0 | 0 | ~~0~~1 |
| | ~~2016~~2017 | ~~0~~1 | ~~1~~0 | 0 | 0 | 0 | 0 | 1 |
| ~~CA~~ | ~~2014~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| CA | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | ~~1~~2 | 0 | 0 | 0 | 0 | 2 |
| ~~CO~~ | ~~2014~~2017 | ~~0~~2 | 0 | 0 | 0 | 0 | 0 | ~~0~~2 |
| CO | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| - | ~~2014~~2017 | ~~0~~1 | 0 | 0 | 0 | 0 | 0 | ~~0~~1 |
| CT | 2015 | 0 | ~~1~~0 | 0 | 0 | 0 | 0 | ~~1~~0 |
| - | 2016 | 1 | 0 | 0 | 0 | 0 | ~~0~~1 | ~~1~~0 |
| - | ~~2014~~2017 | 0 | ~~1~~0 | 0 | 0 | 0 | 0 | ~~1~~0 |
| FL | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| - | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| - ~~MA~~ - | ~~2014~~2017 | ~~5~~1 | 0 | 0 | 0 | 0 | 0 | ~~5~~1 |
| MA | 2015 | 5 | 2 | 0 | 0 | 0 | 0 | 7 |
| | 2016 | 7 | 3 | 0 | 0 | 0 | 0 | 10 |
| ~~ME~~ | ~~2014~~2017 | ~~0~~10 | ~~1~~3 | 0 | 0 | 0 | 0 | ~~1~~13 |
| ME | 2015 | 1 | ~~0~~1 | 0 | 0 | 0 | 0 | ~~1~~2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| - | ~~2014~~2017 | ~~0~~2 | ~~2~~0 | 0 | 0 | 0 | 0 | 2 |
| MO | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| - | 2016 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| - | ~~2014~~2017 | ~~0~~3 | 0 | 0 | 0 | 0 | 0 | ~~0~~3 |
| MT | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| - | 2016 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ~~NC~~ | ~~2014~~2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NC | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| ~~NH~~ | ~~2014~~2017 | ~~0~~1 | ~~2~~0 | 0 | 0 | 0 | 0 | ~~2~~1 |
| NH | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| ~~NY~~ - | ~~2014~~2017 | ~~0~~1 | ~~1~~0 | 0 | 0 | 0 | 0 | 1 |
| NY | 2015 | ~~1~~0 | 1 | 0 | 0 | 0 | 0 | ~~2~~1 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| ~~TX~~ | ~~2014~~2017 | ~~0~~2 | 0 | 0 | 0 | 0 | ~~0~~1 | ~~0~~1 |
| TX | 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| ~~VT~~ | ~~2014~~2017 | ~~1~~2 | 0 | 0 | 0 | 0 | 0 | ~~1~~2 |
| VT | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| ~~Total~~ | ~~2014~~2017 | ~~6~~1 | ~~7~~0 | 0 | 0 | 0 | 0 | ~~13~~1 |
| Total | 2015 | 13 | 8 | 0 | 0 | 0 | 0 | 21 |
| | 2016 | 21 | 9 | 0 | 0 | 0 | 2 | 28 |
| | 2017 | 28 | 5 | 0 | 0 | 0 | 0 | 33 |

**Table No. 4**

| STATUS OF COMPANY-OWNED OUTLETS FOR YEARS ~~2014~~2015 TO ~~2016~~2017 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **State** | **Year** | **Outlets at Start of Year** | **Outlets Opened** | **Outlets Reacquired From Franchisee** | **Outlets Closed** | **Outlets Sold to Franchisee** | **Outlets at End of the Year** |
| MA | ~~2014~~2015 | ~~1~~2 | ~~1~~0 | 0 | 0 | ~~0~~1 | ~~2~~1 |
| | 2016~~2015~~ | ~~2~~1 | 0 | 0 | 0 | ~~1~~0 | 1 |
| | ~~2016~~2017 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Total *** | ~~2014~~2015 | ~~1~~2 | 0 | 0 | 0 | ~~0~~1 | 1 |
| | 2016~~2015~~ | ~~2~~1 | 0 | 0 | 0 | ~~1~~0 | 1 |
| | ~~2016~~2017 | 1 | 0 | 0 | 0 | 0 | 1 |

* The company-owned unit refer to our affiliate, Craft Beer Initiative, LLC.

**<u>Table No. 5</u>**

| **PROJECTED OPENINGS AS OF DECEMBER 31, ~~2016~~2017** | | | |
|---|---|---|---|
| State | Franchise Agreements Signed But Outlets Not Yet Open | Projected New Franchised Outlets In The Next Fiscal Year | Projected New Company Owned Outlets In The Next Fiscal Year |
| CA | 2 | ~~3~~0 | 0 |
| LA | 1 | ~~1~~0 | 0 |
| ~~MA~~ | ~~2~~ | ~~5~~ | ~~0~~ |
| ~~MI~~ | ~~1~~ | ~~0~~ | ~~0~~ |
| MO | 4 | ~~1~~0 | 0 |
| MS | 1 | 0 | 0 |
| NC | 1 | ~~1~~0 | 0 |
| NV | 1 | 0 | 0 |
| ~~VA~~TX | 1 | 0 | 0 |
| ~~WA~~ | ~~1~~ | ~~0~~ | ~~0~~ |
| Total | ~~15~~11 | ~~11~~0 | 0 |

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Craft Beer Stellar. ~~-~~You may wish to speak with current and former franchisees~~,~~ but be aware that not all of those franchisees will be able to communicate with you.

The following is a complete listing of all of our current company-owned and affiliate-owned outlets and the addresses and telephone numbers of all of their operations as of December 31, ~~2016~~2017:

**Craft Beer Initiative, LLC**
51 Leonard Street
Belmont, MA 02478
Phone 617.932.1885

The following is a complete listing of all of our franchisee owned outlets opened including the franchisees' addresses and telephone numbers of all of their operations as of December 31, ~~2016~~2017:

| State | City | Address | Phone | Owner #1 | Owner #2 |
|---|---|---|---|---|---|
| AR | Hot Springs | 120 Ouachita Avenue | 501.881.~~7232~~72322 | Justin Schalow | Jennifer Schalow |
| CA | Eagle Rock | 1353 Colorado Blvd | 323.206.~~5164~~51644 | Corissa Hernandez | Gabriel Parades |
| CA | Torrance | 31667j Crenshaw Blvd, Suite F | 310.326.~~2732~~27322 | Brent Bates | Lori Davenport |
| CO | Fort Collins | 122 S. Mason Street | 970.482.~~0665~~06655 | Chris Lazzery | Justin Wright |
| DC | Washington | 301 H Street NE | 202.846.~~7585~~75855 | Erika Goedrich | |
| FL | Brandon | 1937 W. Brandon Blvd | 813.413.~~4951~~49511 | Joel Bigham | |
| MA | Amesbury | 19 Main Street | 978.792.~~5634~~56344 | ~~Karen Wood~~Dan Morrison | |
| MA | Boston | 34 Farnsworth Street | 857.233.28677 | Barry Sussman | |
| MA | Boston | 98 Van Ness Street | 857.250.~~2967~~29677 | Phil DiCarlo | Jana Wolfova |
| ~~MA~~ | ~~Boston~~ | ~~34 Farnsworth Street~~ | ~~857.233.2867~~ | ~~Barry Sussman~~ | |
| MA | Braintree | 28 Commercial Street | 781.428.~~3283~~32833 | Kay Lorenz | Matt Young |
| MA | Framingham | 328 Worcester Road | 508.405.~~0228~~02288 | Pat Loranger | |
| MA | Newton | 14 Austin Street | 617.916.~~0244~~02444 | Brian Shaw | |
| MA | Norfolk | 17 Pine Street | 774.847.9751 | Andy Lippit | |
| MA | Plymouth | 31 Main Street | 774.773.~~9229~~92299 | Tatum Stewart | Tom Frizelle |
| MA | Roslindale | 4228 Washington St | 617.942.2665 | Bryan Reeves | |

| | | | | | |
|---|---|---|---|---|---|
| MA | Swampscott | 450 Paradise Road | 781.715.~~8495~~84955 | ~~Scott Claussen~~ Joe Nunnari | ~~Emily Claussen~~ |
| MA | Westford | 142 Littleton Road | 978.577.~~6443~~64433 | ~~Walter Miska~~Sandeep Bajaj | ~~Marc Marino~~ Surekha Bajaj |
| MA | Winchester | 18 Thompson Street | 781.369.~~1174~~11744 | David Leshowitz | |
| ME | Gardiner | 339 Water Street | 207.582.~~8811~~88111 | John Callinan | |
| ME | Portland | 111 Commercial Street | 207.956.7322 | Jorgen Persson | Pietro DiLuzio |
| MI | Grand Rapids | 404 Ionia Ave SW | 616.350.9170 | Jessica Beeby | Brian Beaucher |
| MO | Clayton | 8113 Maryland Avenue | 314.222.~~2444~~24444 | Brandon Nickelson | Ryan Nickelson |
| MO | Columbia | 111 S. 9th Street | 573.289.~~9254~~92544 | Jon Steffens | Dan Campbell |
| MO | Sedalia | 700 S Ohio Avenue | 660.951.~~1133~~11333 | Brad Wickstrom | |
| NC | Hickory | 109 Government Avenue SW | 828.327.~~2337~~23377 | Ben Heilman | |
| NH | Nashua | 108 Spit Brook Road | 603.809.4148 | Brian Kervick | Karen Kervick |
| NY | Port Washington | 24 Main Street | 516.944.2369 | Erin Molyneaux | Trish Molyneaux |
| NY | Warwick | 93 Main Street | 845.544.~~7688~~76888 | Mike Keller | Maggie Keller |
| TX | Dallas | 6322 Gaston Avenue | 972.707.~~0300~~03000 | Jim Waskow | Stan Nauman |
| TX | Houston | 904 Franklin Street | 713.227.~~0199~~01999 | Steve Labac | |
| VA | Lynchburg | 3813 Wards Road | 424.386.8363 | Ryan Maas | |
| VT | Waterbury | 3 Elm Street | 802.882.~~8034~~80344 | Victor Osinaga | Mark Drutman |

| | | | | | |
|---|---|---|---|---|---|
| WI | Pewaukee | 1230 George Towne Dr | 262.696.6867 | Mark Van Dehy | Carrie Van Dehy |

The following is a complete listing of all of our franchisee that ~~have~~has signed franchise agreements, but not opened including the franchisees' addresses and telephone numbers as of December 31, ~~2016~~2017

| State | City | Address | Phone | Owner #1 | Owner #2 |
|---|---|---|---|---|---|
| CA | Dublin | site not selected | 617.993.3214 | John Samples | |
| CA | San Jose | site not selected | 310.326.2732 | Zach Grinnell | |
| LA | New Orleans | ~~site not selected~~5760 Chippewa St | 202.846.7585 | Pat Beaudrex | |
| ~~MA~~ | ~~Norfolk~~ | ~~17 Pine Street~~ | ~~781.956.2871~~ | ~~Andy Lippitt~~ | |
| ~~MA~~ | ~~Roslindale~~ | ~~4228 Washington Street~~ | ~~617.924.2665~~ | ~~Bryan Reeves~~ | |
| ~~MI~~ | ~~Grand Rapids~~ | ~~404 Ionia Avenue SW~~ | ~~616.350.9170~~ | ~~Brian Beaucher~~ | ~~Jessica Beeby~~ |
| MO | St. Louis | ~~site not selected~~1103 Ballena Circle | 314.222.2444 | Brandon Nickelson | Ryan Nickelson |
| MO | St. Louis | site not selected | 314.222.2445 | Brandon Nickelson | Ryan Nickelson |
| MO | St. Louis | site not selected | 314.222.2446 | Brandon Nickelson | Ryan Nickelson |
| MO | St. Louis | site not selected | 314.222.2447 | Brandon Nickelson | Ryan Nickelson |
| MS | Jackson | site not selected | 601.720.0403 | Chad Stribbling | |
| NC | Cary | site not selected | 860.805.1303 | Sarvesh Patel | |
| NV | Reno | site not selected | 713.227.0199 | Chance Baker | |
| ~~VA~~TX | Cypress~~Lynchburg~~ | 11734 Barker Cypress~~3813 Wards Road, Unit 6~~ | ~~434.509.2559~~720.331.3101 | Justin Crane~~Ryan Maas~~ | |
| ~~WI~~ | ~~Pewaukee~~ | ~~1230 George Town Centre, Suite E~~ | ~~414.640.8869~~ | ~~Mark Van Dehy~~ | ~~Carrie Van Dehy~~ |

We have no current area developers or master franchisees.

~~Below is a list of~~There were no franchisees that left the system during the most recently completed fiscal year or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

| ~~State~~ | ~~City~~ | ~~Address~~ | ~~Phone~~ | ~~Owner #1~~ | ~~Owner #2~~ |
|---|---|---|---|---|---|
| ~~CT~~ | ~~West Hartford~~ | ~~1026 Boulevard~~ | ~~860.937.2191~~ | ~~Karen DeCapua~~ | ~~Marissa DeCapua~~ |
| ~~NH~~ | ~~Portsmouth~~ | ~~767 Islington Street~~ | ~~603.373.0993~~ | ~~Mike Lynch~~ | |
| ~~MT~~ | ~~Bozeman~~ | ~~867 S. 29th Avenue~~ | ~~406.219.2631~~ | ~~Aimee Mikkelson~~ | ~~Reid Mikkelson~~ |

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

We do not have any trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored, or endorsed.

During the last three years, some current and former Craft Beer Cellar franchisees have signed confidentiality clauses or agreements. ~~-~~In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Craft Beer Sellar. You may wish to speak with current and former franchisees~~,~~ but be aware that not all of those franchisees will be able to communicate with you.

We do not have any independent franchisee organizations that have asked to be included in this disclosure document.

## Item 21: Financial Statements.

Attached in Exhibit B to this Disclosure Document ~~unaudited financials ending September 30, 2017 and our~~are audited financial statements for fiscal years ~~2014,~~ 2015~~ and~~, 2016~~.~~ and 2017. Our fiscal year-end is December 31.

## Item 22: Contracts.

The following agreements are exhibits:

Franchise Agreement (including exhibits and schedules) —Exhibit A
State Law Addendum—Exhibit E

The standard form release agreement that you will be required to sign in certain instances, such as for a transfer or renewal, is found in section 9.9 of the Franchise Agreement.

## Item 23: Receipts.

Attached to this Disclosure Document are two Receipt pages. -They are duplicates that evidence your receipt of this Disclosure Document – the first is to be retained by you, the other by us (Exhibit F).

# EXHIBIT A

# FRANCHISE AGREEMENT

# FRANCHISEAGREEMENT

THIS AGREEMENT has been entered this ___ day of __________ ~~2016.~~ 2018. It is by and between Craft Beer Stellar, a LLC, ("we, us") and ________________________ (jointly and severally "you").

For purposes of this Agreement "you" may include an individual, corporation, partnership, limited liability company or other legal entity. "You" includes any corporation, partnership, limited liability company, individual, a combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to, “Craft Beer Cellar” (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer and sell craft, micro and artisanal brewed beers and related products and services to the public under the Service Marks (the "Method of Operation").

You desire us to train you and to authorize you to operate a Craft Beer Cellar franchise to offer and sell craft, micro and artisanal brewed beers, and related products and services to the public and to use our Method of Operation and Service Marks. We are willing to grant you such a franchise on the terms and conditions set forth in this Agreement.

You acknowledge that this Agreement was accompanied by a Franchise Disclosure Document, which you received at the earlier of (1) the first personal meeting with us (in Maryland, New York, and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in Maryland, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin).
In addition, you acknowledge either:

- receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or
- if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement.

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

You acknowledge that the terms of our prior franchise offerings may have materially differed from the terms of this Agreement.

You realize that entering into this Agreement will obligate you to operate your franchise in strict accordance and conformity with the standards, specifications, and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk ~~in~~of owning any business venture including this one and that running a business can be very hard work. If you operate your Craft Beer Cellar Franchise below the standards we require, customers who patronize that Craft Beer Cellar franchise location will be less likely to patronize other Craft Beer Cellar store locations. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Franchise Disclosure Document. You acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you have no knowledge of any representations by us~~,~~ or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement. We do not furnish, nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Craft Beer Cellar operation that is inconsistent with disclosures in our Franchise Disclosure Document. Actual results vary from unit to unit, and we cannot estimate the results of any particular franchise.

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

## 1. <u>GRANT OF FRANCHISE AND FRANCHISE TERRITORY</u>

### 1.1 <u>Grant of Franchise and Franchise Territory</u>

We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for 10 years from the date of this Agreement (the "Franchise"). This grant solely is for the operation by you of one Craft Beer Cellar franchise at the location identified in the attached Exhibit 1 (the "Franchise Premises").

During the term of this Agreement, we agree not to place or establish, or license anyone else to place or establish, any business using the Service Marks or the Method of Operation within a **two (2) mile radius** from the Franchise Premises except where such radius encompasses a population greater than 50,000 people per square mile then in such case, within 1 ½ mile radius (the "Franchise Territory"), without your prior written consent if you are in compliance with and not in default of this Agreement and achieve the Performance Standards as set forth in this Agreement; however, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

Among other things, we may require as a condition to our approval of your purchase of additional franchises from our existing franchisees or affiliates, or your purchase of additional franchises from us that you sign a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us

.

You may not establish or operate any other Craft Beer Cellar establishment without executing a separate Franchise Agreement for that operation.

**1.2 <u>One Location for Franchise</u>**

You will operate the Franchise only at the Franchise Premises. If not determined when this Agreement is executed, you are responsible for selecting the site for the Franchise Premises within the designated area outlined in Exhibit 1 and in accordance with this Agreement.

**1.3 <u>Assistance in Site Location</u>**

We consult with independent commercial real estate advisors and brokers, from time to time, and may offer you real estate assistance at no additional cost. We'll work closely with you and enlist outside services when we feel it's needed or necessary, especially in markets that we don't know well or have any experience.

We do not guarantee success for any location selected. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

You acknowledge and agree that any location we select or approve, and any lease we approve will be with the understanding that it meets our minimum acceptable criteria. The criteria are not a representation or guarantee that the location will be successful or that the terms of the lease are reasonable. You acknowledge that you are responsible for reviewing and determining the appropriateness and desirability of the lease. We will have no liability with respect to the selection or approval of a location or any lease for the Premises, nor liability with respect to any site recommendations we make.

Before you enter a lease or purchase agreement for the Franchise Premises, you must submit the lease or purchase documents to us for approval. Lease documents must include the *Franchise Premises Lease Agreement Rider* attached in Exhibit 3 or otherwise include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Section 4, below.

**1.4 <u>Franchise Development</u>**

You will be responsible ~~to furnish~~<u>for furnishing</u> and ~~equip~~<u>equipping</u> the Franchise.

1. We must furnish to you a schedule of equipment packages for the Franchise. Any modifications you propose must be approved in writing by us. All approvals will be solely within our discretion to maintain a uniform image consistent with Craft Beer Cellar franchise system concepts.

2. You must comply with the standards and specifications we establish for design, layout, equipment, and furnishings, among other things. Modifications or variations require our prior written consent.

3. You must comply within a time we deem reasonable with any requirement we impose to modify the layout, furnishings, and equipment.

4. All equipment must conform to our equipment specifications as adopted from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

**1.5 Relocation of the Franchise**

You will not relocate the Franchise or your Franchise Premises, if any, without our prior written approval. -Any relocation will be at your sole expense. This Agreement will govern your operations at any replacement Franchise location. You may decide to relocate the Franchise for the following reasons:

- in your and our judgment, there is a change in the character of the location of the Franchise sufficiently detrimental to your business potential to warrant its relocation, or
- you reasonably decide to relocate the Franchise for the cause.

If so, you may relocate the Franchise to another location, if:

1. you are not in breach of this Agreement;

2. you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;

3. you develop, furnish, and equip, at your sole expense, the new location according to our then current specifications and standards;

4. you pay all reasonable out-of-pocket expenses we incur because of the relocation. The terms “Franchise Territory” and "Franchise Premises" will include the relocated business site; and

5. you satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

**1.6 You Will Not Advertise Outside Franchise Territory**

Except with our prior written permission, you will not place, under any circumstances, advertisements using the Service Marks in or originating from any area other than the Franchise Territory. Only we may place national or regional advertising.

