FRANCHISE DISCLOSURE DOCUMENT

Waters Edge Wineries, Inc.
A Delaware corporation
8560 Vineyard Avenue, Suite 408
Rancho Cucamonga, CA 91730
909-468-9463
ken@watersedgewineries.com
www.watersedgewineries.com

We grant franchises for WATERS EDGE WINERY & BISTROS that feature the manufacture and sale of wine, the teaching of winemaking, the sale of related wine accessories, and the sale of bistro menu items that include artisan cheese and fruit appetizers, seasonal salads, panini-style sandwiches, flatbread pizzas, decadent desserts, and beverages such as craft beer (subject to state law), coffee and soft drinks. We sell unit franchises for the right to operate a single WATERS EDGE WINERY & BISTRO ("Store").

The total investment necessary to begin operation of a WATERS EDGE WINERY & BISTRO Store is $577,295 to $1,335,899. This includes $183,860 to $220,860 that must be paid to the franchisor or an affiliate if you don't buy an existing winery owned by the franchisor (or franchisor's affiliate) and $535,860 to $1,174,360 if you buy an existing winery owned by the franchisor (or franchisor's affiliate).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 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 Ken Lineberger at 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730 and 909-468-9463.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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: May 16, 2025.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with us by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your home state.

2. **Spouse Liability**: Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets perhaps including your house, at risk if your franchise fails.

3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted.

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

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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, "we," "our" or "us" means Waters Edge Wineries, Inc., the Franchisor. Sometimes "us" also refers to entities we control, controlled by or under common control with Waters Edge Wineries, Inc. "You" means the person or entity that buys the franchise. If you are a corporation, partnership or other entity, "you" also may mean your owners.

Your Franchisor

We are a Delaware corporation incorporated on May 1, 2025. Prior to changing our state of incorporation on May 1, 2025, we were incorporated in California on May 15, 2012. Our principal place of business is 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730. Our agents for service of process are disclosed in Exhibit A to this disclosure document.

Our business is offering and selling Waters Edge Winery & Bistro franchises and operating ourselves Waters Edge Winery & Bistro businesses. Our franchise grants you the right to use our trademarks, system and methodologies. It also entitles you to participate in our advertising program and receive advertising and marketing assistance in your territory.

Franchisor's Parents, Predecessors and Affiliates

We have no predecessors or parent companies. Our affiliate, BEKH Cellars Inc., a California corporation ("**BEKH**") was incorporated on July 10, 2020. BEKH is located at the same address as us and is the approved supplier for finished wine, juice and equipment. BEKH does not offer franchises of the type being franchised nor does it offer franchises in any other business. We have no affiliates that offer franchises in any line of business. Other than BEKH, we have no affiliates that provide products or services to franchisees.

We previously offered a private branded Waters Edge Winery store program but are no longer offering this program. A private branded franchise granted franchisees the right to use our system and methodologies, but under a separate primary trademark the franchisee created and we approved. For example, our Midland private branded franchise trades by the name Texas Sun Winery. A private branded franchise does not receive advertising and marketing assistance in their territory. If you are an existing private branded franchisee and wish to open another location, we will permit you to do so under the same private labeled brand. Otherwise, all new locations must be opened under the Waters Edge Winery & Bistro brand.

Other than as described above, we do not offer any other franchises or engage in any other lines of business. We began offering Waters Edge Winery franchises in June 2012. However, Waters Edge's principals have operated a similar business and have been involved in the wine business since 2004.

The Franchise Offered

We sell Waters Edge Winery franchises. We grant you the right to operate a Store within a specific geographic area ("Designated Area").

Your Store will feature the manufacture and sale of wine and related wine accessories, as well as food and other bistro menu items for on-premises consumption. Waters Edge Winery & Bistro Stores are full-service federally bonded wineries equipped with state of the art fermentation equipment, professional tasting bar and lounge areas. You must manufacture and prepare the wine in accordance with our specified recipes and formulas and serve it in accordance with our specified standards. Each Store operates under the name WATERS EDGE WINERY & BISTRO, and the Marks. Private branded franchise stores operate under a separate

primary mark you create and we approve. You must operate your Store pursuant to our system. Your Store will have approximately 4,000 to 7,000 square feet.

The Market and Competition

Waters Edge Winery & Bistros offer wine, wine products, food and accessories at retail to the general public and at wholesale to other establishments (such as hotels and restaurants) and certain customers for re-sale purposes. Sales are year round. Your competitors include other businesses offering similar wine, wine products, food and services, and may include franchise systems and other chains. The market for stores similar to your WATERS EDGE WINERY& BISTRO is developing.

Laws, Licenses and Permits

All Stores are subject to laws and regulations affecting businesses generally. Additionally, all stores are subject to various federal, state and local government regulations, including those relating to the manufacture, storage and sale of wine products, as well as the labeling of wine products. We urge you to make further inquiries about all of these laws. It is your sole responsibility to obtain and keep in force all necessary licenses and permits required by public authorities, including any required federal or state winery license.

Industry Specific Regulations

The retail liquor business is highly regulated by federal, state and local laws. These laws require that you obtain all necessary liquor licenses before you open your Store. In some jurisdictions, liquor licenses may be difficult to secure and often require proof of good character and no criminal background. The manufacture, distribution and sale of alcoholic beverages is heavily regulated under state and federal laws. Government regulations impact terms and conditions of payment; payment of excise taxes; advertising, trade and pricing practices; product labeling; sales to minors and intoxicated persons; relationship among product producers, importers, wholesalers, and retailers; ability to ship product between states; and limitation on multiple unit ownership. Some jurisdictions limit the sale of liquor to state-owned or licensed outlets. These laws may also impose limits on the way you advertise your business and the date and hours in which you may operate. For more detailed information as to how these laws affect your business, you should contact the Liquor Control Board of your state and the City Manager of the city in which you will operate and consult with your attorney concerning these and other local laws and ordinances that may affect your Store.

You also agree to comply with all local, state and federal laws of a more general nature that affect your business, including employment, workers' compensation, corporate, tax, licensing, applicable laws pertaining to the privacy of customers, employees, and transactional information ("Privacy Laws") and similar laws and regulations.

ITEM 2
BUSINESS EXPERIENCE

OUR BUSINESS EXPERIENCE

Chief Executive Officer: Ken Lineberger

Ken Lineberger has been our Chief Executive Officer in Rancho Cucamonga, California since May 2012.

Vice President, Secretary and Treasurer: Angela Lineberger

Angela Lineberger, the wife of our Chief Executive Officer, has been our Vice President, Secretary and Treasurer in Rancho Cucamonga, California since May 2012. Ms. Lineberger has been the Chief Executive

Officer, Corporate Secretary, Chief Financial Officer and Director of BEKH Cellars Inc. in Rancho Cucamonga, California since July 2020. Ms. Lineberger was our Franchise Liaison in Rancho Cucamonga, California from June 2015 to September 2020.

Director of Franchise Operations: Mark Mitzenmacher

Mark Mitzenmacher has been our Director of Franchise Operations in Rancho Cucamonga, California since January 2015.

Director of Franchise Support: Jennifer Hulan

Jennifer Hulan has been our Director of Franchise Support in Rancho Cucamonga, California since March 2022. Ms. Hulan was unemployed from August 2021 to February 2022. Ms. Hulan was the franchisee of our Waters Edge Winery in Centennial, Colorado from March 2015 to July 2021.

Franchise Liaison: Deanne Wells

Deanne Wells has been our Franchise Liaison in Rancho Cucamonga, California since November 2021. Ms. Wells was an Administrator/Recruiter for Langwasser & Company CPAs in Upland, California from January 2021 to September 2021. Ms. Wells was unemployed between September 2021 and November 2021 and April 2020 and December 2020. Ms. Wells was a Syndication Administrator for Crossroads Equipment Lease & Finance in Rancho Cucamonga, California from July 2014 to March 2020.

Director of Training: Art DeCaro

Art DeCaro has been our Director of Training in Rancho Cucamonga, California since August 2020. Mr. DeCaro was the Tasting Room Manager and Sommelier for Peltzer Farm and Winery in Temecula, California from June 2018 to July 2020.

ITEM 3
LITIGATION

PENDING LITIGATION:

None

CONCLUDED LITIGATION:

Waters Edge Wineries, Inc. vs. Wine Vibes, LLC, Sherifat Lawal, Tamesha Hampton, and Phelicia Colvin (Case No. 5:22-cv-01883-SB-SHK, C.D. Cal).

On October 26, 2022, we filed a federal complaint against our franchisee Wine Vibes, LLC, a Texas limited liability company, and its principals Sherifat Lawal, Tamesha Hampton, and Phelicia Colvin (collectively referred to as "Defendants"). The complaint alleged multiple causes of action, including breach of contract, trademark infringement, false designation of origin, misappropriation of trade secrets under both the Defend Trade Secrets Act (DTSA) and the California Uniform Trade Secrets Act (CUTSA), unfair competition under California Business & Professions Code, and California common-law unfair competition. We sought compensatory damages, consequential, special, incidental, and restitution damages, preliminary and permanent injunctive relief to prevent the Defendants from using our trademarks and trade secrets, and operating a competing wine business, reasonable costs and attorney fees incurred in this action, and post-judgment interest. On December 31, 2022, Defendants counter-claimed against us, asserting causes of action for declaratory judgment, fraudulent inducement, anticipatory repudiation, rescission, novation, fraud, and misrepresentation.