**1.7 Existence of Divergent Forms of Franchise Contracts**

You acknowledge that we have offered franchises to others in the past the terms of which may have varied materially from those set forth in this Agreement.

**1.8 Rights We Reserve**

We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

1. to use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement.

2. to operate and grant to others the right to operate Craft Beer Cellar businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.

3. to sell products or services anywhere, including within the Franchise Territory through channels of distribution other than the Craft Beer Cellar franchise currently reserved to you in the Franchise Territory, including Internet and other forms of media now or in the future developed, wholesale and mail order channels. We will, however, depending on state laws that govern your Franchise Territory, allow you to sell your products through internet sales, if allowed by law and approved by us.

4. to establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

**1.9 <u>Pricing</u>**
Pricing will be based on Craft Beer Cellar's standard percentage markup methodology.

**1.10 <u>Performance Standards</u>**

In order to maintain the Territory rights granted under this Agreement, ~~the~~then you must achieve an increase of 2% in month over month Gross Revenues ("Monthly Performance Standard") and an average of 5% increase in Gross Revenues or greater annually ("Annual Performance Standard"). If you fail to meet the Monthly Performance Standard for 6 consecutive months or any Annual Performance Standard, you may be held in default of this Agreement, and we may open a Craft Beer Cellar within your Territory or grant a franchise to another to open a Craft Beer Cellar within your territory.

You acknowledge that these Performance Standard amounts do not constitute, and are not in the nature of, "earnings claims" or "financial performance representations." We disclaim any representation, warranty or guarantee that you can or will achieve levels of sales necessary to comply with the Performance amounts above, or any other level or range of sales, income, or other measures of performance. As a practical business matter, we are unable to reliably estimate or predict the future financial or other results of any Craft Beer Cellar franchisee~~,~~ and is unable to reliably estimate or predict Franchisee's potential results.

**2 <u>PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS</u>**
**2.1 <u>Initial Franchise Fee</u>**
The Initial Franchise Fee is $25,000 payable upon execution of this agreement. Contemporaneously with the execution of this Agreement, you have paid to us the entire Initial Franchise Fee. The Initial Franchise Fee is paid in consideration of our sales expenses,

administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

None of the Initial Franchise Fee is refundable.

**2.2 Monthly Fees**

You must report to us by the **5th day** of each month your monthly sales and 2% of your Gross Revenue for the preceding month ~~(plus gift cards sold, less gift cards redeemed).~~). Your monthly 2% ~~royalties~~royalties' payment will be deducted from your account when it is received. You must also pay us a monthly Computer Technology Fee. This fee is currently $150 per month. We reserve the right to increase the Computer Technology Fee in the future should the need arise as new technologies and systems become available.

These fees are due monthly in the manner specified below or as otherwise prescribed from time to time in the Operations Manual described in Section 5, below. These payments are required to be made by automatic account withdrawal or other automatic processes we reasonably specify in the Operations Manual, such as a check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, the Internet, or other authorized payment plan. If we attempt a draw or other process that is returned unsatisfied for any reason, we may charge you a $50 fee for each unsatisfied attempt.

**2.3 Advertising Standards**

6. Local Advertising Materials Used at Your Discretion. From time to time, we will supply to you an advertising component to the Operations Manual which will contain samples of local advertisements we approve. You may advertise your franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after ~~review~~reviewing of any material, we, in good faith, believe that it is not in keeping with our franchise system's reputation of quality and integrity, or degrades or debases the ~~good will~~goodwill or reputation of the franchise system, we will promptly notify you. You will immediately cease using any such material.

7. Approval of Your Local Advertising and Website and E-Commerce. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases, radio and television advertising, specialty and novelty items, and signs, for approval, before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it. Your failure to conform to our provisions or requirements and subsequent non-action by us to require you to cure or remedy your failures and defaults will not be deemed a waiver of future or additional failures and defaults by you under this provision or any other provision of this Agreement.

You specifically acknowledge and agree that your website, which will be provided to you, will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. ~~–~~(As used in this Agreement, the term "website" includes an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchise, proprietary marks, us or the Method of Operation. The term website includes, but is not limited to, Internet and World Wide Web home pages, as well as Facebook, Twitter, Google +, and other Social Web Sites.

In connection ~~to~~with any website, you agree to the following:

1. We will allow you to establish a webpage as part of our website, which must be maintained daily.

2. You will not establish or use any other website or webpage without our prior written approval.

3. In addition to any other applicable requirements, you will comply with our standards and specifications for websites as prescribed by us from time to time in the Operations Manual or otherwise in writing or on a franchisee forum intranet system.

4. If you propose any material revision to the webpage or site or any of the information contained in the website, you will submit the revision to us for our prior written approval.

5. You will use only approved ~~key words~~keywords, meta tags and titles pertaining to our industry. We will respond to approved ~~key words~~keywords, meta tags and titles upon your request by e-mail.

6. You may only offer approved products or services on your webpage or site. Any website changes made without our approval will put you in default of this Franchise Agreement.

7. You will turn ownership and control of your webpage or site over to us upon expiration or termination of this Agreement, regardless of the reason for the expiration or termination.

8. We retain the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing~~,~~ and follow our Intranet and Internet usage requirements.~~-~~ We also retain the sole right to use the Service Marks on the Internet, including on websites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. ~~-~~We retain the right to approve any linking or other use of our website.~~-~~ You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.

9. If you plan to independently advertise in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.

10. Subject to the terms of use on our website, we may gather, develop and use in any lawful manner information about any visitor to the website, including but not limited to your

customers, franchisees or prospective franchisees regardless of whether they were referred to you via the website or were otherwise in contact with you.

11. We have established or may establish in the future an intranet or comparable on-line facility. You must use it in the manner we require. You understand and agree that we may elect to provide certain assistance, deliver information and materials or otherwise communicate with you via the Internet or the intranet. At your sole expense, you will maintain, and update as needed all computer system requirements and services necessary to access the Internet and the intranet in the manner we require. -You are required to have high~~-~~-speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials, and corporate news.

~~I.~~ Trademark and Copyright Notices. -You will use the Service Marks in strict conformity to the Operations Manual and Brand Guidelines~~,~~ and will include in any advertisement, or promotional materials which use the Service Marks, trademark notices as are required by the Operations Manual and Brand Guidelines. All copyrighted materials we supply to you or otherwise used by you in connection with the Franchise will contain copyright notices as required by the Operations Manual.

**2.4 "Revenue" Defined**

"Revenue" means all receipts generated by the Franchise from any source, including, but not limited to, sales, memberships, rentals, exchanges, repairs, services, labor, service charges, service contracts, any other type of remuneration, gift, barter of products or services, charity, payment in kind, or any other benefit or value that is received or deferred to be received, and excludes discounts, refunds, and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in "Revenue." "Gross Revenue" means the total Revenue for any calendar month. If the Franchise operates in the premises of a co-branded location, the exact basis and calculation of Gross Revenue will follow the requirements and procedures we outline in the Operations Manual to take into consideration the needs and requirements of the co-branded location although Revenue will be limited to Craft Beer Cellar related receipts. The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Operations Manual to take into consideration the needs and requirements of the co-branded location. You will obtain and keep~~,~~ or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to Craft Beer Cellar related sales.

**2.5 You Will Pay Taxes and Indebtedness**

You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise location, or inventory, materials, fixtures, and equipment used in the Franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings. -If we are charged with any tax by the authorized taxing authority of any state or political subdivision, including taxes on sales made to or licenses granted to you, or sales made by you in the Franchise Territory, you will pay these taxes. You will pay to us promptly and when due the amount of all sales taxes, personal property taxes and similar taxes imposed upon, required to be collected, or on account of collection by us of the Initial Franchise Fee, the Royalty Fee, or any other payments you make to us pursuant to this Agreement. In the event that you make a payment to us that is not honored by your bank, we reserve the right to charge you a $50 fee. We reserve the right to charge you an additional $50 per day for each day the payment is late.

You acknowledge that one of the benefits accruing to you and all of our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay in making prompt payment in accordance with the terms of the invoice or statements rendered to you for payments due, or misdirection of supplies or other abuses will result in a loss of credit standing and goodwill and a loss of benefits derived to us and other franchisees using the Method of Operation. You expressly agree to promptly make all product purchase payments on invoices and statements rendered to you in accordance with the terms of the invoices and statements and to make timely remittances of rent as required on your lease.

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

A late charge will be added to any sums to be paid under this Agreement that ~~remain~~remains unpaid after ~~60~~30 days. The late charge will equal 1.5% per month. These late charges and late payment penalties will not exceed any limits placed upon late charges and late payment penalties by applicable local laws. Our acceptance of late charges will not constitute a waiver of the breach created by your non-payment of any amount when due. Notwithstanding the payment of any late charges, we may exercise any rights or remedies granted by this Agreement upon your breach or any rights or remedies otherwise granted by law.

Nothing contained in this Agreement obligates us to accept any payments after due or to commit to extend credit to or otherwise finance your operation of the Franchise. You acknowledge that failure to pay all amounts when due will constitute grounds for termination of this Agreement.

Upon your failure to pay us as and when due, we may, at our election, deduct the unpaid sums from any monies or credit we hold for your account. You agree that you will not withhold payment of any amounts due to us on the grounds of any alleged non-performance by us, or in the event of any dispute or a claim by you, or for any other reason whatsoever.

In the event that you make a payment to us that is not honored by your bank, we reserve the right to charge you a $50 fee. We reserve the right to charge you an additional $50 per day for each day the payment is late.

**2.7 Records**
You will keep a complete and accurate set of books and records of the operation of the Franchise,

produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within 30 days after the end of each quarter.

You will furnish to us as outlined in the Operations Manual, an itemized report of the Gross Revenue for the prior month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. All Royalty, Support and Technology Fees~~,~~ and Advertising Fees due based upon the Gross Revenue for the preceding month will accompany the report. If the Franchise is operated at a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location, although Revenue will be limited to Craft Beer Cellar related receipts and monies collected from any co-branded location.

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

We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require.

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year. Provided, however, if your shares are publicly traded, the list of shareholders required will include only those owning 5% or more of the shares outstanding. The required report will be submitted to us within 90 days after the end of your fiscal year.

**2.8 <u>Audits</u>**

We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than 2% or unless you fail to deliver any required report in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Royalty Fees, Support and Technology Fees, Advertising Fees, Local Advertising Requirements and late payment charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law. Our right to audit will include the right to examine the books, tax returns and records of other businesses that you own or operate, in whole or in part, to determine whether all revenue to be reported by you has been properly reported, and that appropriate fees and contributions have been paid.

**2.9 <u>You are to Pay all Franchise Costs</u>**

All the costs of the Franchise, including opening and operating costs, will be your sole obligation.

We will have no costs, liability or expense whatsoever with respect to your opening and operation of the Franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making us liable for them. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will control your own employees and contractors. You will take all steps necessary to maintain a safe and healthy environment for your workers and customers.

**2.10 ~~-~~Attendance at Events, Conventions, Festivals, etc.**
We may hold conventions for the franchisees that ~~makeup~~make up our franchise system. These conventions may be held at a different location each time. They include programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals, and entertainment.

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

## 3. TRAINING

### 3.1 Mandatory Training
We will provide a mandatory training course for you and/or a representative of your franchise at a location we will designate. This training course will cover all aspects of the operation of the Franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. ~~-~~You will complete the course no later than 3 weeks prior to opening the Franchise for business. You must ask us to schedule a training session for you at least 35 days before the session is to start. You must complete this mandatory training program to our exclusive satisfaction, or we may terminate this Agreement upon refunding all of the Initial Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you fail to satisfactorily complete the mandatory training course.

You will pay the transportation, board and lodging expenses you incur related to this training. Depending upon our analysis of your training needs, generally, the training course will be not less than 10 days or 80 hours. Training and training materials may be delivered in the formats or media we choose. This may include course books or training exercises on paper, video, CD-ROM or other electronic format, via ~~web-cast~~webcast or an intranet. You will participate in and pay for the costs of training, including costs of computer equipment and Internet services needed to participate.

Each of your employees will complete a training program as prescribed in the Operations Manual. All training programs for your employees will be conducted under the direction of you. Some of

these employee training programs may involve online instructional content via our secure website or intranet.
At all times, your franchise must be operated and supervised by an individual who has passed our mandatory initial training program.

In addition to the above~~-~~-prescribed training, one owner must complete our Certified ~~Cicerone®~~ Beercierge certification within ~~***one year***~~eighteen months from the day you open for business. ~~All additional owners~~Any Cicerone training is encouraged, as a supplement to our Beercierge training and is encouraged, but not required. All employees (including Owners) must complete ~~this certification within five years from the day you open for business. All employees must complete Cicerone Certified Beer Server~~Apprentice Beercierge training before you open for business. Thereafter all ~~employee beer geeks~~employees must complete their ~~CBS~~Apprentice Certification within 30 days from their date of hire.

**3.2 Supplemental Training**
At your option and not less than 35 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

This additional training consists of visits to our franchises, store work experience, and observation of franchise operations. The duration of training is negotiable depending ~~upon~~on your needs. You will not receive any compensation for services rendered by the trainee during this or any other training. We may designate qualified franchisees or master franchisees to conduct some or all of your training.

From time to time we may provide refresher training programs or seminars and may require that you attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars.

## 4. COMMENCEMENT OF OPERATIONS
### 4.1 Time to Complete Training and Commence Operation
You will complete, to our exclusive satisfaction, the mandatory training defined above and commence full and continuous operation of your store within 300 days after execution of this Agreement~~,~~ unless otherwise agreed upon, which must be in writing. Prior to commencing operation, you will procure all necessary licenses, permits, and improvements and purchase initial inventory. Any failure to commence operation caused by~~ a~~ war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable, under the circumstances. If for some unforeseen cause or occurrence, you believe you will not be able to commence operations of your business within 300 days, you must submit to us, in writing, a proposal and plan of action that we deem acceptable, sixty (60) days before the 300th day; upon receipt of said proposal, you will be granted a sixty-day extension, to commence your operation or work with ~~The~~the Brand Team on defining and identifying a plan of action to commence operation, that may extend beyond 365 days.

If this training and commencement of operation obligation ~~is~~are not fulfilled, we may terminate this Agreement.

*Please note that the average Craft Beer Cellar store opening is within 250 days.*

**4.2 <u>You Are to Obtain Permits and Licenses</u>**
Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise.

You will comply with all of the provisions of all other applicable federal, state or local statutes, rules or ordinances.

**4.3 <u>Lease Assumption and Real Property Security Assignments</u>**
Unless otherwise agreed in writing, any lease you enter into will provide that you will assign that lease to us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement~~,~~; we will have an option, exercisable within 30 days after termination or expiration, to be substituted for you in all respects under the lease and to sublease the premises to another franchisee. –You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

If you own the premises used for the operation of the Franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in Middlesex County, MA, by three appraisers. Each party must select one appraiser. -The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser, and each party will pay half ~~for~~of the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may enter into the lease at ~~the~~a price and upon the terms determined by the appraisers.

If your Franchise Premises is at a retail location, any lease or sublease of the Franchise Premises will contain substantially the following provisions (see the Franchise Premises Lease Rider attached in Exhibit 3 of our FDD):

1. Anything contained in this lease to the contrary notwithstanding, lessor agrees that without lessor's consent, this lease and your right, title, and interest, may be assigned by you to us, without cost or penalty.

2. A provision is reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement.

3. An express right of de-identification in the following form:

*Upon termination or non-renewal of this Lease, Tenant may de-identify the leased premises. ~~-~~If Tenant fails to do so, Craft Beer Stellar, LLC is given the express right to de-identify.~~-~~ De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Craft Beer Cellar; and any other steps necessary (in the sole discretion of Craft Beer Stellar, LLC) to effectively distinguish the formerly leased premises from Craft Beer Stellar, LLC's proprietary design(s).*

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

## 5. FRANCHISE STANDARDS OF OPERATION

### 5.1 Operations Manual, Equipment, Plans and Specifications, and Public Relations

Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of ~~Operation~~Operations are essential. The developments we will make for the benefit of our franchise system as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of the Craft Beer Cellar Operations Manual (the "Operations Manual") The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, equipment requirements and control techniques, plans, specifications, and requirements, co-branding requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. Among other things, the Operations Manual may contain information, requirements, and standards related to:

- Planning and consulting
- Site selection assistance
- Hiring and employee management training and assistance
- Equipment standards and assistance
- Computer programs and software for database management, point of sale, marketing, accounting, scheduling, and reporting
- Inventory management assistance and training
- Written operations standards and assistance
- Initial and ongoing operational training
- Management and employee training
- Marketing and advertising
- Standards, ongoing training, and ongoing support
- Insurance guidance and standards

The Operations Manual includes materials in whatever form (including electronic) we provide to you that describe the guidelines, advice, and requirements regarding the operation of your franchise, including user manuals and related ~~instruction~~instructional materials. It includes amendments, supplements, and new documents made and identified by us as part of the Operations Manual. The Operations Manual may be delivered to you by hard paper copy, computer diskette, CD-ROM, via an intranet or other downloading mechanism to your computer or via another medium chosen at our discretion.

The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason. Nothing in this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

1. manual or manuals, and
2. any Intranet or password protected portion of an Internet site, and
3. any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and
4. any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for equipment, services, business forms, advertising, decor, plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial equipment and inventory items and additional items specified from time to time in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend it from time to time. You will implement immediately all changes at your cost~~,~~ unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual.

You must purchase your furniture, fixtures, equipment, including computer equipment, inventory, and signage per Craft Beer Cellar specifications set forth in the Craft Beer Cellar Operations Manual and Brand Guidelines. You will purchase all furniture, fixtures, equipment, including computer equipment, inventory, and signage required for the operation of the Franchise from us, our ~~affilitates~~affiliates, manufacturers, and suppliers or distributors approved by us.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

~~.~~

With advance written notice, you may request our approval to obtain products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality and the suppliers' capacity and facility to supply your needs in the quantities, at ~~the~~ times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing location for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, and systems will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and procedures; will maintain the confidentiality of the designs and systems; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to the release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose.

From time to time we or our agents may inspect any proposed or approved manufacturers', suppliers' or distributor's facilities and products to assure proper production, processing, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

One of the benefits accruing to you and all our other franchisees is the economy of mass purchasing power made available through us. Your failure to pay or repeated delay to make prompt payment in accordance with the terms of the invoices and statements for payments due on your purchases of signs, equipment, products, supplies and other inventory items, or you misdirection of supplies or other abuse of our approved suppliers, distributors and manufacturers, will result in a loss of credit standing and goodwill and benefits otherwise available to us and our other franchisees. You expressly agree to promptly pay all such invoices and statements in accordance with their terms. In the event that you make a payment to us that is not honored by your bank, we reserve the right to charge you a $50 fee. We reserve the right to charge you an additional $50 per day for each day the payment is late.

**5.2 Standards to Be Maintained**

You will follow the Method of Operation and maintain standards of product and service that we prescribe.

1. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. You will only use signs, equipment, materials, products, inventory, and services that conform to our specifications to conduct the franchise.

2. If you maintain any signs at the Franchise Premises, these signs must comply with local sign

ordinances, regulations, and laws and must be approved by us.

3. We may enter the Franchise Territory at reasonable times to verify your compliance with the terms of this Agreement. -To do so, we may:

~~3.~~

a) Inspect the Franchise;

b) Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;

c) Select items, products and other materials services, equipment, operations and supplies for a test of content and evaluation purposes to make certain that they are satisfactory and meet our quality control provisions and performance standards;

d) Interview your personnel, customers, vendors and co-branded partners;

e) Inspect and copy any books, records, and documents related to the operation of the franchise, the co-branded location and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations, and interviews.

4. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities in the Franchise, and you will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchise and will operate the Franchise in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes. You will furnish to us within 120 days after the receipt of equipment, a copy of a receipt for the payment of all use taxes, personal property taxes, and like taxes or assessments, if requested.

5. You will not offer, sell or dispense any products or services or activities other than those we specifically recognize and approve in writing.

6. You, at your expense, will maintain the Franchise and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs in order to protect the reputation of

the Service Marks. ~~-~~You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion.