On September 26, 2023, the parties entered into a Settlement Agreement and Mutual Release of Claims ("Settlement Agreement") in our favor, requiring Defendants to pay us a sum of $300,000, plus interest at 12% per annum or the highest legal rate, whichever is lower (the "Settlement Amount"). The Settlement Amount may be reduced to $200,000 in 10 yearly installments of $20,000 (the "Reduced Settlement Amount"), if the Defendants comply with the terms and conditions of the Settlement Agreement and make payments of all installments for the Reduced Settlement Amount. The Settlement Agreement also provided for the dismissal of the complaint and termination of the Defendant's franchise agreement.

CONCLUDED ACTION:

California Commissioner of Financial Protection and Innovation v. Waters Edge Wineries, Inc. FIL ORG ID: 92873.

On November 10, 2021, the State of California Department of Financial Protection and Innovation (the "Department") entered into a Consent Order with us. The Department alleged we violated an undertaking we signed in April 2019, pursuant to which our Chief Executive Officer agreed not to call a promissory note due to him during the registration period, by paying down a portion of the loan balance due. Without admitting any wrongdoing, we agreed in the Consent Order to comply with California Corporations Code section 31203. Should we violate the Consent Order, we agreed that the Commissioner may, in addition to all other available remedies summarily suspend/revoke our California franchise registration (if applicable) or deny our California franchise applications (if applicable) until we are in compliance. We also waived the right to a hearing and to any reconsideration, appeal, or other right to review this matter.

Other than as disclosed above, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Fee- First Location

The Initial Franchise Fee is $55,000.

At least 14 days after you receive this disclosure document, you will pay an Application Fee of $20,000 and sign the Application and Deposit Agreement, which is attached to this disclosure document as Exhibit B; $7,000 of this fee is refundable if you do not sign a Franchise Agreement and ask us for a refund within 180 days of signing the Deposit Agreement. No refund will be provided thereafter. If you sign a Franchise Agreement, the Application Fee is credited toward the Initial Franchise Fee.

You pay the remaining balance of the Initial Franchise Fee when you sign the Franchise Agreement. This amount is earned on receipt and is not refundable after you sign the Franchise Agreement.

We waive the Initial Franchise Fee if you operate under our private branded franchise program and wish to convert to our full franchise program. We will permit you to convert to our full franchise program if you are a private branded franchisee in good standing and you are in full compliance with the terms of the Franchise Agreement.

Veterans Discount

If you are a veteran of the United States Armed Services with supporting credentials (i.e. Veteran ID Card), we will offer you a discount of 10% off the Initial Franchise Fee, currently $5,500.

Additional Locations.

If you apply and we approve your application to purchase an additional Store, you will, for each such additional Store purchased, enter into our then current form of Franchise Agreement, except that the amount of the Initial Franchise Fee will be as follows:

1. For the second Store purchased by you or your affiliate, the Initial Franchise Fee is seventy five percent (75%) of our then current Initial Franchise Fee charged to franchisees;

2. For the third Store purchased by you or your affiliate, the Initial Franchise Fee is fifty percent (50%) of our then current Initial Franchise Fee charged to franchisees;

3. For the fourth Store purchased by you or your affiliate and each subsequent Store thereafter, the Initial Franchisee Fee is twenty five (25%) of our then current Initial Franchise Fee charged to franchisees.

Nothing obligates us to grant you an additional Store and you do not obtain rights pursuant to your Franchise Agreement to purchase or operate more than one franchise location.

Other Initial Fees

You must also purchase certain opening inventory from us or our affiliate at a cost of approximately $35,000 to $55,000 within 60 days after signing the Franchise Agreement and winery equipment at a cost of approximately $72,000 to $82,000. See Item 7.

You must complete our custom winery systems training before you open your Store. The cost for the custom winery systems training is $4,000, and includes the $400 daily training fee, plus travel costs, including airfare, hotel, rental car and per diem. See Item 11.

If you purchase an existing Store location from us, you will also pay for the assets (including leasehold improvements), equipment and goodwill of the location, as negotiated by us. Leasehold improvements can range from $352,000 to $953,500. See Item 7.

You must purchase our Pre-Opening Marketing Package when you sign the Franchise Agreement. The Pre-Opening Marketing Package includes certain digital and traditional marketing that we manage prior to the opening of your Store and for the grand opening of your Store, such as the creation of social media content, press releases, local media outreach and other promotional activities and materials (the "Pre-Opening Marketing Package"). You must pay us $15,000 for the Pre-Opening Marketing Package (the "Pre-Opening Marketing Package Fee"). The Pre-Opening Marketing Package Fee includes the fee our approved PR and Social Media company charges for its support services, currently $4,500, which we will pay on your behalf from the Pre-Opening Marketing Package Fee you pay to us. .

Except as indicated above, the initial fees charged franchisees are uniform and are non-refundable.

ITEM 6
OTHER FEES

You will pay certain other fees to us or our designee during the course of operations. A summary of such other fees are contained in the following chart.

Name of Fee(1)	Amount	Due Date	Remarks
Royalty Fee (3)	5% of Gross Sales for the first 12 months and 6% for the remainder of the term (2)	Due on the 15th day of the month following the month for which the fee is due.	This fee is payable via electronic transfer.
Advertising Fee (4) (Applies only to full franchises, not existing private branded franchises)	2% of Gross Sales (2)	Due on the 15th day of the month following the month for which the fee is due.	If you have a full franchise, you must pay an Advertising Fee of 2% of Gross Sales monthly.
Local Advertising (5)	3% of Gross Sales	As incurred.	See Note (5). Payable to third party providers.
Audits	Cost of audit plus interest at the maximum rate allowable by law	Immediately upon receipt of bill.	You pay for cost of audit only if it shows an understatement of your Gross Sales, Royalty Fees or Advertising Fees or an understatement of 2% or more from data reported to us in respect to any other item that is material to the computation of fees or analysis of the operation.
Transfer Fee	50% of our then current Initial Franchise Fee	Upon application for consent to transfer.	Payable when you transfer your franchise.
Renewal Fee	$5,000	Prior to renewal.	
Late Fee, Interest	$50 for each delinquent report or payment, plus interest on past due amounts, not to exceed 10% annually in California.	As incurred.	In addition to the Late Fee for delinquent reports and payments, all amounts owed to us will bear interest at the lesser of 18% per annum or the highest legal rate allowed in the state in which your Designated Area is located, which in California is 10% per annum. We also may levy fines for your failure to comply with your obligations under the Franchise Agreement (as further set forth in our Operations Manual).
Added Services Fee	3% of Gross Sales or $495 per month, whichever is greater	Due on the 15th day of the month following the month for which the fee is due. We	Used to provide you with one or more of the following services: intranet / extranet access / website hosting, internet email accounts, website development assistance for your store, search engine optimization (SEO) services, financial benchmark dashboard and access to our online training platform. We may increase the monthly Added Services Fee minimum from $495 to

Name of Fee(1)	Amount	Due Date	Remarks
		begin collecting this fee 90 days after you sign the Franchise Agreement	$1,500 on 30 days written notice. We will limit any monthly increases to the minimum Added Services Fee paid to not more than $150 per month in any 12 month period. This fee is payable via electronic transfer
Technology Fee	$550 per month	Due monthly	Payable to Orderport for support services. The monthly Technology Fee becomes due starting when you process your first live transaction.
Default Fee	Up to $2,500 per violation	On demand	Assessed if we determine that you violated any term, obligation or requirement of the Operations Manual or Franchise Agreement.
Additional Training Fee	$400 per day	Prior to training	If you attend our refresher training course, you must pay this daily fee. You must also pay this fee for us to train your replacement managers.
Additional Assistance (7)	$400 per day per person plus personnel's travel expenses	Immediately upon receipt of bill	We provide opening assistance at no cost. See Item 11.
Reunion Deposit Fee	$125 per month	Monthly	You must attend our annual reunion conference(s) that we organize for franchisees. The monthly fee of $125, is credited towards our annual reunion fee, currently $1,500. In addition, we may require you and your General Manager to attend regional meetings that we may organize from time to time. You pay our then current fee for attending our conferences and meetings. You are also responsible for travel, lodging and related costs and fees for all persons who attend from your Store.
Payroll Taxes and Worker's Compensation	15% to 25% of payroll cost	On demand	Payroll taxes and worker's compensation rates vary by state. Check with your local payroll company about what to expect. Payable to a third party.
Merchant Fees	2% to 3% of your credit card transactions	On demand	Payable to a third party.
Liquidated Damages	If your Store has been operating for at least 12 months: 8% of the average Gross Sales (2) during the 12-month period immediately preceding termination or expiration, multiplied by the number of full and partial months from your first violation to the expiration of the non-compete term, payable as a lump sum. If your Store has been operating less than 12	On demand	Payable if you continue operating your Store or another competitive business after termination or expiration of your franchise agreement.

Name of Fee(1)	Amount	Due Date	Remarks
	months: 8% of the average Gross Sales (2) during the 3-month period immediately preceding termination or expiration, multiplied by the number of full and partial months from your first violation to the expiration of the non-compete term, payable as a lump sum.		