If you do not maintain the Franchise as required, after notice to you, we, at our option, may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs, we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs.

7. You will keep your Franchise open for business every week of the year, except as we designate or approve in writing. We may change these requirements from time to time as designated in the Operations Manual. In most cases, we expect your Franchise location to be open for business a minimum of 54 hours per week.

8. At all times you will ~~insure~~ensure that your copy of the Operations Manual and any other manuals given to you are kept current, and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

**5.3 <u>Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property</u>**

You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks or any marks identical to or confusingly similar to the Service Marks, including any claims of infringement or unfair competition. While we will make reasonable efforts to protect your rights to use the Service Marks, we will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation or administrative action involving you or any litigation or administrative action involving the Service Marks or the Method of Operation, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. We will not be required to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Service Marks or if the proceeding is resolved unfavorably to you. Instead, at any time, you will modify or discontinue use of any franchise names or Service Marks~~,~~ or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.).

Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations ™ or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that ~~involve~~involves or pertain to the Service Marks.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

We make no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Service Marks.

We and you will use reasonable best efforts to continuously improve the products, processes, and services used in the Method of Operation and to develop new products, processes and services for use as part of the Method of Operation. All the improvements, inventions and developments you make, develop or create for use in the Method of Operation will be our property, and we alone will hold any patent, trademark registration or other form of protection for those improvements, inventions, developments, processes, methods, and practices.

**5.4 <u>You Will Not Use Names or Marks in Combination</u>**
Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them, combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

**5.5 <u>Service Marks, Operations Manual, and Method of Operation May Be Changed</u>**
You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are

necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

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

**5.6 Volume of Business**
The quantity or number of employees, supplies and other items you keep on hand at all times must be sufficient to meet your anticipated volume of business.

**5.7 Alteration of Franchise**
Any and all alterations of the Franchise and your location will strictly conform to specifications and requirements we establish or approve.

**5.8 Employees**
You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker’s compensation and benefits. You will in no way obligate us for expenses incurred in the operation of your franchise including labor costs. You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You are required to pay your employees and staff the wage prevailing (or in some areas a wage higher than the then prevailing wage) in your market area for employees with similar labor skills, people skills, and similar job responsibilities. In order to maintain the best quality ‘beer’ and ‘people’ staff, Franchisor recommends prevailing wage plus 50%, based on standards set forth in the Operations Manual

**5.9 You Will Not Communicate Confidential Information**

You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques, operating procedures, processes, practices, lists of suppliers, customer lists, manuals, marketing and sales techniques and strategies, and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to the internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the Craft Beer Cellar system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or use in any other manner, either for your benefit or the benefit or any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchise.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the confidentiality of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business. You will not reverse engineer, decompile or disassemble any items embodying the Method of Operation or our confidential information.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information. This includes sharing any information about us, our owners, officers, agents, partners, members, directors, shareholders, representatives or employees, either in a known or anonymous fashion, on any forums, boards, groups or other websites, either in writing or electronic, in a disrespectful, derogatory, demeaning, malicious and/or slanderous way.

This section contains prohibitions based upon an understanding that you, your key employees, your
officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, the disclosure of which would prejudice our interests and our other franchisees.

**5.10 <u>Conflicting or Competing Interests</u>**
You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

At all times the Franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the Franchise. In your absence, the Franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the Franchise.

In express consideration for and during the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. We may waive this covenant only in writing.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of 2 years after expiration or termination of this Agreement do not:

1. divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment;

2. employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment; nor

3. do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation

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

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than 5% of the outstanding securities of the corporation.
You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions, and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

**5.11 Computer Systems**

You will install and use accounting, database management, and inventory control computer systems and software approved by us. You must utilize the most recent version of our proprietary database management software, as directed from time to time. For all other systems and software, you will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, etc., that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time, including coordination with consolidated systems used at co-branded locations. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you. You are required to have high-speed Internet service to your business or home office where you will be able to access downloads from us of advertising materials, operations manual revisions, training materials and corporate news and through which we may have remote access to your computer systems and records.

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, date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems'). We do not guarantee that information or communication systems that 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, customers, 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.

**5.12 Working Capital Requirements**

At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

**5.13 Notice of Court Action**

You will notify us in writing within 5 days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or government instrumentality, which may adversely affect your operation of or the financial condition of the franchise.

**5.14 Credit Card Programs**

You will participate in and cooperate with us in all credit and gift card programs we establish or adopt from time to time.

## 6. RENEWAL, TERMINATION AND STEP-IN RIGHTS

**6 . 1 Renewal of Franchise**

If you are not in breach, you may renew the Franchise for periods of 10 years under the terms of our then-current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Franchise Disclosure Document and Area Development Addendum will mean the form ~~then~~than currently provided to prospective franchisees or area developers, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Support and Technology Fees, Advertising Fees, Local Advertising Requirements and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the renewal Franchise Agreement forms within 30 days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Territory may be modified, and its geographic area may be reduced or expanded to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement. The renewal fee is 75% of the then current Initial Franchise Fee or $18,750, whichever is less.

You will refurbish the Franchise and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise and its signs and equipment to reflect the design and decor image of Craft Beer Cellar franchises we then are requiring of new or renewing Craft Beer Cellar franchises. These expenditures will be in the amount necessary to make the Franchise modern and fresh and to resolve wear and tear. If renovation and modernization of the Franchise ~~is~~are not feasible, you may repair or replace equipment or relocate to a new site, subject to our prior written approval. Our approval will not be unreasonably withheld, provided that any relocation does not infringe on any other Craft Beer Cellar location.

You must execute a general release, in a form we prescribe, following the applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

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

2. Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then

be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while operations continue. Upon termination of this Agreement under this section, all post-termination covenants and obligations in this Agreement will apply.

**6.2 Termination by You**

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

**6.3 Termination by Us**

1. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense.

If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists~~,~~ and without the necessity of notice to you.

**a)** You irrevocably nominate, constitute and appoint the person serving from time to time as our President to be your attorney-in-fact so to act in your name and on your behalf as our President to be your attorney-in-fact so to act in your name and on your behalf.

**b)** At our election and without waiving any claims for default or breach and without prior notice to you or resort to legal process, we may enter upon any premises using the reasonable force as is necessary in the circumstances, without being guilty of trespass or liable to you or the property owner for the entry, for the purposes of securing the return of our property, the performance of your obligations of discontinuance and the protection of our rights upon expiration or termination of this Agreement.

**c)** We may claim and recover damages from you for any material breach, including ongoing Royalty Fees and other payments required by this Agreement. The fees payable will be computed as an average of the fees payable by you for the last six months that you conducted the Franchise, and at a minimum shall equal the minimum monthly fees due from you. If the Franchise has been operating and paying fees for less than 6 months, the average will be of the monthly fees payable by you during the period of operation. The calculated fees will be due for the balance of the term of this Agreement, or until we establish a new Craft Beer Cellar franchisee in the Territory and that new franchisee pays fees for a month equal to or greater than the calculated monthly fees due from you.

You agree that it will be a *default constituting a substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause for termination* of this Agreement and any other franchise and related agreements between the parties if you (or your owners, officers, or key employees) breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within 30 days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

2. You agree that it will be a default constituting a *substantial breach of a material provision of this Agreement pursuant to relevant law, thus establishing good cause* for us to immediately terminate this Agreement and any other franchise and related agreements between the parties without other cause, and without giving you an opportunity to cure, if you (or your owners, officers, or key employees):

    a) Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchise or your assets, or admit to not being able to meet your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you:

        **(i)** timely undertake to reaffirm the obligations under this Agreement;

        **(ii)** timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and

        **(iii)** timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code; provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchise, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

3. Fail to pass initial training and commence operation of the Franchise within 300 days after execution of this Agreement (see Section 4.1, above).

4. Fail to operate the Franchise continuously and actively for five (5) consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.

5. Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received the most recent of two or more 30-day or 5-day Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above or this Subsection (B), whether or not you had corrected your

earlier failures to comply after we delivered notice to you.

6. On more than two occasions fail to report monthly Revenue on time, understate monthly Revenue by more than 2%, or distort other material information.

7. Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and are a competitor of ours or a competitor ~~of~~or an affiliate of ours, we may keep your entire initial franchise fee, cancel training and terminate this Agreement.

8. Allow the Franchise, Franchise Premises or franchise assets to be seized, taken over, or foreclosed by a creditor, ~~lien holder~~lienholder, or lessor; let a final judgment against you to remain unsatisfied for 30 days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within 5 days of the levy.

9. Are convicted of a felony~~,~~ or are convicted of any criminal misconduct relevant to the operation of the Franchise.

10. Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.

11. Fail to pay any Franchise, Royalty fees or other amounts owed pursuant to this Agreement within 5 days after receipt of written notice that the fees or amounts are overdue.

12. Operate the Franchise in a manner that creates an imminent danger to public health or safety.

13. Do not keep confidential information related to the Franchise confidential except to employees or persons authorized to know~~.~~, including sharing or attempting to share information in an anonymous way, that could result in a detriment to Franchisor and/or the Franchise system.

14. Attempt to unilaterally repudiate this Agreement or the performance or observance of any of its terms, conditions, covenants, provisions or obligations by any conduct evidencing your intention to no longer comply with or be bound by this Agreement.

**6.4 Time Frames Subject to Applicable Laws**

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

**6.5 You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement**

Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

1. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

2. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers, and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

3. Authorize telephone, Internet, email, an electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the Franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names, and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to ~~effect~~affect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

4. Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other Craft Beer Cellar location.

5. Pay to us within seven days all Royalty Fees and other sums you owe. These sums will include all damages, costs, and expenses, including reasonable attorney's fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

6. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all of our confidential information you have received, including any items that embody the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

7. At our option, do some or all of the following:

   **a)** Remove all Franchise-related equipment, furnishings, and inventory from the Franchise location;
   **b)** Sell the equipment and inventory to us, at fair market value for equipment and furnishings and at your invoice cost for inventory less a 10% restocking charge. We will not be liable for payment to you for intangibles, including, without limitation,

goodwill;

c) Assign to us the lease for the Franchise Premises, if any, and ownership and control of any ~~web site~~website you own or control;

d) Sell to us your interest in the Franchise.~~ ~~ Sell to us your interest in the Franchise, the Franchise Premises, if any, and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. ~~ ~~Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within 5 business days after termination of this Agreement. If not,~~ a~~ fair value and fair terms will be determined in Middlesex County, MA by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser, and each party will pay half ~~for~~of the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at ~~the~~a price and upon the terms determined by the appraisers.

8. Upon termination for any reason, you will return to us all proprietary and confidential materials, including client lists, keys, codes, signage, advertising and marketing materials, uniforms, service agreements and other forms, printed files, clients ~~lists~~list and account information, security codes, and the like as described in the Operations Manual. If you fail to return or cease use of any of these items, we may enter your business premises without being guilty of trespass or any other tort to remove and retain the items. You will pay to us, on demand, any expenses we incur in trying to remove or collect such items or in attempting to have you cease use of them.

**6.6 We May Assign Franchise Territory Upon Termination**

Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate Craft Beer Cellar businesses within the Franchise Territory.

**6.7 Our Step-In Rights**

The parties want to prevent any operation or interruption of the Franchise that would cause harm to the Franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the Franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the Franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; you have failed to pay to us when due any franchise, royalty, advertising, or other fee; you have failed to pay when due any taxes or assessments against the Franchise or property used in the Franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; your business activities are having a negative impact upon the value of our franchise system, or we decide that significant operational problems require us to operate the Franchise for a time. Thirty days after exercising our step-in rights, we will re-evaluate your then-current status.

At our discretion, we will either operate the store for an additional 30-day period or turn the store back over to you. In turning the store back over to you, we do not waive our rights to step back in the future.

All Revenue from our operation of the Franchise will be for your exclusive account. We will pay from that revenue all expenses, debts, and liabilities we incur during our operation of the Franchise. This will include our personnel and administrative and travel costs, plus 15% to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the Franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

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

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

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all acts, omissions, damages, or liabilities arising during our operation of the franchise.

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

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

**6.8 <u>You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement</u>**

This covenant will apply for 2 years after termination, expiration or transfer of this Agreement. In express consideration for this Agreement, you will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise Territory, within a 100-mile radius of the Franchise Territory, within a 100-mile radius of any location where we operate or have granted the franchise to operate a Craft Beer Cellar business, and within the United States of America and Canada.

You acknowledge and confirm that the time, content and geographical restrictions contained in this section are fair and reasonable. They are not the result of overreaching, duress, or coercion of any kind by us. You further acknowledge and confirm that your observance of the covenants contained in this Agreement will not cause you any undue hardship, financial or otherwise, and that enforcement of each of the covenants contained in this Agreement will not impair your ability to obtain employment commensurate with your abilities and on terms fully acceptable to you, or otherwise to obtain income required for the comfortable support of your family and the satisfaction of your creditors. Your knowledge of the Method of Operation ~~would~~will cause our franchise system serious injury and loss if you use the knowledge to the benefit of a competitor or to compete with us or our franchisees.

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

**<u>7. TRANSFER</u>**

**7.1 <u>Sale or Assignment.</u>**

1. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of~~:~~ this Agreement, the Franchise Premises, substantial assets of the Franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer before the date the Franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee’s operational and business plans that the transferee’s business operations might not be beneficial on a cash flow or financial basis.

We need not consent to any transfer to a competitor of ours.

We enter this Agreement, in part, in reliance upon the individual or collective character, skill, attitude, business ability and financial capacity of you (or your shareholders, members or partners, if you are a corporation, limited liability company, partnership or other entity).

You recognize that there are many subjective factors that comprise the process by which we select a suitable franchise owner. Our consent to a transfer by you will remain a subjective determination and will include, but not be limited to the following conditions. Before the effective date of a transfer we approve:

**a)** The transferee must assume your Franchise obligations. You will remain bound by your covenants in this Agreement to not disclose confidential information and to not compete with us or our franchisees.

**b)** You will pay all ascertained or liquidated debts concerning the Franchise.

**c)** You may not be in breach of this Agreement or any other agreement between the parties. Our consent to the transfer will not constitute a waiver of any claims we may have against you.

**d)** The transferee will pay for and complete to our exclusive satisfaction the training programs we then require of new franchisees or otherwise show to our satisfaction sufficient ability to successfully operate the Franchise.

**e)** You or the transferee will pay a Transfer Fee according to our then current Transfer Fee Schedule. This fee will reimburse us for our reasonable legal, accounting, credit check, and investigation expenses that result from the transfer. The Transfer Fee will not be less than 50% of the then current Initial Franchise Fee or $12,500, whichever is less

**f)** You will pay us a 10% commission on the gross transfer price (excluding the price of the real property~~),~~) if we obtain the transferee for you.

**g)** The transferee will execute all documents we then require of new franchisees. This includes a new franchise agreement in the form we then are using. The new franchise agreement may contain economic and general terms that are materially different from those contained in this Agreement. The term of the new agreement will be for the unexpired term of this Agreement or for a new full term as we will elect. You must ask us to provide the prospective purchaser with our current form of disclosure document required by the applicable federal or provincial/state registration and disclosure laws, and a receipt for this document will be delivered to us; provided however, we will not be liable for any representations you make apart from those contained in our disclosure document.

**h)** The transferee will meet our standards for quality of character, financial capacity, and experience required of a new or renewing franchisee. You will provide information we require to prove the transferee meets our standards.

**i)** If permitted by applicable law, you and your owners, members, partners, officers, and directors will execute a general release in our favor. The release must be in a form we prescribe, following the applicable law, to release, any claims you may have against us and our representatives, subsidiaries and affiliates and our officers, directors, attorneys, shareholders, and employees in their corporate and individual capacities. This will include claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the offer, sell and performance of this Agreement or any other agreement between the parties.

**j)** If the Initial Franchise Fee has not yet been paid in full, it must be paid in full despite the due date for payment established by this Agreement.

**k)** If the lease or sublease for the Franchise Premise requires, the lessor or ~~sub lessor~~sublessor must have consented to the assignment or sublease of the Franchise Premises to the transferee. All fixtures and equipment at the Franchise Premises must be inspected and certified by a qualified professional inspector to be in good working order and free of operational defects. It will be your responsibility to bring all fixtures and equipment to proper working order before the transfer takes place.

**l)** You will enter into an agreement to subordinate, to the transferee's obligations to us (including the payment of all franchise fees), any obligations of the transferee to make installment payments of the purchase price to you. The form of this subordination is subject to our approval.

**m)** Upon our granting of approval for the transfer, you will:

~~a)~~**(i)** ensure that the transfer is ~~effected~~affected in compliance with the requirements of all federal, state, and local laws, including applicable tax and bulk sales legislation, and with the applicable requirements of the lease of the Franchise Premises;

~~b)~~**(ii)** deliver to the purchaser the Operations Manual and all other manuals and materials we provided to you for use in the Franchise, including all materials bearing the Trademarks and our advertising, promotional and training materials, order books and bookkeeping and reporting forms.

2. With our prior written consent, you may transfer your rights and obligations under this Agreement to a corporation or other entity in which you continuously own a majority of the issued and outstanding shares of each class of stock or other evidence of ownership. The entity must be newly organized with its activities confined exclusively to act as the franchisee under this Agreement. The entity must contemporaneously agree in writing to be bound by the terms of this Agreement. You must contemporaneously agree in writing to guarantee the obligations of the entity and to remain personally liable in all respects under this Agreement. You and all other owners will personally and unconditionally guarantee the obligations of the new entity, and you will remain personally subject to and bound by all terms, conditions, restrictions, and prohibitions contained in this Agreement. You as an owner of the entity agree to separately and personally, for you and for your successors, heirs and personal representatives will act as surety for the full and faithful performance of all of the obligations, commitments, and payments required of the entity. In that capacity, you agree that we do not have to pursue any remedies we may have against the entity, but rather, may proceed directly and primarily against you with or without joining the entity as principal or as a named party in any proceeding.

You will be in breach of this Agreement if you at any time dispose of any interest sufficient to reduce your ownership in the entity to less than a majority of any class of stock or other evidence of ownership. From time to time, at our request, you will provide to us a current list of all your owners, shareholders, members, directors, officers, partners, and employees, with a summary of their respective interests in you.

3. We may transfer this Agreement. If we do, it will be binding upon and inure to the benefit of our successors and assigns. Specifically, you agree that we may sell our assets, the Service Marks, or the Method of Operation outright to a third party, may go public, may engage in a placement of some or all of our securities, may merge, acquire other entities or be acquired by other entities, or may undertake a refinancing, recapitalization, re-organization, leveraged buyout or other economic or financial restructuring. As for any or all of these sales, assignments, and dispositions, you waive any claims, demands or damages arising from or related to the loss of the Service Marks (or any variation of them) or the loss of association with or identification as part of our franchise system.

We will not be required to remain in any particular form of business or to offer to ~~you~~your products, whether or not bearing our Service Marks.

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

5. You may not grant a sub-franchise or transfer less than all of your rights under this Agreement.

6. Our consent to a proposed transfer will not be a waiver of any claims we may have against you (or your owners), nor will it be a waiver of our right to demand exact compliance with this Agreement. Our consent to a transfer will not constitute or be interpreted as consent for any future or other transfer.

7. You will comply with and help us to comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises.

**7.2 <u>Your Death or Disability</u>**

1. Besides the Step-In Rights described above, the following will apply in case of your death or incapacity if you are an individual, or of any general partner of you if you are a partnership, or of any member or shareholder owning 50% or more of you if you are a limited liability company or corporation or other entity. Within 90 days of the event, the heirs, beneficiaries, devisees or legal representatives of that individual, partner, member or shareholder will:

    **a)** Apply to us for the right to continue to operate the Franchise for the duration of the term of this Agreement. The right to continue will be granted upon the fulfillment of all of the conditions set forth in Subsection (A) of the section entitled "Sale or Assignment," above (except that no transfer fee will be required). Or,

    **b)** Transfer your interest according to the provisions of that Subsection. If a proper and timely application for the right to continue to operate has been made and rejected, the 180 days within which to transfer will be computed from the date of rejection. For purposes of this Subsection, on an application for the right to continue to operate, our silence through the 180 days following the event of death or incapacity will be deemed an acceptance made on the last day of the period.