We may require that all fees payable to us be paid through an electronic depository transfer account, See Exhibit "I."

Notes:

(1) You pay all fees to us or our designee unless otherwise noted. All fees are non-refundable. All fees for new franchisees are uniformly imposed. There are no current cooperatives.

(2) Gross Sales include the total revenues and receipts from the sale of all products and services including, but not limited to, wine and wine products, food, winemaking courses, services, merchandise and any wholesale items sold onsite or offsite of your Store and includes, but is not limited to, winery rental fees received and any other revenues collected by you from your operations. Gross Sales do not include sales tax actually paid to government agencies and documented refunds provided to customers.

(3) You are required to use our Sales Reporting Module ("SRM"), which will calculate your Royalties obligation from your Revel POS. You will receive an invoice for your monthly Royalties on the 5th of each month. You will have until the 10th of each month to dispute the calculated Royalty amount. The monthly Royalty amount is deducted via electronic transfer from your electronic depository transfer account on the 15th of every month.

(4) We collect a monthly Advertising Fee equal to 2% of Gross Sales. See Item 11 for more information on advertising. This fee only applies to full franchise locations, not private branded franchise locations.

(5) Upon our request, you must provide to us on a quarterly basis an itemization and accounting of the monies that you spent for the preceding quarter on approved local advertising, as further described in Item 11.

(6) We will provide additional assistance to you upon your reasonable request. At the time of this disclosure document, the fee for additional training is $400 per day plus our personnel's travel expenses if we come to you. This training fee also will apply if we train a new General Manager not trained as part of your opening training. See Item 11 for more details on training.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (1)	$55,000	Lump Sum	$20,000 upon execution of Application and Deposit Agreement; balance upon execution of Franchise Agreement.	Us
Leasehold Improvements (2)	$352,000 – $953,500	As Arranged	As Arranged	Contractors and Lessor, or Us (if You Purchase an Existing Winery from us)
Winery Equipment (3)	$73,000 – $90,000	As Arranged	As Arranged	Us or our affiliate
Computer System & Label Printing; data storage, Phone System, internet access and other hardware and software costs needed to implement and maintain these. (4)	$2,957 – $14,660	As Arranged	As Arranged	Approved Suppliers
Orderport POS System Software, Hardware , and first 3 months of Technology Fee (5)	$8,150- $10,650	As Arranged	As arranged	Approved Suppliers
Added Services Fee (6)	$1,485	Via Electronic Transfer	15th day of the month	Us
Rent, Lease & Utility Security Deposits (7)	$9,000 – $40,000	As Arranged	Before Opening	Lessor and Utility Companies
Initial Inventory (8)	$35,000 – $55,000	Lump Sum	Upon Delivery of Inventory	Us or our affiliate
Insurance (9) (initial deposit)	$1,000 – $6,000	As Arranged	Monthly Premium	Insurance Company
Training Expenses (10)	$2,000– $9,500	As Arranged	As Arranged	Transportation, Hotels,
Custom Winery System Training (11)	$4,000	As Arranged	As Arranged	Us or our affiliate
Pre-Opening Marketing Package (12)	$15,000	As Arranged	As Arranged	Us
Reunion Deposit Fee (13)	$375	Lump Sum	Monthly	Us

Type Of Expenditure	Amount	Method Of Payment	When Due	To Whom Payment Is To Be Made
Winery Licenses,; licensing compliance (14)	$5,500 – $10,900	As Arranged	As Arranged	Approved Suppliers/Appropriate State/Local Authorities
Professional Fees (15)	$1,000 – $5,000	As Arranged	As Arranged	Your Attorneys and Other Professionals
Uniforms (16)	$500 - $1,500	As Arranged	As Arranged	Approved Suppliers
Payroll Service (17)	$180 - $750	As Arranged	Monthly	Approved Supplier
Local Organizations (Optional) (18)	$0-$500	As Arranged	As Arranged	Third Party Supplier
Bank Charges for first 3 months (19)	$60 - $150	As Arranged	As Arranged	Third Party Supplier
Janitorial for first 3 months (20)	$500 - $1,000	As Arranged	As Arranged	Third Party Supplier
Entertainment for first 3 months (21)	$0 - $ 7,500	As Arranged	As Arranged	Third Party Supplier
Printing and Reproduction (22)	$100 - $1,000	As Arranged	As Arranged	Third Party Supplier
Security System (23)	$100 - $300	As Arranged	As Arranged	Third Party Supplier
Televisions (24)	$0 – $1,500	As Arranged	On Purchase	Third Party Supplier
Food Protection Training, Testing and Certification (25)	$388 - $629	As Arranged	Before Opening	Third Party Supplier
Additional Funds (26) (3 month period)	$10,000 – $50,000	As Arranged	As Arranged	Employees, Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (27)	$577,295– $1,335,899			

Notes:

* Except where otherwise noted, all amounts that you pay to us are nonrefundable. Third party suppliers will decide if payments to them are refundable. We do not offer any direct or indirect financing to you. Except as otherwise noted, all estimates are approximate through the first 3 months of operations.

(1) Initial Franchise Fee. See Item 5 for a description of the Initial Franchise Fee and the terms under which it may be refunded.

(2) Leasehold Improvements. The costs of construction and leasehold improvements depend upon the size and condition of the premises, the nature and extent of leasehold improvements required, the local cost of contract work and the location of your individual store. Additionally, these estimates include (i) the cost for an assortment of office equipment and supplies as prescribed in the Operations Manuals, including a printer, copier, telephones and miscellaneous furniture; (ii) bistro kitchen equipment and supplies, including a worktable, microwave convection oven, panini grill, microwave oven, refrigerated pizza table, and slicer; and (iii) required signage. The low estimate assumes your store is 4,000 square feet or less and located in a suburban market. The high estimate assumes your store is 7,000 square feet and located in an urban market. The estimate includes your architectural and engineering fees. You must use the designated construction management firm we choose. These estimates will also apply if you purchase assets (including leasehold improvements) of an existing winery from us.

(3) Winery Equipment. The cost to purchase the tank system with stainless steel tanks ranges from $55,000 to $60,000. You will also incur freight costs to ship the tank(s) to your location ranging from $1,000 to $8,000, depending on the distance of your location from California. The low estimate of $73,000 assumes your tank is $72,000 and your freight is $1,000. The high estimate of $90,000 assumes you purchase the tank system with stainless steel tanks at $82,000and the cost for shipment is $8,000. These estimates will also apply if you purchase equipment of an existing winery from us. The initial investment required will depend on financing terms available and other factors.

(4) Computer System, Phone System & Label Printing. The estimated cost to purchase all required Computer System components ranges from $2,500 to $13,500, depending on the size and configuration of your store. The costs for data storage, internet access and additional hardware and software costs needed to implement and maintain these services are estimated to range from $49 to $250 a month. You are required to use our VoIP phone provider, RingCentral, to provide phone services, which currently costs $35 per month, per phone line. You are required to purchase a minimum of 2 VoIP phones for your individual store, which range from $50 - $100 per phone. You may need to purchase additional phones, depending on the size and configuration of your individual store. The low estimate assumes you pay $2,500 for the basic printing option for custom labels and sharing of another Computer System in the business; $49 per month (for your first 3 months) for data storage, internet access and additional hardware; and $50 for each of the 2 required phone lines and $35 per month RingCentral fee, per phone line for the first 3 months. The high estimate assumes you pay $13,500 for full color graphic printer and a separate Computer System purchased for dedicated label printing use; $250 per month (for your first 3 months) for data storage, internet access and additional hardware; and $100 for each of the 2 required phone lines and $35 RingCentral fee per month, per phone line for the first 3 months.

(5) Orderport POS System Software, Hardware & Technology Fee. The Orderport POS system fee for implementation and training is $3,000. . This estimate includes the first 3 months of the Technology Fee, currently $550 per month, beginning with the processing of your first live transaction. The cost for the hardware required to operate your Store will depend on the configuration of your Store. The low estimate assumes your Store has a smaller configuration, which will require you to spend about $3,500 on hardware including 1 Apple iPad, 3 Apple iPad Minis, 1 kitchen printer, 2 receipt printers, 2 cash drawers and 4 credit card readers. The high estimate assumes your Store has a larger configuration, which will require you to spend about $6,000 on hardware including 2 Apple iPads, 5 Apple iPad Minis, 1 kitchen printer, 3 receipt printers, 5 cash drawers and 6 credit card readers.

(6) Added Services Fee. This estimate includes the first 3 months of the Added Services Fee, which is $495

(7) Rent, Lease & Utility Security Deposits. You typically will rent the premises for your individual store. This estimate assumes rent for the first 3 months of operations as well as lease and utility security deposits for a 4,000 to 7,000 square foot store. Landlords may require a security deposit, and utility companies may require that you place a deposit prior to installing telephone, gas, electric and related utility services. A typical utility security deposit is one month's expense. A typical lease deposit will be an amount equal to one month's rent. These deposits may be refundable in accordance with the agreements made with the utility companies and landlord. Monthly rental expense may vary widely based on geographic location, size of the store, local rental rates and other factors.