    **c)** If a suitable transferee purchaser is not found within 180 days from the date of death or permanent incapacity, we may at our sole option enter into a contract to purchase the Franchise. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within twenty business days after notice from us. If not,~~ a~~ fair value and fair terms will be determined in Middlesex County, MA by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser, and each party will pay half ~~for~~of the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers may include in their decision a factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option, we may purchase the Franchise and your assets at ~~the~~a price and upon the terms determined by the appraisers. Terms of payment will be 10% of the purchase price payable upon contract signing, the balance payable in 60 equal monthly payments of principal payments with interest calculated at the prime rate, published by your principal bank at the time of each monthly principal payment.

2. If the provisions of this Subsection have not been fulfilled within the time provided, at our option, all rights licensed to you under this Agreement will immediately terminate and revert to us.

**7.3 First Right of Purchase**

You will give us the right of first purchase before soliciting offers from a third party if you choose to sell your franchise business. You agree to notify us in writing if you desire to sell or transfer any interest in you or in your franchise. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We will elect to exercise our option to purchase within 30 business days after our receipt of your written notification and due diligence information. If we offer you an amount that you do not agree to, you may try to sell to a third party but on no better terms for the purchaser than we offered to you. If you later receive an offer from a third~~-~~-party purchaser on better terms than we offered to you, you are obligated to re-offer to us pursuant to the subsection entitled “First Right of Refusal~~”.~~.” You are obligated before any transfer to a third party to comply with all criteria set forth in the subsections entitled “Sale or Assignment” and “First Right of Refusal.” If you do not complete a transaction with a third party within six months, you agree we will again have the right of first purchase before any subsequent contemplated transaction.

We may elect to purchase all of the franchise business regardless of your intent to sell, assign or transfer a lesser interest. We can pay the purchase price in cash up front or by industry-standard monthly payments that amortize the principal amount with interest calculated at prime plus 1% as of the date of purchase. The choice of payment type is ~~in~~at our sole discretion.

**7.4 First Right of Refusal**

If you receive a bona fide offer from a third party acting at arm's length to purchase the Franchise, a majority interest in ownership of you, or substantially all of the assets of the Franchise, which offer is acceptable to you or to your owners, we will have the right to purchase at the bona fide price on the same terms and conditions as offered to you. We may substitute cash for any other form of consideration contained in the offer. Our credit will be deemed to be equal to the credit of any proposed purchaser. At our option, we may pay the entire purchase price at closing. Within 6 days after receipt by you of an acceptable bona fide offer, you will notify us in writing of the terms and conditions of the offer. You will give us sufficient information and documentation to allow us to analyze the status and value of your business. We may exercise this right to purchase within 30 days after receipt of notice from you and due diligence information. If the interest which is the subject of the offer involves less than all of the ownership interest, then in our sole option, our right of first refusal will apply to the entire ownership interest. In such case, the consideration to be received, as set forth in the offer shall be divided by the percentage interest subject to the offer and the resulting quotient shall be the price to be paid for the entire ownership interest. Terms and conditions for the purchase of the entire ownership interest shall be as similar to the terms and conditions set forth in the offer as practicable, except for the substitute provisions noted above in this section.

If we do not exercise our right to purchase within the 30 days, you may make the proposed transfer to a third party. The transfer will not be at a lower price or on more favorable terms than disclosed to us. Any transfer will be subject to our prior written permission described in the section entitled "Sale or Assignment," above. If the Franchise is not transferred by you within 6 months from the date, it is offered to us, or if any material change is made in~~ the~~ terms of the proposed sale, then you must re-offer to transfer to us before a transfer to a third party.

## 8. INDEMNITY, INSURANCE, CONDEMNATION, AND CASUALTY

### 8.1 Indemnity

You will indemnify and hold us harmless from all fines, suits, proceedings, claims, demands, actions, losses, attorney fees and damages arising out of or connected with the Franchise and the business activities, acts or omissions of you and your employees and agents, including those brought against you and us jointly alleging that you and we were negligent or otherwise liable. We will not be liable to you or to any other person because of your act, omission, neglect, or breach. If it is established that both you and we were negligent or otherwise liable, you and we will contribute to the relevant award, and the obligation to indemnify and hold harmless shall be determined, based upon the adjudicated and assigned a respective degree of fault. In the event of a settlement prior to adjudication, you and we will agree to degrees of fault. You and we will contribute to the relevant settlement, and the obligation to indemnify and hold harmless shall be determined, based upon the agreed degree of fault. All provisions of this Section will be subject to ~~these~~this contribution and allocation of indemnification provisions.

You will indemnify us for any loss, cost or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your vendors or suppliers or arising out of the design or construction of the Franchise Premises.

This indemnification will include use, condition, or construction, equipping, decorating, maintenance or operation of the Franchise Premises, including the sale of any products, service or merchandise sold from the Franchise Premises. Any loss, claims, costs, expenses, damages and liabilities shall include, without limitation, those arising from latent or other defects in the Franchise Premises, whether or not discoverable by us, and those arising from the death or injury to any person or arising from damage to the property of you or us, and our respective agents or employees, or any third person, firm or legal entity.

You will defend us at your own expense in any legal or administrative proceeding subject to this

Subsection. The defense will be conducted by attorneys we approve. Our approval will not be unreasonably withheld. You will immediately pay and discharge any liability rendered against us in any proceeding, including any settlement that we approve in writing. You will not settle any claim against us without our prior written approval. ~~-~~In our sole discretion and upon prior written notice to you, we may settle or defend any claims against us at your expense, including attorney fees that we pay or incur in settling or defending. Promptly upon demand, you will reimburse us for any and all legal and other expenses we reasonably incur in investigating, preparing, defending, settling, compromising or paying any settlement or claim, including monies that we pay or incur in settling or defending such proceeding.

All references in this Agreement that provide that you will indemnify or defend us or that you will name us under any insurance policy will also mean that our affiliates, directors, officers, and employees will be also and equally indemnified, defended or named.

**8.2 Insurance**

Upon commencement of franchise operations, and during the term of this Agreement, you will obtain and keep in force by advance payment of premium appropriate fire and extended coverage, vandalism, malicious mischief, general liability, and products liability insurance. This insurance will be in an amount sufficient to replace the equipment, the Franchise Premises~~,~~ if any, and your personal property upon loss or damage. This insurance will be written by a financially responsible insurance company satisfactory to us in accordance with our standards and specifications in the Operations Manual. The insurance will include, at a minimum, the following:

1. Comprehensive general liability insurance, including products liability, the sale and dispensing of alcoholic beverages, completed operations, property damage, contractual liability, independent ~~contractors~~contractors' liability, owned and non-owned and hired automobile coverage, and personal injury coverage with a combined single limit of at least $1,000,000 per occurrence including umbrella coverage.

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

3. Business interruption and lost profit insurance.

4. Employer Practice liability insurance.

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

The policy or policies will ~~insure~~ensure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

All insurance policies you obtain will contain a blanket waiver of the insurer's rights of subrogation in respect of or against us and our officers, agents, employees, and representatives; and will not contain any insured vs. ~~-~~insured exclusion clause~~,~~ but will contain a severability clause providing that each the policy will be treated as though a separate insurance policy had been issued to each named insured.

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

If you fail to comply with any of the requirements of this Subsection, we may, but are not obligated to, purchase insurance at your expense to protect our interests. This insurance may, but need not, also protect your interest. The coverage we obtain might not pay any claim you make, or any claim made against you. You may later cancel the insurance we obtain by providing evidence that you have obtained proper coverage elsewhere. You are responsible for the cost of any insurance purchased by us pursuant to this paragraph. This coverage may be considerably more expensive than insurance you can obtain on your own and might not satisfy your needs. You will pay us upon demand the premium cost of this insurance with a late payment charge on the unpaid balance at the rate established in this Agreement.

You will promptly report all claims or potential claims against you, the Franchise or us in writing when you become aware of them. You will give immediate written notice to us of any claims or potential claims you make to your insurers.

We may, at our sole discretion, upon not less than 90 days prior written notice to you, secure a policy of insurance which will provide defined insurance coverage to all or any part of the Craft Beer Cellar system. ~~–~~This policy may replace or supplement the insurance coverage you are required to maintain. You will pay the relevant insurance premium to us or the designated insurance provider, as we direct.

Nothing contained in this Agreement will be construed as a representation or warranty by us that the insurance coverage we specify will ~~insure~~ensure you against all insurable risks or amounts of loss which may or can arise out of or in connection with the operation of your franchise business. It is your sole responsibility to ensure that adequate insurance coverage is obtained for your business.

Your procurement and maintenance of the insurance specified above will not relieve you of any liability to us under any indemnity requirement of this Agreement.

**8.3 Condemnation**

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

**8.4 Casualty**

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

1. continue to pay Royalty and Advertising Fees based upon the monthly average paid for the preceding 12-month period or based upon the proceeds of any Business Interruption recovery you receive, whichever is greater,

2. immediately notify us,

3. repair or rebuild the Franchise Premises following our specifications, and

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

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

**8.5 Proceeds From Insurance or Recovery**

The proceeds from any business interruption insurance or eminent domain recovery you receive will be included in Revenue.

## 9. NOTICE AND MISCELLANEOUS

**9.1 Notices**

All notices required by this Agreement will be in writing. They may be sent by certified or registered mail, postage prepaid and return receipt requested. They may be delivered by Federal Express, or other reputable air courier service, requesting delivery with receipt on the most expedited basis available. They may be sent by prepaid facsimile or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by expedited delivery service or certified or registered mail within 3 business days after transmission). Notices will be delivered to you at the Franchise Premises, to us at our headquarters or to other locations specified in writing.

Notices may be delivered and receipted to you personally at any location.

Notices sent by certified or registered mail will be deemed to have been delivered and received 3 business days following the date of mailing. Notices sent by Federal Express, or other reputable air courier service will be deemed to have been received one business day after placement requesting delivery on the most expedited basis available. Notices sent by facsimile or electronic mail will be deemed to have been delivered upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail as provided above).

**9.2 Business Name**

You will execute any documents we may from time to time direct, to be retained by us until this Agreement ends, to evidence that you abandon, relinquish, and terminate your right or interest you may claim in or to the Service Marks.

**9..3 We and You Are Not Joint Venturers, Partners, or Agents**

You are and will remain an independent contractor. You and we are not and will never be considered joint ~~venturers~~Venturers, partners, employees, or agents one for the other. Neither will have the power to bind ~~nor~~or obligate the other except as otherwise outlined in this Agreement. No representation will be made by either party to anyone that would create any apparent agency, employment, or partnership. Each will hold the other safe and harmless from each other's debts, acts, omissions, liabilities, and representations. You acknowledge that you are not in a fiduciary relationship with us.

In all public and private records, documents, relationships, and dealings, you will show that you are an independent owner of the Franchise. You will prominently indicate on your letterheads and business forms that you are our licensed franchisee by using language saying that you operate an independently owned Franchise. You will prominently display, by posting of a sign within public view, on or in the Franchise Premises and on any delivery vehicles that you use, a statement that clearly indicates that your franchise business is independently owned and operated by you as a ~~franchisee~~franchise and not as our agent.

You will maintain employee records to show clearly that you and your employees are not our employees. All employees and independent sub-contractors you employ must meet our character, quality and performance standards. All state and federal, workers compensation and insurance requirements must be met for all employees and sub-contractors, including requirements we express in the Operations Manual.

The liability of you and your owners, shareholders, members or partners will be both joint and several. A breach of this Agreement by you or by any shareholder, member or partner will be a breach by all of the shareholders, members or partners and also by you.

**9.4 Waiver**

A waiver of any breach of any provision, term, covenant, or condition of this Agreement will not be a waiver of any subsequent breach of the same or any other provision, term, covenant, or condition.

Any waiver of any provision of this Agreement must be set forth in writing and signed by the party granting the waiver. Any waiver we grant will not prejudice any other rights we may have~~,~~ and will be subject to our continuing review. We may revoke any waiver, in our sole discretion, at any time and for any reason, effective upon delivery to you ~~of~~within 10 days prior written notice of revocation. Customs or practices of the parties in variance with the terms of this Agreement will not constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Our delay, waiver, forbearance, or omission to exercise any power or rights arising out of any breach or default by you of any of the terms, provisions, or covenants of this Agreement, will not affect or impair our rights and will not constitute a waiver by us of any right or of the right to declare any subsequent breach or default. Our subsequent acceptance of any payment due to us will not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement.

By written notice, we unilaterally may waive any obligation of you, your owners, or the Guarantors. Our consent, whenever required, may be arbitrarily withheld if you are in breach of this Agreement.

**9.5 Time Is of the Essence**

Time and strict performance are of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this Agreement, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.)

**9.6 Documents**

You and your partners, shareholders, members, officers, and owners agree to execute and deliver any documents that may be necessary or appropriate during the term and upon expiration or termination of this Agreement to carry out the purposes and intent of this Agreement. Upon the expiration, termination or transfer of this Agreement, if you do not execute any document necessary in our judgment to comply with the requirements of this Agreement, then by this Agreement, you irrevocably nominate, constitute and appoint the person then serving as our President as your attorney-in-fact to so execute that document in your name and on your behalf.

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

If you are a partnership, all general partners will sign the documents. If you are a corporation or limited liability company or other entity, all shareholders or members and all officers will personally guarantee your faithful performance.

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

**9.7 Construction Entire Agreement.** This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Except as expressly and otherwise provided in this Agreement, this Agreement may not be modified, nor may any rights be waived or abridged, orally or by course of dealing, but only by a written instrument signed by the parties. The words "this Agreement" include any future modifications unless otherwise suggested by the context. No salesperson, representative, or other person has the authority to bind or obligate us in any way, except our president or a vice president at our home office by an instrument in writing.

No previous communications, negotiations, the course of dealing or usage in the trade not specifically set forth in this Agreement will be admissible to explain, modify, or contradict this Agreement. The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party will have the right to claim the benefit of any provision of this Agreement as a third-party beneficiary of that provision.

Nothing in this Agreement or any related agreement is intended to disclaim the representations we made to you in our franchise disclosure document.

**9.8 Format**. All words in this Agreement include any number or gender as the context or the sense of this Agreement requires. The words "will" and "must" used in this Agreement indicate a mandatory obligation. This Agreement has been prepared in the "you/we" format to simplify it and to facilitate our compliance with state and federal franchise disclosure laws. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement will specifically not be applicable to the interpretation of this Agreement.

~~9.9~~ **Captions and Headings**. All captions and headings are for reference purposes only and
**9.9** are not part of this Agreement. The recitals set forth in this Agreement are specifically incorporated into and constitute a part of the terms of this Agreement. If there is any typographical, word processing, printing or copying error in this Agreement, the error will be interpreted and corrected consistent with the following order of interpretation:

- **a)** The content and expressed intent and exhibits of our Franchise Disclosure Document(s) previously delivered to you.
- **b)** The content and expressed intent of franchise agreements we have executed with our other franchises reasonably contemporaneous to this Agreement.

~~9.10~~ **Severability**. If~~,~~ any part of this Agreement is declared invalid, that declaration will not
**9.10** affect the validity of the remaining portion which will remain in full force and effect as if this Agreement had been executed with the invalid portion omitted. The parties declare their intention that they would have executed the remaining portion of this Agreement without including any part, parts, or portions which may be declared invalid in the future. Provided, however, that if we determine that the finding of invalidity materially and adversely affects the basic consideration of this Agreement, we may, at our option, terminate this Agreement.

~~9.11~~ **Implied Covenants**. If applicable law implies a covenant of good faith and fair dealing in this

**9.11** ~~Agreement~~ The agreement, the parties agree that covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. If applicable law implies such a covenant, the parties acknowledge and agree that:

1. This Agreement (and the relationship of the parties which is inherent from this Agreement) grants us the discretion to make decisions, take actions or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests;
2. We will use our business judgment in exercising our discretion based on our assessment of our own interests and balancing those interests against the interests of the owners of other Craft Beer Cellar businesses generally (including us, our franchisees and parties related to us) and specifically without considering the individual interests of you or any other particular franchisee;
3. We will have no liability to you for the exercise of our discretion in this manner, so long as our discretion is not exercised in bad faith toward you; and
4. In the absence of bad faith, no trier of fact in any judicial or arbitration proceeding will substitute its judgment for the business judgment we exercise.

1. Joint and Several. If, at any time during the term of this Agreement, you consist of two or more persons or entities (whether acting in partnership or otherwise and whether or not all have signed this Agreement), the rights, privileges and benefits granted to you in this Agreement may only be exercised and enjoyed jointly; and your obligations, liabilities and responsibilities under this Agreement will be joint and several obligations of each such person and entity.

**9.12 Enforcement**

From time to time there may be controversy about this Agreement, its interpretation, or performance or breach by the parties.

1. Mediation. If a dispute arises between the parties, before taking any other legal action, the parties agree to participate in at least 8 hours of mediation in accordance with the Mediation Procedures of the American Arbitration Association ("AAA") or of any similar organization that specializes in the mediation of commercial franchise business disputes. The Parties agree to equally share the costs of mediation.

2. Arbitration. If the parties are unable to resolve a dispute by mediation as provided above, then any and all disputes, claims or matters involving you (or your officers, directors, shareholders, members, partners or other owners) and us are subject to binding arbitration except for disputes, claims or matters based on the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.) or collection of delinquent payments.

   Examples of disputes, claims or matters subject to this provision are those related to:

   **a)** this Agreement (including its execution, delivery, existence, interpretation, construction, legality, validity, binding effect, enforceability, discharge, performance, non-performance or breach by the parties and including a claim that this Agreement, or any portion of it, is indefinite, invalid, illegal, or otherwise void, voidable or unenforceable);

b) issues relating to the offer or sale of the franchise;
c) issues relating to the franchise relationship; and
d) other issues, including, without limitation, personal injury, products liability, negligence, intentional torts and other contracts between the parties.

Arbitration will be before an arbitrator selected by and mutually agreed upon by the parties under the process and rules of the American Arbitration Association ("AAA") or its successor. The arbitrator will have power and jurisdiction to decide the controversy or dispute solely according to the express provisions of this Agreement. The arbitrator may not alter, amend, delete, or add to the provisions of this Agreement by implication or otherwise. In any arbitration the parties will be entitled to injunctive relief or specific performance of the obligations of the other. The arbitrator will determine the prevailing party for purposes of this Section and may make a percentage award of reimbursable fees and expenses. The decision of the arbitrator made within its power or jurisdiction will be final and binding. -The decision may be entered as a judgment in any court of law having jurisdiction.

The provisions of this section will be construed as independent of any other covenant or provision of this Agreement; provided that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any provision of this Agreement relating to the laws under which this Agreement will be governed by and construed under, all issues relating to its appropriateness for arbitration or the enforcement of the agreement to arbitrate contained in this Agreement will be governed by the Federal Arbitration Act (9 U.S.C. §_1 et seq.) and the federal common law of arbitration. The provisions of this section will not limit our right to seek and obtain any provisional or final remedy, including, but without limitation, injunctive relief, an order for payment of any monies due and owing by you, an order for recovery or delivery up of possession, or for specific performance, or similar relief, from any court of competent jurisdiction, as may be necessary in our sole judgment to protect the Service Marks and the Method of Operation and our confidential information and property rights, to enforce the restrictive covenants of this Agreement, to enforce our contractual rights, and to protect against actual or threatened conduct that on balance would cause or be likely to cause loss or damage if allowed to continue pending completion of an arbitration proceeding.

This arbitration provision is self-executing, and in the event that any party fails without good cause (i) to appear at any properly noticed arbitration proceeding or (ii) to make payment in full of its share of the required arbitration fees and costs within 10 days after notice and demand, absent a previously issued court order to the contrary, then a final award may be entered against such party notwithstanding the failure to appear or to make the required payment.

3. Injunctive Relief and Specific Performance. –Either party may obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term or covenant of this Agreement. Nothing contained in this Agreement will bar us or you to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause you or us loss or damages under customary equity rules, including applicable rules for obtaining

restraining orders and preliminary injunctions.

4. Governing Law and Venue. ~~-~~You acknowledge that we have appointed and intend to appoint many franchisees on terms and conditions similar to those set forth in this Agreement. It mutually benefits those franchisees, you and us if the terms and conditions of these license agreements are uniformly interpreted. This Agreement is accepted by us in the State of Massachusetts. This Agreement and the relationship between the parties will be interpreted under the laws of the State of Massachusetts. Any dispute between you (or your officers, directors, shareholders, members, partners or other owners) and us, whether arising under this Agreement or from any other aspect of the parties' relationship, will be governed by and determined in accordance with the substantive laws of the State of Massachusetts, without regard to Massachusetts choice of law (venue) provisions. Provided, however, that any law of the State of Massachusetts that regulates the sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section. Massachusetts laws will prevail in the event of any conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. ~~-~~Sections 1051, et seq.) and except in those states whose franchise laws require exclusive application of those laws. This choice of laws will not include and does not extend the scope of application of any Massachusetts franchise or business opportunity laws except as they may otherwise apply pursuant to their terms and definitions. No franchise or business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law statute, law or regulation of Massachusetts or any other state is intended to be made applicable to this Agreement unless it would otherwise apply absent this paragraph. The foregoing will not be construed as a waiver of any of your rights under any applicable franchise registration, disclosure or relationship law of another territory, state or commonwealth. Any portion of this Agreement that requires enforcement in any other state~~,~~ and is enforceable under the laws of that state but not of Massachusetts, will be construed and enforced according to the laws of that state.

   The parties have negotiated regarding a forum in which to resolve any disputes arising between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you (or your officers, directors, shareholders, members, partners or other owners) and us, the parties agree that all issues or disagreements between them will be mediated, arbitrated, tried, heard, and decided in the county in which our headquarters is then located (currently Middlesex, MA), which you agree is the most convenient venue for these purposes. You acknowledge and agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of, all of the members of the Craft Beer Cellar franchise system.

5. Remedies. You recognize the unique value and secondary meaning attached to the Method of Operation, the Service Marks and our standards of operation and trade practices. You agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use of the Method of Operation or the Service Marks will cause irreparable

damage to us and our franchisees. You agree that if you engage in any unauthorized or improper use, during or after the period of this Agreement, we will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by laws.

No right or remedy conferred upon us is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy. We may employ legal counsel or incur other expense to collect or enforce your obligations or to defend against any claim, demand, action or proceeding because of your failure to perform your obligations. ~~-~~Legal action may be filed by or against us and that action or the settlement of it may establish your breach of this Agreement. If either event occurs, we may recover from you the amount of our reasonable attorney fees and all other expenses we incur in collecting or enforcing that obligation or in defending against that claim, demand, action or proceeding.

You agree that the existence of any claims you may have will not constitute a defense to the enforcement by us of any of the confidentiality requirements and covenants not to compete described in this Agreement. You acknowledge that any violation of the confidentiality requirements and covenants not to compete would result in irreparable injury to us for which no adequate remedy at law may be available and you accordingly consent to the issuance of an injunction prohibiting any conduct by you in violation of the terms of the covenants not to compete.

You agree that each of the confidentiality requirements and covenants not to compete described in this Agreement will be constructed as independent of any other covenant or provision. If all, parts or any portion of any covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. Each of the covenants described in this Agreement is a separate and independent covenant in each of the separate counties and states in the United States in which we transact business. To the extent that any covenant may be determined to be judicially unenforceable in any county or state, that covenant will not be affected with respect to any other county or state. You understand and acknowledge that we will have the right, in our sole discretion, to reduce the scope of any of covenants, confidentiality requirements or covenants not to compete set forth in this Agreement that ~~apply~~applies to you or to any other of our franchisees.~~-~~ We may do so without your consent, effective immediately upon your receipt of written notice. You agree that you will comply with any covenant that pertains to you as we so modify it.

You acknowledge we will suffer immediate and irreparable harm that will not be compensable by damages alone if you repudiate or breach any of the provisions of any part of this Agreement that relates to the confidentiality or protection of confidential information and trade secrets or your covenants to not compete against us or our franchise system or your threats or attempts to do so. For this reason, under those circumstances, we, in addition to and without limitation of any other rights, remedies or damages available to us at law or in equity, will be entitled to obtain temporary, preliminary and permanent injunctions in order to prevent or restrain the breach, and we will not be required to post a bond as a condition for the granting of this relief. You also agree that a violation of any of your confidentiality or non-competition covenants will entitle us, in addition to all other remedies available at law or equity, to recover from you any and all funds, including, without limitation, wages, salary, and profits, which will be held by you in constructive trust for us, received by you in connection with such violation. You specifically acknowledge the receipt of adequate consideration for the confidentiality and non-competition covenants contained in this Agreement and that we are entitled to require you to comply with these covenants. Those covenants will survive termination or expiration of this Agreement. You represent that if this Agreement expires or is terminated, whether voluntarily or involuntarily, you have experience and capabilities sufficient to enable you to find employment or otherwise earn a livelihood in areas which do not violate this Agreement and that our enforcement of a remedy by way of injunction will not prevent you from earning a livelihood.

Except with respect to the parties' obligation to indemnify each other as outlined in this Agreement, we and you and our respective principals waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, special and consequential damages against the other (including lost profits incurred as a result of any termination of this Agreement) and agree that, in the event of a dispute between you and us, the party making a claim shall be limited to equitable relief and to recovery of any direct or general damages it sustains.

6. Attorney's Fees. The prevailing party in any arbitration, insolvency proceeding, bankruptcy proceeding, suit, or action to enforce this Agreement will recover its arbitration, proceeding, and court costs and reasonable attorney fees [and previously incurred mediator fees]. These will be set by the arbitration, proceeding or court, including costs and attorney fees on appeal or review from the arbitration, proceeding, suit, or action. "Prevailing party" means the party who recovers the greater relief in the proceeding.

**9.13 Other Agreements**

If you or any of your shareholders, partners, or officers violate any material provision of any other franchise or similar agreement with us, that breach will be considered a breach of this Agreement and of the other agreements. We then may terminate or otherwise enforce this Agreement and the other agreements.

Whenever this Agreement requires that you enter into a release, such as for a transfer, renewal or purchase of an additional franchise, the release will be in substantially the following form:

You (and your owners, members, partners, officers, and directors) agree to the following general release, subject to and following laws applicable in your jurisdiction, to release us from any claims you may have against us:

In consideration of the mutual covenants and understandings set forth in this release agreement, you release and discharge us and our respective current and former owners, partners, directors, officers, employees and agents from all obligations, duties, covenants and responsibilities to be performed under the franchise agreement with us related to the franchise and the franchise premises ("your Prior Franchise Agreement").

You release and forever discharge us and our respective current and former owners, partners, directors, officers, members, employees and agents from any and all claims, demands, actions or causes of action of every name, nature, kind and description whatsoever, whether in tort, in contract or under statute, arising directly or indirectly out of the offer of, negotiation of, execution of, performance of, nonperformance, or breach of your Prior Franchise Agreement and any related agreements between you and us and out of any other action or relationship between you and us arising prior to the date of the release agreement.

You represent that this release has been read and that it is fully understood and voluntarily accepted. The purpose of this release is to make a full, final and complete settlement of all claims against us, known or unknown, arising directly or indirectly out of your Prior Franchise Agreement and the relationship between you and us prior to the date of the transfer [renewal] agreement including, but not limited to, economic loss.

It is expressly understood and agreed that this release is intended to cover and does cover not only all known losses and damages, but any further losses and damages not now known or anticipated but which may later develop or be discovered, which arise under your Prior Franchise Agreement prior to the date of the transfer [renewal] agreement, including all effects and consequences.

These releases are intended to waive, release and discharge all claims against us, other than these expressly reserved, with the express waiver of any statute, legal doctrine or other similar limitation upon the effect of general releases. In particular, the parties waive the benefit of any applicable statutory provision such as by illustration, California Civil Code Section 1542, which states:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

You waive the benefit of both statute and any other legal doctrine or principle of similar effect in any jurisdiction.

**9.14 Agreement Binding on Successors and Assign**

This Agreement benefits and binds the respective heirs, executors, administrators, successors, and assigns of the parties.

**9.15 Execution in Counterparts and Our Acceptance**

This Agreement will be binding upon you at the time you sign it and deliver it to us. This Agreement will not be binding upon us until we accept it in writing by one of our principal officers at our home office. If we do not accept it within 60 days, this Agreement will no longer be binding upon you. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, will constitute an original. Delivery of executed signature pages of this Agreement by facsimile transmission will constitute effective and binding execution and delivery of this Agreement.

**9.16 <u>Approval by Shareholders, Members or Partners</u>**

If you are a corporation, limited liability company, partnership or other entity, we will not be bound ~~until~~to your shareholders, members or partners read and approve this Agreement, agree to the restrictions on them (including restrictions on the transfer of their interest in the Franchise and the restrictions and limitations on their ability to compete with us), and jointly and severally guarantee your performance under this Agreement. We may request a copy of the Resolution approved by your partners, members, shareholders, owners or directors as confirmation of your fulfillment of this requirement and authorizing your execution of this Agreement.

Your ownership certificates will have conspicuously endorsed upon them a statement that they are subject to, and that further assignment or transfer of them is subject to, the restrictions imposed upon assignments by this Agreement.

If you are an entity with more than one owner, the partnership agreement, shareholders agreement, limited liability operating agreement or other similar agreement for the entity ("Owners Agreement”) must contain the following provisions which will supersede any contrary provisions in that agreement:

1. Your owners (“Owners") agree to submit any dispute they cannot resolve relating to the operation and management of the franchise business to arbitration by our president or his designee. If the arbitration submission is accepted by our president, it must be held at our headquarters or at another location the Owners, and the arbitrator ~~agree~~agrees. The decision of the arbitrator will be final and subject to enforcement by the courts of competent jurisdiction. If the submission to arbitration is not accepted by our president, the Owners must resolve their disputes in accordance with the other provisions of this Franchise Agreement.

2. The term "operations and management" includes, but is not limited to, questions relating to:

   **a)** Allocations of management responsibilities between the Owners;
   **b)** Contributions to capital for purposes of business operations, repairs and remodeling;
   **c)** The reasonable salaries of the Owners;
   **d)** Marketing efforts;
   **e)** The termination of the employment of an Owner;
   **f)** Procedures for making and implementing management decisions;
   **g)** Whether on Owner has performed duties with respect to the operation or management of the franchise business.

3. Unless the Owners and the arbitrator agree in writing otherwise, “operation and management” does not include questions relating to:

a) Allocations. ~~-~~computations or distributions of profit or loss:
b) Accounting issues;
c) Elections of officers of the entity;
d) Investments of cash not necessary for the operation of the business;
e) Determining whether an Owner is disabled or incompetent within the meaning of the Owners Agreement;
f) The fair market value of the Owners' interests in the entity;
g) Whether an event has occurred, which gives rise to a right to buy the interest of an Owner other than a right resulting from an Owner's default determined to exist under B, above;
h) Whether an Owner has met his obligations to purchase the interest of any current or former Owner;
i) Matters relating to the winding up of the entity after a dissolution;
j) Matters relating to the legal validity of the Owners Agreement.

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

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

6. ~~Inclusion~~The inclusion of these provisions in the Owner's Agreement will be a condition to our consent to the transfer of the franchise to an entity.

**9.17 Personal Guarantee**

The undersigned Guarantors are all of your partners, members, shareholders or owners. They jointly, severally, irrevocably, and unconditionally guarantee to us the due and punctual observance and performance by you of all of your obligations under this Agreement and any other agreement to which we and you are parties. Each Guarantor agrees to guarantee us against all liability, loss, harm, damage, costs, and expenses (including attorney fees) that we may incur because of your failure to observe your obligations. The liabilities and obligations of each Guarantor will not be released, discharged, or affected by our release or discharge of or dealing with you under any of these agreements; or by anything we do, suffer, or allow to be done in relation to you; or by change, alteration, or modification of any of the agreements; or by any compromise, arrangement, or plan of reorganization affecting you; or by your bankruptcy or insolvency; or by any other act or proceeding in relation to you or any of the agreements by which any Guarantor might otherwise be released. The liabilities and obligations of each Guarantor pursuant to this Guarantee will be continuing in nature and will terminate only on the satisfaction of your obligations under this Agreement. A fresh cause of action will arise in respect of each breach by you producing a liability of any Guarantor.

The Guarantors agree that it shall not be necessary for us or our assigns to institute suit or exhaust our legal remedies against you in order to enforce this guaranty. Guarantors agree that we may from time to time extend the time for performance or otherwise modify, alter, or change this Agreement, may extend the time for payment of all sums guaranteed, and may receive and accept notes, checks, and other instruments for the payment of money made by you and extensions or renewals without in any way releasing or discharging Guarantors from their obligations. This guaranty shall not be released, extinguished, modified, or in any way affected by our failure to enforce all the rights or remedies available to it under this Agreement. Our release of one or more Guarantor will not operate as a release of the other Guarantors.

**9.18 Representations and Acknowledgements**

1. Receipt of Disclosure Documents.

You acknowledge that you have received our Franchise Disclosure Document at the earlier of (1) the first personal meeting with us (in Maryland, New York, and Rhode Island); or (2) 14 calendar days before signing any franchise or related agreement or making any payment with the franchisor or an affiliate in connection with the franchise sale (10 business days in California, Maryland, Michigan, New York, Oregon, Rhode Island, Washington and Wisconsin). ~~–~~In addition, you acknowledge either:

**a)** receipt of this Agreement containing all substantive terms at the time of delivery of the Franchise Disclosure Document; or

**b)** if we unilaterally or materially altered the terms and conditions of our standard franchise agreement or any related agreements attached to the Franchise Disclosure Document, you acknowledge that you received a complete and final copy of this Agreement and its exhibits not less than 7 calendar days before you signed this Agreement.

2. You Have Read and Understand this Agreement

You acknowledge that you have had ample time to read and have read this Agreement and our Franchise Disclosure Document. You understand and accept the terms, conditions, and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service, and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation. You have received advice from advisors of your own ~~choosing~~choices regarding all pertinent aspects of this Franchise and the franchise relationship created by this Agreement. You also acknowledge that you believe you have made a good decision for yourself or your partners or your corporation based upon what you believe is your ability to run and control ~~a~~ business of your own.

3. Varying Forms of Agreement

You are aware that some present and future Craft Beer Cellar franchisees may operate under different forms of agreement and, consequently, that our obligations and rights in respect to our various present and future franchisees may differ materially in certain circumstances.

4. Speculative Success

The success of your franchise is speculative and depends, to a large extent, upon your ability as an independent businessperson. You recognize that the business venture contemplated by this Agreement involves business risks. We do not make any representation or warranty, express or implied, as to the potential success of the Franchise.

5. Independent Investigation, No Projections or Representations
You acknowledge that you have entered this Agreement after conducting an independent investigation of us and of the Franchise. You have not relied upon any representation as to gross revenues, volume, cost savings, potential earnings or profits which you, in particular, might realize. Except as outlined in Item 19 of our Franchise Disclosure Document, we expressly disclaim the making of, and you acknowledge that you have not received, any representation, warranty, or guarantee, express or implied, concerning the potential revenues, cost savings, volume, profits, or success of the business venture contemplated by this Agreement. You acknowledge that neither we~~,~~ nor any of our officers, directors, shareholders, employees, agents or servants, made any other representation about the business contemplated by this Agreement or that are not expressly set forth in this Agreement or our Franchise Disclosure Document to induce you to accept this Franchise and execute this Agreement. Any oral representations made by our representatives to you, whether or not set forth in earlier versions of our standard form franchise agreement, have either been ratified by us by including the representations in this document or have been disavowed by excluding them from this Agreement.

6. No Review of Business Plans, Loan Applications
Prior to your execution of this Agreement, we have not given you any advice or review of any of your business plans or third party loan applications related to your purchase of and proposed operation of the franchise. We do not receive or review business plans and loan applications before a franchisee signs the relevant franchise agreement. We have strongly recommended that you retain and work with your own independent accountant and financial advisors to fully review all financial aspects of your potential franchise investment for you. You acknowledge that we will not provide financial assistance to you and that we have made no representation that we will buy back from you any products, supplies, or equipment you purchase in connection with your franchise.

7. Your Location and Market Area
You acknowledge that we will not provide or designate locations for you. You have investigated the potential of the market area in which you are to establish and operate your franchise business and the laws and applicable regulations (or will do so if you have not yet found a Franchise Premises). You agree and represent that that market area is reasonable, the Franchise Premises will be suitable for the operation of a Craft Beer Cellar franchise, and the Initial Franchise Fee represents fair consideration for the opportunity to establish and operate a Craft Beer Cellar franchise.

8. Health and Full-Time Participation
You acknowledge that a Craft Beer Cellar business involves hard work and sometimes long hours, similar to most small businesses that are owner operated. We have not represented that this business is going to be easy for you, your partners, officers or directors. You represent that you or your majority owner are in good health and able to devote your best efforts in the operations of your franchise or that you have the business management skills necessary to

successfully hire employees to run the day to day operations of your franchise.

9. Terrorism, Convictions, Immigration Status

You represent to us, unconditionally without reservation, that:

~~A.~~a) Neither you, nor your spouse, nor your children, nor your parents, nor any employee ~~nor~~or a prospective employee of the franchise business, nor anyone who has an interest in or who will manage the franchise, nor any of your partners or affiliates:

- **i.** supports terrorism,
- ~~**ii.**~~ provides money or financial services to terrorists, including but not limited to those ~~individual and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.~~
- ~~iii.~~ii. ~~receives money or financial services from terrorists or institutions that support terrorists, including but not limited to those individual~~individuals and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.
- **iii.** receives money or financial services from terrorists or institutions that support terrorists, including but not limited to those individuals and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.
- **iv.** is engaged in terrorism, or any activity, organization, or plan with or of any person or organization, including but not limited to those ~~individual~~individuals and organizations on the current U.S. government list of persons and organizations that support terrorism as provided by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.
- **v.** is on the current U.S. government lists of persons and organizations that support terrorism as provided for by law, such as the list of "Specially Designated Nationals" and "Blocked Persons" under the "USA Patriot Act" 18 USC Section 1900 et seq.

~~B.~~A. Neither you nor your spouse, nor your children, nor your parents, nor anyone who has an interest in or who will manage the franchise, nor any employee or prospective employee of the franchise business, nor any of your partners or affiliates of these persons has engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes, and each is eligible under applicable U.S. immigration laws to communicate with, lawfully reside in, and travel to the United States to fulfill your obligations under your agreements with us.

~~C.~~B. You, your spouse, your children, your parents, and anyone who has an interest in or who will manage the franchise, and all employees or prospective employees of the franchise business, and all of your partners or affiliates are in the United States lawfully, have legal residence in the United States, and are lawfully permitted to work in the United States.

~~D.~~C. We May Investigate We may conduct an investigation and make inquiries of any person or person we, in our reasonable judgment, believe appropriate concerning the credit standing, character, and professional and personal qualifications of you and your owners, shareholders, members, and partners. You authorize us to conduct ~~these~~this investigation and to make these inquiries. We agree to comply with the requirements of laws that apply to these investigations and ~~inquires~~inquiries.

~~E.~~D. Supplier Approval You acknowledge that while you may propose alternate suppliers for products and services, the proposed suppliers may not qualify. You further acknowledge that our approved suppliers may be the only source of supply for products and services required in the Franchise.

~~F.~~E. Operations Manual, You acknowledge that the Operations Manual is loaned to you by us and at all times the Operations Manual and any updated or amended pages remain our property and that the copyright in the Operations Manual and all associated materials is vested in us. You agree to return to us the Operations Manual and any updated or amended pages immediately upon written demand.

~~G.~~F. NO REPRESENTATIONS, PROJECTIONS, OR WARRANTIES. WE HAVE NOT MADE ANY REPRESENTATIONS, PROMISES, GUARANTEES, PROJECTIONS, OR WARRANTIES OF ANY KIND TO YOU, YOUR OWNERS, OR THE GUARANTORS TO INDUCE THE EXECUTION OF THIS AGREEMENT OR CONCERNING THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN WRITING IN THIS AGREEMENT AND IN OUR FRANCHISE DISCLOSURE DOCUMENT THAT WE DELIVERED TO YOU. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OTHER PARTY HAS GUARANTEED YOUR SUCCESS IN THE BUSINESS CONTEMPLATED BY THIS AGREEMENT.