(8) Initial Inventory. Your initial inventory must be purchased from us, our affiliate, or in accordance with our specifications as is further described in Item 8 of this disclosure document within 60 days of signing your Franchise Agreement. Initial inventory consists of various juices and other wine ingredients, food and ingredients, packaging products, cleaning supplies, and other supplies used in the operation of the individual store including finished wine purchased from us, as well as other

merchandise or products sold by the Store. The initial inventory expenditure will vary according to current market prices for supplies.

(9) Insurance. You must procure and maintain, throughout the term of the Franchise Agreement, insurance in such amounts as set forth in the Franchise Agreement and further described in Item 8. We have estimated the initial deposit for the insurance as $1,000-$6,000. The monthly premium is payable directly to the insurance company. The cost of insurance will vary based on policy limits, type of policies procured, any lease requirements, nature and value of physical assets, number of employees, square footage, contents of the business, geographical location and other factors bearing on risk exposure. You must add us as additional insureds under your policy.

(10) Training Expenses. There is no fee for initial training, however, you must make arrangements and pay the expenses for you and the General Manager to attend our training program in Rancho Cucamonga, California, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose. We estimate these expenses to be $2,000 to $9,500. The estimate provided contemplates initial training expenses for you and up to 2 managers for 1 week. The low estimate assumes you reside near our headquarters and that you incur minimal travel expenses. The higher estimate assumes we train more than one manager and that you incur higher travel expenses. See Item 11 for more information on training. We may exempt you (at our sole discretion) from some or all the training if you have pre-existing experience in the winery field and can demonstrate that you have sufficient knowledge and experience in each of the training subjects provided. However, we can still require your manager to attend.

(11) Custom Winery Training. You will receive custom winery systems training at approximately the same time when your tanks are installed. Training will be provided by our staff who will make up to 4 trips for up to 8 days total. The cost for the custom winery systems training for the tank system is $4,000, and includes the $400 daily training fee, plus travel costs, including airfare, hotel, rental car and per diem.

(12) Pre-Opening Marketing Package Fee. You must conduct your grand opening advertising and promotion according to our written specifications, including the use of our approved supplier. The cost for the Pre-Opening Marketing Package required for all our franchisees is $15,000. You pay this fee to us at the time you sign your Franchise Agreement. The Pre-Opening Marketing Package Fee includes the fee our approved PR and Social Media company charges for its support services, currently $4,500, which we will pay on your behalf from the Pre-Opening Marketing Package Fee you pay to us.

(13) Annual Reunion Deposit Fee. You pay $125 per month which is applied to our annual reunion fee. The amount listed is for the first 3 months' payments you must make.

(14) Winery Licenses and Licensing Compliance. It is solely your responsibility to obtain and maintain a winery license for your Store. The cost of a winery license may vary between states. We estimate that the cost of a winery license is $1,000 - $5,000 annually. Additional licenses or conditional use permits may be required by local municipalities or counties. You must use our approved supplier, VA ABC, as your licensing and compliance vendor during the first year of your franchise term. These estimates include the $5,000 fee you must pay VA ABC to obtain your federal and states licenses and the monthly fee of $300 for your first 3 months of their licensing and compliance services.

(15) Professional Fees. Estimated charges for you to consult with independent professional advisors like a lawyer and CPA. We urge you to consult an experienced accountant or financial advisor to develop a business plan and financial projections for your operation.

(16) Uniforms. You must purchase and your employees must at all times wear uniforms while on duty imprinted with the Trademarks and conforming to other specifications we prescribe. Actual costs will vary depending on the number of employees and uniforms ordered. The low estimate is for 10 uniforms and the high estimate is for 30 uniforms.

(17) Payroll Service. You must retain an outside payroll service to provide payroll services to your employees. The low estimate assumes 3 or fewer employees. The high estimate assumes 20 employees.

(18) Local Organizations. You may decide, at your option, to join a local organization like a chamber of commerce, business league or the like.

(19) Bank Charges. Many banks charge a monthly account service fee or other charges to maintain a commercial account.

(20) Janitorial. You will have expenses for any janitorial service. If your lease requires you to pay for other services (gardening, pest control, as examples) these will be additional expenses.

(21) Entertainment. You may choose to hire local bands or musical artists to perform on weekends to draw a larger crowd and to add ambiance. You will decide how often and what kinds of entertainment will meet your guest's tastes. Fees for performer vary widely. Typically with music, you are required to pay royalty license fees to organizations like ASCAP and SESAC. Some localities require an entertainment permit. The estimates assume a monthly cost range of $0- $2,500.

(22) Printing and Reproduction. These costs generally include costs of printing menus and brochures for your Store.

(23) Security System. This estimate includes the cost of security/alarm equipment, and any other costs associated with monitoring.