**10. SIGNATURES**

IN WITNESS, the parties have executed this Agreement on the day and year first above written.

| | |
|---|---|
| FRANCHISOR (WE/US):<br>Craft Beer Stellar, LLC | FRANCHISEE: (YOU) |
| By:_______________________________ | By:_______________________________ |

| | |
|---|---|
| Its:________________________________ | An Individual |
| By:________________________________ | By:________________________________ |
| Its:________________________________ | An Individual |

**EXHIBIT 1**
**to**
**FRANCHISE AGREEMENT**
**FRANCHISE PREMISES AND FRANCHISE TERRITORY**

The Franchise Premises is located at~~:~~ TBD

A single location to be determined in ________________________________________.

The Franchise Territory is defined as~~:~~ a **two (2) mile radius** around the location to be determined.

EXHIBIT 2
GUARANTY AND INDEMNIFICATION AGREEMENT

The Undersigned, for and in consideration of, and as an inducement to, the grant by Craft Beer Stellar, LLC ("Franchisor") of franchise rights to _________ ("Franchisee") for the development, establishment, and operation of a Franchised Business as described in that certain Franchise Agreement dated ______________, between the Franchisor and the Franchisee ("Franchise Agreement") establishing said rights, and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, hereby jointly and severally guaranty timely and full payment of any and all indebtedness and full performance of any and all obligations for which the Franchisee is now or may hereafter become responsible. This Guaranty shall include, without limitation, any sum owed by the Franchisee under the agreement which the Franchisee is not able to pay or remit to the Franchisor due to currency restrictions imposed by any government authority having jurisdiction in any country in which the Franchisee is operating under the Franchise Agreement; provided, however, that the Franchisee shall be entitled to a credit under the Franchise Agreement for any such amount paid by the Undersigned on its behalf.

The Undersigned hereby agree to defend, indemnify, and hold the Franchisor and its affiliates harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by the Franchisee to make any payment required of the Franchisee under the Franchise Agreement or to perform any obligation of the Franchisee under the Franchise Agreement, including any amendments, or any other agreement executed by the Franchisee referred to in the Franchise Agreement.

The Undersigned hereby agree to be bound jointly and severally with the Franchisee for any such indebtedness and obligations to the Franchisor arising under the Franchise Agreement~~;~~, and the Undersigned hereby waives (a) acceptance and notice of the acceptance of this guaranty ("Guaranty"); (b) notice of any and all indebtedness and obligations of the Franchisee to the Franchisor, now existing or which may hereafter exist; (c) notice of default of payment, demand and diligence, and all other notices of any kind whatsoever; (d) any right to require the Franchisor to (1) proceed against the Franchisee for any payment required under the Franchise Agreement; (2) proceed against or exhaust any security from the Franchisee; or (3) pursue or exhaust any remedy, including any legal or equitable relief, against the Franchisee; and (e) all legal and equitable defenses to which it may be entitled under the Franchise Agreement or under this Guaranty. The Undersigned further waives notice of amendment of the Franchise Agreement and agrees to be bound by any and all such amendments and changes to the Franchise Agreement.

The Undersigned acknowledge that, during the effective period of this Guaranty, the Franchisor may look first to the Undersigned for any nonpayment or unperformed obligations, without being required to first seek recourse or exhaust all remedies against the Franchisee. Without affecting the obligations of the Undersigned under this Guaranty, the Franchisor may, without notice to the Undersigned, extend, modify, or release any indebtedness or obligation of the Franchisee, or settle, adjust, or compromise any claims against the Franchisee.

The Undersigned also agree that the written ~~acknowledgement~~acknowledgment of the Franchisee or the judgment of any arbitration panel or court establishing the amount due from the Franchisee shall be conclusive and binding on the Undersigned, and their successors and assigns, and that any extension of time for payment shall not affect the Undersigned's liability thereunder.

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

The Undersigned ~~agree~~agrees to pay to the Franchisor its reasonable attorney's fees and all costs incurred by the Franchisor in attempting to collect, or in collecting, any sums owed by the Franchisee, as described in the Franchise Agreement (unless attorney's fees and costs are included in the indebtedness of the Franchisee for which the Undersigned is liable thereunder), or owed by the Undersigned as a result of, or in connection with, this Guaranty.

The Undersigned hereby subordinate their claims to repayment of loans made by the Undersigned to the Franchisee, or any claims associated therewith, to the rights or claims of the Franchisor, whether now existing or hereafter arising while this Guaranty is in effect.

This Guaranty is for the benefit of the Franchisor, which may, without any notice whatsoever to anyone, sell, assign, or transfer any part of the indebtedness guaranteed herein, and in that event, each and every successive assignee, transferee, or holder of all or any part of the indebtedness shall have the right to enforce this Guaranty, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as if such assignee, transferee or holder were herein by name was given such rights, powers, and benefits; but the Franchisor shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this Guaranty for its benefit as to so much of said indebtedness that it has not sold, assigned or transferred.

The Undersigned understand that this Guaranty is independent of any and all other ~~guaranties~~guarantees that may be made by any other parties with respect to the indebtedness or obligations covered hereby. Notices under this Guaranty shall be furnished to the Undersigned at the addresses given below in accordance with the Franchise Agreement. This Guaranty shall be interpreted and construed in accordance with the applicable law and dispute resolution provisions of the Franchise Agreement. This Guaranty is the entire agreement affecting the Undersigned's liability for the obligations described herein. Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Franchise Agreement.

EXECUTED in multiple originals this day of ____________________, 201_.

GUARANTORS:

______________________________

Address:

______________________________

Address:

EXHIBIT B
ACKNOWLEDGMENT ADDENDUM TO THE FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a Franchised Business. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) fourteen (14) calendar days prior to signing the Franchise Agreement, or (b) if you are a resident of Iowa, Maryland, New York, Oklahoma or Rhode Island, at the earlier or the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or payment of any consideration, or (c) if you are a resident of Michigan, Oregon, Washington or Wisconsin, at the earlier of ten (10) business days before the execution of any binding agreement or payment of any consideration?

Check one: ☐ Yes ☐ No

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement?

Check one: ☐ Yes ☐ No

3. ~~Is~~Are the name, address and phone number of each of our employees or representatives who ~~was~~were involved in offering you this franchise listed on the Disclosure Document receipt you signed (or on any updated receipt we provided to you)?

Check one: ☐ Yes ☐ No

4. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise, meaning that any prior oral or written statements not included in the Franchise Agreement or our Disclosure Document will not be binding?

Check one: ☐ Yes ☐ No

5. Do you understand that the success or failure of your business will depend in large part on your skills and experience, your business acumen, your location, the local market for

products, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors?

Check one: ☐ Yes ☐ No

6. Do you understand that the franchise granted is for the right to operate a Franchised Business at the authorized location only and includes no exclusive area, and that we and our affiliates have the right to operate competing businesses for or at locations, as we determine, near your authorized location?

Check one: ☐ Yes ☐ No

7. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Section 14 and that an injunction is an appropriate remedy to protect the interests of the Franchise System if you violate the covenant(s)? Further, do you understand that the term “you” for purposes of the non-compete covenants is defined broadly such that any actions in violation of the covenants by those holding any interest in the Franchisee entity may result in an injunction, default and termination of the Franchise Agreement?

Check one: ☐ Yes ☐ No

If you answered “No” to questions 1-7, please explain (attach additional sheets if necessary):

______________________________________________________________________________

8. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Disclosure Document?

Check one: ☐ Yes ☐ No

9. Was any oral, written or visual claim or representation made to you which stated, suggested, predicated or projected your sales, income or profit levels?

Check one: ☐ Yes ☐ No

10. Did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to or different from the information in the Disclosure Document?

Check one: ▯ Yes ▯ No

If you answered "Yes" to questions 8-10, please explain in detail the claim, representation or statement (attached additional sheets if necessary):
______________________________________________________________________________

*YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.*

*NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.*

Signed: ___________________________ Signed: ____________________________

Print Name: _______________________ Print Name: ________________________

Date: _____________________________ Date: _____________________________

**APPROVED ON BEHALF OF CRAFT BEER STELLAR, LLC**

Signed: ___________________________

Print Name: _______________________

Title: _____________________________

Date: _____________________________

**Such representations are not intended to, nor shall they act as a release, estoppels or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.*

EXHIBIT C
FRANCHISE PREMISE LEASE AGREEMENT RIDER

THIS RIDER has been entered this day of , 20 . -It is by and between , ("Landlord") and , (jointly and severally "Tenant").

RECITALS

On or about , 20 , Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a #Craft Beer Cellar® franchise at the following location: (the "Franchise Premises").

On or about , 20 , Tenant and Craft Beer Stellar, LLC (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a #Craft Beer Cellar® franchise at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

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

Landlord Reports and Disclosures to Franchisor. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.

Assignment to Franchisor. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title and interest, may be assigned by Tenant to Franchisor, without cost or penalty. –Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.

Tenant's Default; Notice to Franchisor. Landlord will give written notice to franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant under the Lease Agreement. -Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within 15 business days after the expiration of the period in which Tenant had to cure the default. -Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

Craft Beer Stellar, LLC
Cellar Floor, 51 Leonard Street
Belmont, MA 02478

Franchise Premises De-identification. Upon termination, expiration, or non-renewal of the Franchise Agreement, Tenant must de-identify the Franchise Premises. -If Tenant fails to do so, Landlord gives Franchisor the express right to de-identify.- De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor; and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks.

Signatures.

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

"**Landlord**":

By: ___________________________________

Name: ________________________________

Title: _________________________________

Date: __________________________________

"**Tenant**":

By: ___________________________________

Name: ________________________________

Title: _________________________________

Date: ______________________________

EXHIBIT D

AREA DEVELOPMENT ADDENDUM FOR MULTIPLE FRANCHISE LOCATIONS

The following additional provisions are agreed to by the parties with respect to the attached Franchise Agreement dated________, 20______, between Craft Beer Stellar, LLC as "we," and , as "you," of which this Addendum is apart (the "Franchise Agreement.") In the event of conflict, the provisions of this Addendum supersede the corresponding provisions of the Franchise Agreement.

We expressly disclaim the making of and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Area Development Addendum and our standard franchise disclosure document and franchise agreement; except however, nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. ~~-~~You acknowledge that you have read the Franchise Agreement and this Addendum and our franchise disclosure document. ~~–~~You have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our franchise disclosure document and the Franchise Agreement.

1. INITIAL FRANCHISE FEE. ~~–~~The Initial Franchise Fee established in Section 3 of the Franchise Agreement is twenty-five thousand dollars ($25,000) for the first franchise and ~~twelve~~eighteen thousand ~~five~~seven hundred and fifty dollars ($~~12,500~~18,750) for each additional franchise.

2. DESIGNATED TERRITORY. We grant to You, subject to the terms and conditions of the Franchise Agreement and this Addendum, the right to establish and operate your franchises within the following territory (the "Designated Territory): ________________.

   Except as otherwise provided in the Franchise Agreement or this Addendum, and so long as You remain in full compliance with all agreements between You and Us, We will not establish nor license anyone other than You to establish any Craft Beer Cellar® business within the Designated Territory from the date of this Addendum until expiration or termination of the development schedule set forth below. ~~-~~You have no right under this Addendum to sub-license others.

3. DEVELOPMENT SCHEDULE. Section 6(C) of the Franchise Agreement is modified to add the following language:

   "The schedule within which You must open each of Your Franchised Businesses, from the date of this Addendum, is as follows:

| | |
|---|---|
| 1st Franchise | 12 months |

| | |
|---|---|
| 2nd Franchise | 24 months |
| 3rd Franchise | 36 months |
| 4th Franchise | 48 months |
| 5th Franchise | 60 months |

The Franchise purchased pursuant to this Agreement is the first Franchise and must open no later than the Opening Date for the 1st Franchise, as defined above. -We may approve extension to opening of location(s) if discussed thirty (30) days prior to deadline, and issues and resolutions are agreed upon by You and Us. If no acceptable site is found and approved by the parties for the additional Franchise and the Franchise opened for business by the Opening Date, this Agreement will terminate without notice by either party to the other on the expiration date, and no portion of any payment You paid to Us will be refundable or returned to You. –Upon termination pursuant to this Section, we will be fully and forever released from any claims or causes of action You may have under or pursuant to this Agreement and any right, title or interest in this Agreement, the Service Marks or the Method of Operation will automatically revert to Us."

4. DEFAULT AND TERMINATION. –The parties have executed a number of Franchise Agreements contemporaneously with the Franchise Agreement as part of a multiple franchise purchase. -Any material violation or breach of any such agreement, or of any other franchise agreement between the parties or of any other agreement between the parties related to the Craft Beer Cellar® franchise system will be deemed a material violation of the Franchise Agreement and this Addendum, of all such other franchise agreements, and of all such other agreements. The non-breaching party then will be entitled to enforce the penalties of or to terminate the Franchise Agreement and this Addendum and any or all of such other franchise agreements and such other agreements as provided in the Franchise Agreement for enforcement or termination.

   If the franchise represented by this Addendum is not opened within the time period set forth in Section 6 of your respective Franchise Agreement, we will have the right to terminate the Franchise Agreement and this Addendum. -Upon termination of this Addendum, all remaining franchise agreements for franchises that have not yet been opened for business pursuant to the Development Schedule above, if any, may thereafter be opened at any available location where We have the right to offer and place franchises in accordance with state and federal franchise and business opportunity disclosure and registration laws and pursuant to Our contractual commitments (including those with Our other franchisees) and in compliance with Our franchise placement, market development, and demographic criteria. We may then establish or license others to establish Franchised Businesses in the Designated Territory subject only to the franchise territories established in each of Your franchise agreements for Your opened and operating franchises.

5. TRAINING. -We will have no obligation to provide any training to You beyond that related to Your first franchise agreement.

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

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date

**FRANCHISOR ("WE," "US")**
**Craft Beer Stellar, LLC**

By: ______________________________
[Signature]

Name: __________________________
[Print Name]

Title: ___________________________

Date: ___________________________

**FRANCHISEE ("YOU," "YOUR")**
[*Name of Franchisee]*

By: ______________________________
[Signature]

Name: __________________________
[Print Name]

Title: ___________________________

Date: ___________________________

EXHIBIT E
RELEASE OF CLAIMS

The undersigned Franchisee and Principals, for themselves and for their agents, employees, legal representatives, heirs and assigns, and the successors, heirs and assigns of each of them, hereby release Craft Beer Stellar, LLC, a(n) Indiana Limited liability company ("Franchisor") and its shareholders, directors, officers, employees, agents, legal representatives, insurers, successors and assigns (the "Released Parties"), from any and all debts, claims, demands, damages, losses, liabilities, rights, actions, causes of action, expenses, contracts, obligations, promises, judgments, awards and suits of any kind whatsoever ("Claims") that the undersigned may now have against any of the Released Parties arising from any right, duty, or obligation granted or imposed by the Franchise Agreement or by the sale of the franchise granted thereunder, including, by way of illustration and not limitation, any misrepresentations in or omissions from the franchise disclosure document received by Franchisee, any act or omission that may constitute a violation of the Federal Trade Commission rule relating to Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, 16 CFR 436, or any amendment or successor thereto, and claims or causes of action arising under any state statute.

The undersigned expressly acknowledge and agree that the Claims are intended to and do include any and all claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected, foreseen or unforeseen, accrued or contingent, intentional or unintentional, and liquidated or unliquidated, that they may have against any of the Released Parties up to and including the date hereof. -The undersigned further acknowledge and agree that they may hereafter discover facts different from or in addition to those which they now know or believe to be true with respect to the Claims, and they agree that, in such event, this Release shall nevertheless be and remain in full force and effect and be binding in all respects, regardless of such different or additional facts or the discovery thereof.

The undersigned acknowledge and represent that they have consulted independent legal counsel, or knowingly waive the opportunity to be represented by independent legal counsel, in connection with their review and execution of this Release, that they have read and understand the terms of this Release, and that they sign the same willingly and without undue influence or coercion.

Notwithstanding the above, nothing contained herein shall act as a release, estoppel or waiver of any claim or liability arising under the California Franchise Relations Act, Illinois Franchise Disclosure Act, Indiana Franchise Disclosure Law, Indiana Deceptive Franchise Practices Law, Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota Franchise Investment Law, New York State Franchise Sales Act, Rhode Island Franchise Investment Protection Act, South Dakota Franchise Act, Virginia Retail Franchising Act, Washington Franchise Investment Protection Act, Wisconsin Franchise Investment Law, or Wisconsin Fair Dealership Law.

The Releasing Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by them, and it is their intention to forever settle, adjust and compromise any and all present and future disputes with respect to all matters from the beginning of time to the date of this document, finally and forever, and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Releasing Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action that exist, or might have existed, on the date of this release. The Releasing Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this release as the Releasing Parties, in their independent judgment, believe necessary or appropriate. The Releasing Parties have not relied on any statement, promise or representation, whether of fact or law, or lack of disclosure of any fact or law, by the Franchisor-Related Persons or anyone else, not expressly set forth herein, in executing this document and the related releases.

The Releasing Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Releasing Parties may have against any or all of the Franchisor-Related Persons, all Claims having been fully and finally extinguished, and the Releasing Parties shall forever indemnify and hold the Franchisor-Related Persons harmless from any liability, claims, demands, damages, losses, costs, expenses or legal fees incurred by any of the Franchisor-Related Persons as a result of any Person asserting any interest in any of the Claims or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer, or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons as a condition precedent to recovery against the Releasing Parties under this indemnity.

The releases granted hereunder will be deemed effective as to each of the Releasing Parties as of the date this document is signed by each of the Releasing Parties. The liabilities and obligations of each of the Releasing Parties (and any other Person providing releases to the Franchisor-Related Persons) will be joint and several.

IN WITNESS WHEREOF, the undersigned have executed this Release as of the date(s) below.

FRANCHISEE:

Date: ____________________ By:____________________________________

Its:____________________________________

Date: ____________________ ____________________________________

______________________________, individually

Date: ____________________ ____________________________________

______________________________, individually

Date: ____________________ ____________________________________

______________________________, individually

Date: ____________________ ____________________________________

______________________________, ~~individuallY~~

individually

**EXHIBIT B**

**FINANCIAL STATEMENTS**

~~**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**~~

# CRAFT BEER STELLAR LLC

## PROFIT AND LOSS

January - March, 2017

| | | TOTAL |
|---|---|---|
| INCOME | | |
| Admin Fees | | 300.00 |
| Franchise Fee | | 23,486.65 |
| Late Fee | | 550.00 |
| Misc. Income | | 0.00 |
| Release Fee | | 2,500.00 |
| Royalty Fees % | | 69,492.08 |
| Transfer Fee | | 5,000.00 |
| **Total Income** | **$101,328.73** | |
| COST OF GOODS SOLD | | |
| Cost of Goods Sold | | |
| Royalties %- Ongoing | | 1,699.49 |
| **Total Cost of Goods Sold** | | **1,699.49** |
| **Total Cost of Goods Sold** | | **$1,699.49** |
| GROSS PROFIT | **$99,629.24** | |
| EXPENSES | | |
| A/R Hot Springs | | -400.00 |
| Advertising and Promotion | | 2,944.07 |
| Alarm System | | 98.55 |
| Automobile Expense | | 284.69 |
| Bank Fee | | 40.00 |
| Casual Labor | | 165.00 |
| Computer and Internet Expenses - Belmont | | 1,245.17 |
| Computer Tech - Franchisees | | -7,215.63 |
| Continuing Education | | 69.00 |
| Equipment Purchase | | -1,652.17 |
| Franchise Fee % | | 1,578.30 |
| Insurance Expense | | |
| Health Insurance | | 1,625.40 |
| Liability | | 769.18 |
| Life Insurance | | 1,575.65 |
| Workers Comp | | 262.84 |
| **Total Insurance Expense** | **4,233.07** | |
| Interest Expense | | 323.05 |
| Janitorial Services | | 390.50 |
| Licenses and Registration Fees | | 250.00 |
| Office Supplies | | 681.73 |
| Payroll Expenses | | |

| | | |
|---|---|---|
| ~~AR Unemployment~~ | | ~~417.31~~ |
| ~~FUTA~~ | | ~~132.42~~ |
| ~~MA State Unemployment~~ | | ~~420.67~~ |
| ~~Medicare~~ | | ~~486.15~~ |
| ~~Social Security~~ | | ~~2,078.82~~ |
| ~~Wages~~ | ~~21,633.09~~ | |
| **~~Total Payroll Expenses~~** | **~~25,168.46~~** | |
| ~~Payroll Processing Fees~~ | | ~~734.12~~ |
| ~~petty cash~~ | | ~~50.00~~ |
| ~~Postage and Delivery~~ | | ~~59.96~~ |
| ~~Professional Fees~~ | ~~32,702.78~~ | |
| ~~Accounting~~ | | ~~1,493.75~~ |
| ~~Legal Fees~~ | | ~~4,265.53~~ |
| **~~Total Professional Fees~~** | **~~38,462.06~~** | |
| ~~Professional Web Fees~~ | ~~19,200.00~~ | |
| ~~Rent Expense~~ | | ~~1,000.00~~ |
| ~~Research & Development~~ | | ~~9.23~~ |
| ~~Travel Expense~~ | | ~~1,624.81~~ |
| ~~Uniforms~~ | | ~~8.00~~ |
| ~~Utilities~~ | | ~~818.94~~ |
| **~~Total Expenses~~** | **~~$90,170.91~~** | |
| ~~NET OPERATING INCOME~~ | **~~$9,458.33~~** | |
| ~~NET INCOME~~ | **~~$9,458.33~~** | |

# CRAFT BEER STELLAR LLC

## BALANCE SHEET

As of September 30, 2017

| | TOTAL |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Bank Accounts | |
| Citizens - Stellar Op | 557.72 |
| CLOSED - Business Account-0783- (DC) | 0.00 |
| CLOSED - Stellar LOC - 5336 - Transfer Acct | 0.00 |
| Leader Bank - 8953 - Stellar Op | -1,132.15 |
| Leader LOC - 4335 | -50,042.21 |
| **Total Bank Accounts** | **$ -50,616.64** |
| Accounts Receivable | |
| A/R CBC | -904.39 |
| Accounts Receivable | 2,425.01 |
| **Total Accounts Receivable** | **$1,520.62** |
| Other Current Assets | |
| Building Deposit | 500.00 |
| Employee Advances | 317.54 |
| Inter-Company - CBC | 77,210.69 |
| Inventory Asset | 60,977.20 |
| Prepaid Franchise Development | 0.00 |
| Receivable - Hot Springs | 17,142.46 |
| Receivable Amesbury | 3,500.00 |
| Undeposited Funds | 0.00 |
| Utility Deposit | 226.75 |
| **Total Other Current Assets** | **$159,874.64** |
| **Total Current Assets** | **$110,778.62** |
| Fixed Assets | |
| Accumulated Depreciation | -3,221.39 |
| Furniture and Equipment | 3,221.39 |
| **Total Fixed Assets** | **$0.00** |
| **TOTAL ASSETS** | **$110,778.62** |
| **LIABILITIES AND EQUITY** | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| A/P | 198,315.07 |
| Accounts Payable | 0.00 |
| **Total Accounts Payable** | **$198,315.07** |
| Credit Cards | |
| Capital One | 9,962.96 |
| **Total Credit Cards** | **$9,962.96** |
| Other Current Liabilities | |
| Direct Deposit Liabilities | 0.00 |

# CRAFT BEER STELLAR LLC

## STATEMENT OF CASH FLOWS

January - September, 2017

| | TOTAL |
|---|---|
| OPERATING ACTIVITIES | |
| Net Income | -193,834.10 |
| Adjustments to reconcile Net Income to Net Cash provided by operations: | |
| A/R CBC | 92,532.98 |
| Accounts Receivable | -2,425.01 |
| Inter-Company - CBC | -58,070.60 |
| Inventory Asset | -60,977.20 |
| Receivable - Hot Springs | 900.00 |
| A/P | 195,252.88 |
| Capital One | 2,523.88 |
| Due to Owners | 70.84 |
| Payroll Liabilities:Federal Taxes (941/944) | 0.00 |
| Payroll Liabilities:MA Income Tax | 0.00 |
| **Total Adjustments to reconcile Net Income to Net Cash provided by operations:** | **169,807.77** |
| **Net cash provided by operating activities** | **$ -24,026.33** |
| FINANCING ACTIVITIES | |
| ~~Richard Humphreys - loan~~ | ~~-8,815.28~~ |
| Member Dist.-K.Baker | -18,500.00 |
| Member Dist.-S.Schalow | -18,500.00 |
| Opening Balance Equity | 20,427.61 |
| **Net cash provided by financing activities** | **$ -25,387.67** |
| NET CASH INCREASE FOR PERIOD | **$ -49,414.00** |
| CASH AT BEGINNING OF PERIOD | -1,202.64 |
| CASH AT END OF PERIOD | **$ -50,616.64** |

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

# ~~CRAFT BEER STELLAR, LLC.~~

~~DECEMBER 31, 2016~~

~~FINANCIAL STATEMENTS~~

~~279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068~~

# Craft Beer Stellar, LLC

Table of Contents

Page

A. ANDREW GIANGODIS
CERTIFIED PUBLIC ACCOUNTANT

March 23, 2017

**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of
Craft Beer Stellar, LLC:

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2016 and the related statements of operations, changes in owner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, I express no such opinion.



279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

## Craft Beer Stellar, LLC

### Balance Sheet
### December 31, 2016

### Assets

| | |
|---|---|
| Current assets | |
| Cash | $ 190 |
| Accounts receivable | 21,542 |
| Prepaid assets | 318 |
| Total Current Assets | 22,050 |
| Fixed assets | |
| Equipment | 3,221 |
| Accumulated depreciation | (3,221) |
| Total fixed assets | - |
| Other assets | |
| Intercompany advances | 109,876 |
| Deposits | 727 |
| | 110,603 |
| Total Assets | $ 132,653 |

### Liabilities & Equity

| | |
|---|---|
| Current liabilities | |
| Accounts payable | $ 10,976 |
| Due to owners | 44,876 |
| Franchise deposits | 110,000 |
| Total liabilities | 165,852 |
| Equity | |
| Members' equity | (33,199) |
| Total equity | (33,199) |
| Total liabilities and equity | $ 132,653 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Operations
Year Ended December 31,2016

| | |
|---|---|
| **Revenues** | |
| Franchise fee | $ 166,500 |
| Royalty revenue | 237,848 |
| Management fees | 1,190 |
| Total revenue | 405,538 |
| **Cost of Sales** | |
| Consulting | 124,981 |
| Royalties | 14,508 |
| | 139,489 |
| **Gross Margin** | 266,049 |
| **Expenses** | |
| Advertising | 29,134 |
| Auto expenses | 4,760 |
| Business permits | 3,341 |
| Commissions | 34,835 |
| Computer and internet | 17,214 |
| Education | 2,427 |
| Insurance | 13,109 |
| Miscellaneous | 5,656 |
| Office expenses | 3,915 |
| Payroll, taxes and benefits | 32,810 |
| Printing | 330 |
| Professional fees | 89,930 |
| Rent and occupancy expenses | 3,595 |
| Travel & Meals | 2,775 |
| Total expenses | 243,831 |
| Operating Income | 22,218 |
| Depreciation | 3,221 |
| Interest expense | 785 |
| Net Income | $ 18,212 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Changes in Owners' Equity
Year Ended December 31,2016

| | | Retained Earnings |
|---|---|---|
| Owners' Equity at January 1, 2016 | $ | 120,712 |
| Equity Infusion | | - |
| Member Draws | | (172,123) |
| Net Income | | 18,212 |
| Owners' equity at December 31, 2016 | $ | (33,199) |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Cash Flows
## Year Ended December 31,2016

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Net Income | $ 18,212 |
| Adjustments to reconcile net loss to net cash provided by operating | |
| Depreciation & amortization | 3,221 |
| Changes in assets and liabilities | |
| Current assets | 40,288 |
| Current liabilities | 32,157 |
| Net cash provided by operating activities | 93,878 |
| **Cash flows from investing activities:** | |
| Fixed asset purchases | (2,557) |
| Intercompany advances | 77,651 |
| Net cash provided by investing activities | 75,094 |
| **Cash flows from financing activities:** | |
| Members' draws | (172,123) |
| Deposits | (727) |
| Net cash provided by investing activities | (172,850) |
| Net increase in cash | (3,878) |
| Cash - beginning of year | 4,068 |
| Cash - end of year | $ 190 |
| Supplemental Disclosures | |
| Interest Paid | 785 |
| Income Taxes Paid | - |

*See accompanying notes*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the Commonwealth of Massachusetts for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Craft Beer Cellar franchise.

### BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

### REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when paid by the franchisee.

### COMPANY INCOME TAXES

The Company is an LLC; as such, the Company will not be responsible for income taxes on the company level. Instead, its taxable income will be included on the owner's personal tax returns.

## NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2016, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

# CONSENT OF THE INDEPENDENT AUDITOR

April 14, 2017

Ladies and Gentlemen:

A. Andrew Gianiodis, CPA consents to the use in the Franchise Disclosure Document issued by Craft Beer Stellar, LLC ("Franchisor") on April 14, 2017, as it may be amended, of our report dated March 23, 2017, relating to the financial statements of the Franchisor for the year ending December 31, 2016.

A. Andrew Gianiodis, CPA

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

A. ANDREW GIANGODIS
CERTIFIED PUBLIC ACCOUNTANT

**CRAFT BEER STELLAR, LLC.**

DECEMBER 31, 2015

FINANCIAL STATEMENTS

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

CRAFT BEER STELLAR, LLC

Table of Contents

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

March 31, 2016

**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of
Craft Beer Stellar, LLC:

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2015 and the related statements of operations, changes in owner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, I express no such opinion.



279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2015 and the results of operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

CPA

A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

# Craft Beer Stellar, LLC

## Balance Sheet
December 31, 2015

### Assets

| | | |
|---|---|---|
| **Current assets** | | |
| Cash | $ | 4,068 |
| Accounts receivable | | 37,458 |
| Prepaid assets | | 24,630 |
| Total Current Assets | | 66,156 |
| **Fixed assets** | | |
| Equipment | | 1,530 |
| Accumulated depreciation | | (306) |
| Total fixed assets | | 1,224 |
| **Other assets** | | |
| Intercompany advances | | 187,527 |
| | | 187,527 |
| Total Assets | $ | 254,907 |

### Liabilities & Equity

| | | |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable | $ | 5,570 |
| Franchise deposits | | 128,125 |
| Total liabilities | | 133,695 |
| **Equity** | | |
| Owners' equity | | 500 |
| Retained earnings | | 120,712 |
| Total equity | | 121,212 |
| Total liabilities and equity | $ | 254,907 |

*See accompanying notes*

## Craft Beer Stellar, LLC

### Statement of Operations
### Year Ended December 31,2015

| | | |
|---|---|---|
| **Revenues** | | |
| Initial franchise fee | $ | 188,990 |
| Royalty revenue | | 169,399 |
| Management fees | | 3,412 |
| Total revenue | | 361,801 |
| **Cost of Sales** | | |
| Consulting | | 4,193 |
| Royalties | | 16,487 |
| | | 20,680 |
| Gross Margin | | 341,121 |
| **Expenses** | | |
| Advertising | | 13,612 |
| Auto expenses | | 3,322 |
| Business permits | | 4,289 |
| Computer and internet | | 13,751 |
| Depreciation | | |
| Franchising fees | | 19,063 |
| Miscellaneous | | 4,515 |
| Office expenses | | 3,181 |
| Payroll, taxes and benefits | | 23,294 |
| Printing | | 253 |
| Professional fees | | 10,859 |
| Taxes | | 100 |
| Travel & Meals | | 4,298 |
| Total expenses | | 100,537 |
| Net Income | $ | 240,584 |

*See accompanying notes*

Craft Beer Stellar, LLC

Statement of Changes in Owners' Equity
Year Ended December 31,2015

| | Equity | Retained Deficit | Total Equity |
|---|---|---|---|
| Owners' Equity at January 1, 2015 | $ 500 | $ (9,146) | $ (8,646) |
| Equity Infusion | - | - | - |
| Member Draws | - | (110,726) | (110,726) |
| Net Income | - | 240,584 | 240,584 |
| Owners' equity at December 31, 2015 | $ 500 | $ 120,712 | $ 121,212 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Cash Flows
## Year Ended December 31,2015

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Net Income | $ | 240,584 |
| Adjustments to reconcile net loss to net cash provided by operating | | |
| Depreciation & amortization | | - |
| Changes in assets and liabilities | | |
| Current assets | | (62,088) |
| Current liabilities | | 122,985 |
| Net cash provided by operating activities | | 301,481 |
| Cash flows from investing activities: | | |
| Intercompany advances | | (187,527) |
| Net cash provided by investing activities | | (187,527) |
| Cash flows from financing activities: | | |
| Members' draws | | (110,726) |
| Net cash provided by investing activities | | (110,726) |
| Net increase in cash | | 3,228 |
| Cash - beginning of period | | 840 |
| Cash - end of period | $ | 4,068 |
| Supplemental Disclosures | | |
| Interest Paid | | - |
| Income Taxes Paid | | - |

*See accompanying notes*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the Commonwealth of Massachusetts for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Craft Beer Cellar franchise.

### BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

### REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when paid by the franchisee.

### COMPANY INCOME TAXES

The Company is an LLC; as such, the Company will not be responsible for income taxes on the company level. Instead, its taxable income will be included on the owner's personal tax returns.

## NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2015, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

## CONSENT OF THE INDEPENDENT AUDITOR

March 31, 2016

Ladies and Gentlemen:

A. Andrew Gianiodis, CPA consents to the use in the Franchise Disclosure Document issued by Craft Beer Stellar, LLC ("Franchisor") on March 31, 2016, as it may be amended, of our report dated March 31, 2016, relating to the financial statements of the Franchisor for the year ending December 31, 2015.

AAG CPA

A. Andrew Gianiodis, CPA

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

**CRAFT BEER STELLAR, LLC.**

DECEMBER 31, 2017 AND 2016

FINANCIAL STATEMENTS

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

# Craft Beer Stellar, LLC

Table of Contents

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

July 30, 2018

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members of
Craft Beer Stellar, LLC:

### REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2017 and 2016 and the related statements of operations, changes in owner's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, I express no such opinion.



279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2017 and 2016 and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CPA

A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

# Craft Beer Stellar, LLC

## Balance Sheet
December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 2,126 | $ 190 |
| Accounts receivable | 17,656 | 21,542 |
| Prepaid assets | 59,022 | 318 |
| Total Current Assets | 78,804 | 22,050 |
| Fixed assets | | |
| Equipment | 3,563 | 3,221 |
| Accumulated depreciation | (3,563) | (3,221) |
| Total fixed assets | - | - |
| Other assets | | |
| Intercompany advances | 16,981 | 109,876 |
| Deposits | 727 | 727 |
| | 17,708 | 110,603 |
| Total Assets | $ 96,512 | $ 132,653 |
| **Liabilities & Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 261,181 | $ 10,976 |
| Due to owners | 11,697 | 44,876 |
| Line of Credit | 49,175 | - |
| Deposits | 26,639 | 110,000 |
| Total liabilities | 348,692 | 165,852 |
| Equity | | |
| Members' equity | (252,180) | (33,199) |
| Total equity | (252,180) | (33,199) |
| Total liabilities and equity | $ 96,512 | $ 132,653 |

*See accompanying notes*

## Craft Beer Stellar, LLC

Statement of Operations
Years Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Revenues | | |
| Franchise fee | $ 205,112 | $ 166,500 |
| Royalty revenue | 293,548 | 237,848 |
| Management fees | 4,128 | 1,190 |
| Product sales | 19,321 | - |
| Total revenue | 522,109 | 405,538 |
| Cost of Sales | | |
| Consulting | 109,719 | 124,981 |
| Product | 10,276 | - |
| Royalties | 1,699 | 14,508 |
| | 121,694 | 139,489 |
| Gross Margin | 400,415 | 266,049 |
| Expenses | | |
| Advertising | 45,914 | 29,134 |
| Auto expenses | 285 | 4,760 |
| Business permits | 850 | 3,341 |
| Commissions | 83,854 | 34,835 |
| Computer and internet | 21,778 | 17,214 |
| Education | 4,128 | 2,427 |
| Insurance | 28,560 | 13,109 |
| Miscellaneous | 2,287 | 5,986 |
| Office expenses | 3,390 | 3,915 |
| Payroll, taxes and benefits | 325,850 | 32,810 |
| Professional fees | 81,694 | 89,930 |
| Rent and occupancy expenses | 8,476 | 3,595 |
| Travel & Meals | 6,895 | 2,775 |
| Total expenses | 613,961 | 243,831 |
| Operating Income/(Loss) | (213,546) | 22,218 |
| Depreciation | 342 | 3,221 |
| Interest expense | 4,566 | 785 |
| Net Income/(Loss) | $ (218,454) | $ 18,212 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Changes in Owners' Equity
## Years Ended December 31, 2017 and 2016

| | | |
|---|---|---|
| Owners' Equity at January 1, 2016 | $ | 120,712 |
| Equity Infusion | | - |
| Member Draws | | (172,123) |
| Net Income | | 18,212 |
| Owners' equity at December 31, 2016 | $ | (33,199) |
| Owners' Equity at January 1, 2017 | $ | (33,199) |
| Equity Infusion | | 19,500 |
| Member Draws | | (20,027) |
| Net Loss | | (218,454) |
| Owners' equity at December 31, 2017 | | (252,180) |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Cash Flows
## Years Ended December 31, 2017 and 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net Income | $ | (218,454) | $ | 18,212 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation & amortization | | 342 | | 3,221 |
| Changes in assets and liabilities | | | | |
| Current assets | | (54,818) | | 40,288 |
| Current liabilities | | 182,840 | | 32,157 |
| Net cash provided by operating activities | | (90,090) | | 93,878 |
| Cash flows from investing activities: | | | | |
| Fixed asset purchases | | (342) | | (2,557) |
| Intercompany advances | | 92,895 | | 77,651 |
| Net cash provided by investing activities | | 92,553 | | 75,094 |
| Cash flows from financing activities: | | | | |
| Members' draws | | (20,027) | | (172,123) |
| Capital Infusion | | 19,500 | | - |
| Deposits | | - | | (727) |
| Net cash provided by investing activities | | (527) | | (172,850) |
| Net change in cash | | 1,936 | | (3,878) |
| Cash - beginning of year | | 190 | | 4,068 |
| Cash - end of year | $ | 2,126 | $ | 190 |
| Supplemental Disclosures | | | | |
| Interest Paid | | 4,566 | | 785 |
| Income Taxes Paid | | - | | - |

*See accompanying notes*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the Commonwealth of Massachusetts for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Craft Beer Cellar franchise.

### BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

### REVENUE RECOGNITION

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

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### COMPANY INCOME TAXES

The Company is an LLC; as such, the Company will not be responsible for income taxes on the company level. Instead, its taxable income will be included on the owner's personal tax returns.

## NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2017, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

## NOTE 3 COMMITMENTS AND CONTINGENCIES

The Company does not carry general liability or worker's compensation coverage, nor is it self-insured.

## NOTE 4 FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
B. The franchisee is obligated to pay a non-refundable initial franchise fee.
C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

## NOTE 5 CONSULTATION AGREEMENT

The Company entered into a Consultation Agreement with Franchise Development Group Inc. ("FDG"). FDG is retained to prepare franchise legal work, operations manuals, and to market and sell the Company's franchises based on an advertising budget provided by Craft Beer Stellar, LLC.

## NOTE 6 SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 30, 2018, the date that the financial statements were available to be issued.

A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

# CONSENT OF THE INDEPENDENT AUDITOR

July 30, 2018

Ladies and Gentlemen:

A. Andrew Gianiodis, CPA consents to the use in the Franchise Disclosure Document issued by Driven Landscapes Franchising Corporation ("Franchisor") on July 30, 2018, as it may be amended, of our report dated July 30, 2018, relating to the financial statements of the Franchisor for the years ending December 31, 2017 and 2016.

CPA

A. Andrew Gianiodis, CPA

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

**CRAFT BEER STELLAR, LLC.**

DECEMBER 31, 2015

FINANCIAL STATEMENTS

279 Niagara Falls Blvd.    Amherst, New York 14226    716 – 510-6068

CRAFT BEER STELLAR, LLC

Table of Contents

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

March 31, 2016

**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of
Craft Beer Stellar, LLC:

REPORT ON FINANCIAL STATEMENTS

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, I express no such opinion.



279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

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OPINION

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CPA

A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

## Craft Beer Stellar, LLC

### Balance Sheet
### December 31, 2015

### Assets

| | |
|---|---|
| Current assets | |
| Cash | $ 4,068 |
| Accounts receivable | 37,458 |
| Prepaid assets | 24,630 |
| Total Current Assets | 66,156 |
| Fixed assets | |
| Equipment | 1,530 |
| Accumulated depreciation | (306) |
| Total fixed assets | 1,224 |
| Other assets | |
| Intercompany advances | 187,527 |
| | 187,527 |
| Total Assets | $ 254,907 |

### Liabilities & Equity

| | |
|---|---|
| Current liabilities | |
| Accounts payable | $ 5,570 |
| Franchise deposits | 128,125 |
| Total liabilities | 133,695 |
| Equity | |
| Owners' equity | 500 |
| Retained earnings | 120,712 |
| Total equity | 121,212 |
| Total liabilities and equity | $ 254,907 |

*See accompanying notes*

## Craft Beer Stellar, LLC

### Statement of Operations
### Year Ended December 31,2015

| | | |
|---|---|---|
| **Revenues** | | |
| Initial franchise fee | $ | 188,990 |
| Royalty revenue | | 169,399 |
| Management fees | | 3,412 |
| Total revenue | | 361,801 |
| **Cost of Sales** | | |
| Consulting | | 4,193 |
| Royalties | | 16,487 |
| | | 20,680 |
| **Gross Margin** | | 341,121 |
| **Expenses** | | |
| Advertising | | 13,612 |
| Auto expenses | | 3,322 |
| Business permits | | 4,289 |
| Computer and internet | | 13,751 |
| Depreciation | | |
| Franchising fees | | 19,063 |
| Miscellaneous | | 4,515 |
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| Payroll, taxes and benefits | | 23,294 |
| Printing | | 253 |
| Professional fees | | 10,859 |
| Taxes | | 100 |
| Travel & Meals | | 4,298 |
| Total expenses | | 100,537 |
| Net Income | $ | 240,584 |

*See accompanying notes*

## Craft Beer Stellar, LLC

### Statement of Changes in Owners' Equity
### Year Ended December 31,2015

| | Equity | Retained Deficit | Total Equity |
|---|---|---|---|
| Owners' Equity at January 1, 2015 | $ 500 | $ (9,146) | $ (8,646) |
| Equity Infusion | - | - | - |
| Member Draws | - | (110,726) | (110,726) |
| Net Income | - | 240,584 | 240,584 |
| Owners' equity at December 31, 2015 | $ 500 | $ 120,712 | $ 121,212 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Cash Flows
## Year Ended December 31,2015

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Net Income | $ | 240,584 |
| Adjustments to reconcile net loss to net cash provided by operating | | |
| Depreciation & amortization | | - |
| Changes in assets and liabilities | | |
| Current assets | | (62,088) |
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| Intercompany advances | | (187,527) |
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| Members' draws | | (110,726) |
| Net cash provided by investing activities | | (110,726) |
| Net increase in cash | | 3,228 |
| Cash - beginning of period | | 840 |
| Cash - end of period | $ | 4,068 |
| Supplemental Disclosures | | |
| Interest Paid | | - |
| Income Taxes Paid | | - |

*See accompanying notes*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### ORGANIZATION AND NATURE OF BUSINESS

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A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

CONSENT OF THE INDEPENDENT AUDITOR

March 31, 2016

Ladies and Gentlemen:

A. Andrew Gianiodis, CPA consents to the use in the Franchise Disclosure Document issued by Craft Beer Stellar, LLC ("Franchisor") on March 31, 2016, as it may be amended, of our report dated March 31, 2016, relating to the financial statements of the Franchisor for the year ending December 31, 2015.

AAG CPA

A. Andrew Gianiodis, CPA

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

**CRAFT BEER STELLAR, LLC.**

DECEMBER 31, 2014

FINANCIAL STATEMENTS

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

# Craft Beer Stellar, LLC

Table of Contents

A. ANDREW GIANIODIS
CERTIFIED PUBLIC ACCOUNTANT

April 7, 2015

**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of
Craft Beer Stellar, LLC:

REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2014 and the related statements of operations, changes in owner's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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, I express no such opinion.



279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craft Beer Stellar, LLC (a limited liability company) as of December 31, 2014 and the results of operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

A. Andrew Gianiodis

Certified Public Accountant

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

# Craft Beer Stellar, LLC

## Balance Sheet
## December 31, 2014

### Assets

| | | |
|---|---|---|
| Current assets | | |
| Cash | $ | 840 |
| Accounts receivable | | - |
| Total Current Assets | | 840 |
| Fixed assets | | |
| Equipment | | 1,530 |
| Accumulated depreciation | | (306) |
| Total fixed assets | | 1,224 |
| Other assets | | |
| Intangible assets (net) | | - |
| | | - |
| Total Assets | $ | 2,064 |

### Liabilities & Equity

| | | |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ | 10,710 |
| Total liabilities | | 10,710 |
| Equity | | |
| Owners' equity | | 500 |
| Retained earnings | | (9,146) |
| Total equity | | (8,646) |
| Total liabilities and equity | $ | 2,064 |

*See accompanying notes*

## Craft Beer Stellar, LLC

### Statement of Operations
### Year Ended December 31,2014

| | | |
|---|---|---|
| Revenues | | |
| Initial franchise fee | $ | 152,597 |
| Royalty revenue | | 87,705 |
| Management fees | | 46,373 |
| Total revenue | | 286,675 |
| Cost of Sales | | |
| Consulting | | 29,491 |
| Royalties | | 56,898 |
| | | 86,389 |
| Gross Margin | | 200,286 |
| Expenses | | |
| Advertising | | 1,520 |
| Auto expenses | | 1,245 |
| Business permits | | 2,425 |
| Computer and internet | | 5,939 |
| Depreciation | | 306 |
| Franchising fees | | 27,020 |
| Miscellaneous | | 1,955 |
| Office expenses | | 2,790 |
| Payroll, taxes and benefits | | 101,794 |
| Printing | | 596 |
| Professional fees | | 6,122 |
| Taxes | | 500 |
| Travel & Meals | | 545 |
| Total expenses | | 152,757 |
| Net Income | $ | 47,529 |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Changes in Owners' Equity
## Year Ended December 31,2014

| | Equity | Retained Deficit | Total Equity |
|---|---|---|---|
| Owners' Equity at January 1, 2014 | $ 500 | $ (11,275) | $ (10,775) |
| Equity Infusion | - | - | - |
| Member Draws | - | (45,400) | (45,400) |
| Net Income | - | 47,529 | 47,529 |
| Owners' equity at December 31, 2014 | $ 500 | $ (9,146) | $ (8,646) |

*See accompanying notes*

# Craft Beer Stellar, LLC

## Statement of Cash Flows
## Year Ended December 31,2014

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Net Income | $ | 47,529 |
| Adjustments to reconcile net loss to net cash provided by operating | | |
| Depreciation & amortization | | 306 |
| Changes in assets and liabilities | | |
| Current assets | | 770 |
| Current liabilities | | (3,679) |
| Net cash provided by operating activities | | 44,926 |
| Cash flows from investing activities: | | |
| Purchase of fixed assets | | (1,530) |
| Net cash provided by investing activities | | (1,530) |
| Cash flows from financing activities: | | |
| Members' draws | | (45,400) |
| Net cash provided by investing activities | | (45,400) |
| Net increase in cash | | (2,004) |
| Cash - beginning of period | | 2,844 |
| Cash - end of period | $ | 840 |
| Supplemental Disclosures | | |
| Interest Paid | | - |
| Income Taxes Paid | | - |

*See accompanying notes*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**ORGANIZATION AND NATURE OF BUSINESS**

The Company was incorporated under the laws of the Commonwealth of Massachusetts for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Craft Beer Cellar franchise.

**BASIS OF PRESENTATION**

The financial statements are presented on the accrual basis of accounting.

**REVENUE RECOGNITION**

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue.

Monthly royalty fees will be recognized when paid by the franchisee.

**COMPANY INCOME TAXES**

The Company is an LLC; as such, the Company will not be responsible for income taxes on the company level. Instead, its taxable income will be included on the owner's personal tax returns.

## NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2014, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

## NOTE 3 COMMITMENTS AND CONTINGENCIES

The Company does not carry general liability or worker's compensation coverage, nor is it self-insured.

## NOTE 4 FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
B. The franchisee is obligated to pay a non-refundable initial franchise fee.
C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

The Company has fourteen franchisees in operation at December 31, 201 with six additional agreements in place and ready to be opened in the second quarter 2015, after the issuance of these financial statements. Management expects to have franchise agreements with 10 additional locations within the next calendar year.

## NOTE 5 CONSULTATION AGREEMENT

The Company entered into a Consultation Agreement with Franchise Development Group Inc. ("FDG"). FDG is retained to prepare franchise legal work, operations manuals, and to market and sell the Company's franchises based on an advertising budget provided by Craft Beer Stellar, LLC.

## NOTE 6 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 7, 2015, the date that the financial statements were available to be issued.

**EXHIBIT C**

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

## AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| State | State Agency | Agent for Service of Process |
|---|---|---|
| California | Department of Business Oversight<br><br>Suite 750<br>320 West 4th Street<br>Los Angeles, CA 90013-2344<br>(213) 576-7505<br>Toll Free: (866) 275-2677<br><br>1515 K. Street, Suite 200<br>Sacramento, CA 95814-4052<br>(916) 445-7205<br><br>1350 Front Street<br>San Diego, CA 92101-3697<br>(619) 525-4233<br><br>One Sansome Street, #600<br>San Francisco, CA 94104<br>(415) 972-8565 | California Department of Business Oversight & United Corporate Services Inc.<br>740 University Avenue St 100<br>Sacramento, CA 95825 |
| Connecticut | The Banking Commissioner<br>The Department of Banking, Securities and Business Investment Division,<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>phone number (860) 240-8299 | The Banking Commissioner<br>The Department of Banking, Securities and Business Investment Division,<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>phone number (860) 240-8299 |
| Hawaii | Commissioner of Securities<br>355 Merchant Street, Room 203<br>96813<br>P. O. Box 40<br>Honolulu, HI 96810<br>(808) 586-0722 | Commissioner of Securities<br>355 Merchant Street, Room 203<br>96813<br>P. O. Box 40<br>Honolulu, HI 96810<br>(808) 586-0722 |
| Illinois | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 67206<br>(217) 782-4465 | Illinois Attorney General and United Corporate Services, Inc.<br>2901 Normandy Road<br>Springfield, IL 62703 |
| Indiana | Indiana Secretary of State | Indiana Secretary of State |

| | | |
|---|---|---|
| | Securities Division<br>Room E-111<br>301 West Washington Street<br>Indianapolis, IN 46204<br>(317) 232-6681 | 201 State House<br>Indianapolis, IN 46204<br>and United Corporate Services<br>4000 Bank One Tower<br>111 Monument Circle<br>Indianapolis, IN 46244-0363 |
| Maryland | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | Maryland Securities Commissioner<br>200 St. Paul Place<br>20th Floor<br>Baltimore, MD 21202-2020<br>(410) 576-6360 |
| Michigan | Michigan Department of the Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117 | Michigan Department of Commerce, Corporations and Securities Bureau |
| Minnesota | Minnesota Department of Commerce<br>85 7th Place E., Suite 500<br>St. Paul, MN 55101-2198<br>(651) 296-4026 | Minnesota Commissioner of Commerce and<br>United Corporate Services<br>2800 Minnesota World Trade Center<br>30 East 7th Street<br>St. Paul, MN 55101-4999 |
| New York | New York State Department of Law<br>Bureau of Investor Protection120 Broadway, 23rd Floor<br>New York, NY 10271<br>(212) 416-8236 | Secretary of State of New York<br>99 Washington Avenue<br>Albany, New York 12231 |
| North Dakota | Office of Securities Commissioner<br>Fifth Floor<br>600 East Boulevard<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | North Dakota Securities Commissioner and<br>United Corporate Services, Inc.<br>105 East Broadway<br>P. O. Box 1278<br>Bismarck, ND 58502 |
| Oregon | Department of Consumer and Business Services<br>Division of Finance and Corporate Securities<br>350 Winter Street NE, #410<br>Salem, OR 97310<br>(503) 378-4140 | Director of Oregon Department of Insurance and Finance |
| Rhode Island | Department of Business Regulation<br>Division of Securities<br>233 Richmond Street, Suite 232 | Director of Rhode Island<br>Department of Business Regulation<br>1 Hospital Trust Plaza |

| | | |
|---|---|---|
| | Providence, RI  02903-4232<br>(401) 222-3048 | 1420 Hospital Trust Tower<br>Providence, RI  02903 |
| South Dakota | Department of Commerce and Regulation<br>Division of Securities<br>118 West Capitol Avenue<br>Pierre, SD  57501-2017<br>(605) 773-4823 | Director of South Dakota Division of Securities and UCS of South Dakota, Inc.<br>28 East Main Street<br>P. O. Box 610<br>Fort Pierre, SD  57532 |
| Virginia | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, VA  32319 | Clerk of State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA  23219<br>(804) 371-9051 |
| Washington | Department of Financial Institutions<br>Securities Division<br>P. O. Box 9033<br>Olympia, WA  98507-9033<br>(360) 902-8760 | Directory of Washington Financial Institutions |
| Wisconsin | Wisconsin Securities<br>Commissioner Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI  53703<br>(608) 266-8559 | Commissioner of Securities of Wisconsin and UCS<br>3 South Pickney Street, Suite 1200<br>Madison, WI  53701 |

**EXHIBIT D**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# Craft Beer Cellar
# Operations Manual
# Table of Contents

**EXHIBIT F**

**STATE SPECIFIC ADDENDUMS**

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

The franchisor, any person or franchise broker in Item 2 of the FDD is (or not) subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

OUR WEBSITE HAS NOT BEEN REIVEWED OR APPROVED BY THE CALIFRONIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

a. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. (Note: This is required to be disclosed in all filings.)

b. 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.).

d. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

f. The franchise agreement requires binding arbitration. The arbitration will occur at Middlesex County, MA with the costs being borne by the Franchisor and Franchisee equally. 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.

g. The franchise agreement requires application of the laws of ~~Massachuetts~~Massachusetts This provision may not be enforceable under California law.

h. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

i. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

**CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum entered into by and between the below undersigned ~~parties~~parties' incident to the execution of the Franchise Agreement (collective referred to as the "Franchise Related Agreements") are amended to provide that:

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

| | |
|---|---|
| Craft Beer Stellar, LLC, **Franchisor:** | FRANCHISEE**:** |
| By:______________________________ | By:______________________________ |
| Its:______________________________ | Its:______________________________ |
| Date:______________________________ | Date:______________________________ |

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

The Illinois Attorney General's Office has required the deferral of the initial fees based upon our financial condition. Notwithstanding any other provision of the franchise agreement, area developer addendum, or the disclosure document, you may not pay any initial fees to us or to any affiliate of ours (including, without limitation, initial franchise fees, promissory note payments, branding and marketing fund contributions, and royalties) until we have fulfilled our initial obligations to you under the franchise agreement or other agreements and you have commenced doing business pursuant to the franchise agreement.

815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.

Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.

(815 ILCS 705/4) Sec. 4. Provides that any provision in a franchise agreement and Franchise Related Agreements that designates jurisdiction or venue in a forum outside of this State is void, provided that a franchise agreement may provide for arbitration in a forum outside of this State. The Jurisdiction and venue governing your franchise agreement must comply with (815 ILCS 705/4) Sec. 4.

Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act. Any provision of your franchise agreement contrary the Section of this Act is void. To the extent this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this addendum control.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS

The Franchise Agreement to which this addendum is attached and any Addendum or other agreement, which may have been entered into by and between the below undersigned parties incident to the execution of the Franchise Agreement (collective referred to as the "Franchise Related Agreements") are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Notwithstanding any other provision of the Franchise Agreement, the Area Developer Addendum, or any exhibit or attachment thereto, Franchisee is not obligated to pay Franchisor, and Franchisor may not accept from Franchisee, any fees until Franchisor has performed all of its pre-opening obligations to Franchisee under the Franchise Agreement and Franchisee has opened the Franchised Business.

2. Termination and nonrenewal of the Franchise Agreement must comply with 815 ILCS 705/20.

3. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.

4. Any provision in the Franchise Agreement and Franchise Related Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

5. The representations in section 6.6, 6.8, 7.1 of the Franchise Agreement do not act as a release, estoppel, or waiver of any claim or liability arising under the Illinois Franchise Disclosure Act.

6. Any conditions, stipulation or provision in the franchise agreement, or Area Developer Addendum that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void in accordance with 815 ILCS 705/41

7. Each provision of this addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act and the Illinois Disclosure Rules and Regulations are met independently of this addendum. To the extent this addendum is inconsistent with any term or condition of the Franchise Agreement, Related Franchise Agreements, or its exhibits or attachments, the terms of this addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement and Related Franchise Agreements in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

| | |
|---|---|
| Craft Beer Stellar, LLC, **Franchisor:** | FRANCHISEE**:** |
| By:____________________ | By:____________________ |
| Its:____________________ | Its:____________________ |
| Date:____________________ | Date:____________________ |

Maryland Addendum to the Franchise Disclosure Document

The following additional disclosures are required by the Maryland:

The franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable. The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise, We may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Area Developer Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Item 5 of the Franchise Disclosure Document is amended to provided that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement. If you are a resident of Maryland or your Licensed Business will be in Maryland, You will not pay your Initial Fee or any other money to Us until your business is open and we have completed all of Our material pre-opening obligations to you.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Article 19 of the Franchise Agreement is amended to provide as follows: Any lawsuit permitted under this Article shall be brought in the federal or state courts located in the State of Maryland. Item 17 is hereby amended by adding the identical language in the "summary" column of line v.

**NEW YORK**

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

> **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**
> **REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.**
> **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law;

fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee"**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

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

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

**WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The following additional disclosures are required by the Washington Franchise Investment Protection Act:

The State of Washington has a statute, R.C.W. 19.100.180, which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 R.C.W., shall prevail.

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

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

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**VIRGINIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has competed its pre-oping obligations under the development agreement.

# EXHIBIT F

# RECEIPTS

**Receipt**

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

If Craft Beer Stellar, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[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 agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan and Oregon require 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 Craft Beer Stellar, 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 or state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit C.

The franchisor is Craft Beer Stellar, LLC, located at 10 Ash Street, Belmont, MA 02478. Its telephone number is (617) 512-0310.

Issuance Date: ~~April 14, 2017~~July 30, 2018

The franchise seller for this offering is Andy Klie, Franchise Development Group, 651 Delaware Ave; Suite 129, Buffalo, New York 14202, phone (800) 222-3251

Craft Beer Stellar, LLC authorizes the respective state agencies identified in Exhibit C to receive service of process for its particular state.

~~The franchise seller for this offering is Andy Klie, Franchise Development Group, 651 Delaware Ave; Suite 129, Buffalo, New York 14202, phone (800) 222-3251~~

~~Craft Beer Stellar, LLC authorizes the respective state agencies identified in Exhibit C to receive service of process for its particular state.~~

I have received a disclosure document dated ~~April 14, 2017~~July 30, 2018 that included the following exhibits:

A. Franchise Agreement & Rider to Franchise Agreement
B. Financial Statements
C. Agencies/Agents for Service of Process
D. Table of Contents of Operations Manual
E. State Specific Addendums
F.
~~A. Franchise Agreement & Rider to Franchise Agreement~~
~~B. Financial Statements~~
~~C. Agencies/Agents for Service of Process~~
~~D. Table of Contents of Operations Manual~~
~~E. State Specific Addendums~~
~~F.~~ Receipts

Date: ____________________________
(Do not leave Blank)

______________________________
Signature of Prospective Franchisee

______________________________
Print Name

Retain this copy for your records.

## Receipt

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

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~~F.~~ Receipts

Date: ____________________________
(Do not leave Blank)

______________________________
Signature of Prospective Franchisee

______________________________
Print Name

You may return the signed receipt either by signing, dating and mailing it to Craft Beer Stellar, LLC at Cellar Floor, 51 Leonard Street, Belmont, MA 02478.