(24) Televisions. While not required, you can elect to install televisions at your store. The low estimate of $0 assumes you do not purchase and install televisions at your Store. The high estimate assumes you purchase and install 2 televisions.

(25) Food Protection Training, Testing and Certification. You must require all employees handling food to obtain and maintain food handler certification training from companies we approve. In addition, you and all managers of the Store must take and successfully complete food management training from companies we approve. The cost for server training and certification ranges from $15 - $23 per person. The cost of manager training and certification is $179 per person. The low estimate assumes you have 2 servers complete the server training and certification at the lower rate and that you and 1 manager complete the manager training and certification. The high estimate assumes you have 4 servers complete the server training and certification at the higher rate and that you and 2 managers complete the manager training and certification. The amount you spend on food protection training, testing and certification may be higher, depending on the number of servers and managers you have handling food at the Store.

(26) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses for a period of 3 months. However, the estimate does not include hourly labor costs. These figures are estimates, and we cannot guarantee you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our recommended System; your management skill, experience and business acumen; local economic conditions; the time of year; the local market for our services; competition; and the sales level reached during the initial period. Additional working capital may be required if sales are low or fixed costs are high.

(27) Total Estimated Initial Investment. This table estimates your initial investment for a new Waters Edge Winery & Bistro Store or of a purchase of an existing store from us. We have used our experience in the business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Your total initial investment in some categories (such as leasehold improvements, equipment, training expenses, office equipment and furniture) may be less if you are converting your existing winery to the Waters Edge Winery & Bistro System.

You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process. This initial investment amount is for your first Store only.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To maintain a uniform image and uniform quality of products and services throughout the Waters Edge Winery & Bistro system, you must at all times comply with our quality standards and use your best efforts to adhere to such standards. You are not required to purchase or lease real estate from us but we must consent to the location of your Store (see Item 11). We also must consent to any lease for your Store premises. You must construct and equip your Store in accordance with our then-current approved design, specifications and standards. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You must also use equipment (including the tank system) and purchase and use other hardware and software we tell you, including a computer system, the Revel POS, the VinesOS Software (as explained in Item 11), signage, products, ingredients, supplies and advertising material that meet our specifications and standards.

We provide you with a list of approved manufacturers, suppliers and distributors and approved inventory products, ingredients, equipment, signs and items containing the trademarks and other supplies or services necessary to operate your Store ("Approved Supplies List"). From time to time we, or a third-party vendor or supplier may be the only approved supplier for certain products. The Approved Suppliers List also may include other specific products without reference to a particular manufacturer, or they may set forth the specifications and/or standards for other approved products. You must purchase all products used in the operation of your Store from suppliers approved in writing by us. We may periodically revise the Approved Suppliers List and Approved Supplies List. We will provide updates to the Operations Manuals, approved suppliers and Approved Supplies Lists. You must operate your Store in strict compliance with the standard procedures, policies, rules and regulations contained in the Operations Manuals, approved suppliers and Approved Suppliers Lists. Your ability to obtain required purchases and other items for operating your Store may be delayed due to any pandemics or epidemics affecting the geographic area in which you operate.

You must notify us in writing if you want to offer for sale any brand of product, or to use in the operation of your Store any brand of juice or other wine ingredient or other material, equipment, item or supply that has not been approved by us, or to purchase any product from a supplier that has not been designated by us as an approved supplier. If requested by us, you must submit samples and other information as we require for testing or to otherwise determine whether the product, material or supply, or the proposed supplier meets our specifications and quality standards. The supplier may also be required to sign a supplier agreement. We generally will notify you of supplier approval or disapproval within 45-60 days of our receipt of all the information and samples requested. We do not intend to charge for inspecting and evaluating proposed suppliers. We may re-inspect the facilities and products of any supplier of an approved product or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria. We will send written notice of any revocation of an approved supplier or item.

We apply the following general criteria in approving a proposed supplier: (1) ability to make product in conformity with our specifications; (2) willingness to protect the secrets behind the uniqueness of a product without dissemination to others; (3) production and delivery capability; (4) reputation and integrity of supplier; and (5) financial condition and insurance coverage of the supplier.

We reserve the right to receive rebates or other consideration from suppliers in connection with the purchase by franchisees of ingredients for wine and other beverage products, various juices, packaging products, cleaning supplies, services and other supplies used in the operation of WATERS EDGE WINERY & BISTROS, as well as merchandise or products sold by the stores. Most of these payments will be calculated based on products sold to you in your Designated Area. We can retain and use such payments as we deem appropriate or as required by the vendor and you acknowledge that such benefits may not be passed on to you.

BEKH is an approved supplier for finished wine, juice, winemaking ingredients, equipment cleaning supplies, corkers and equipment and is the only approved supplier for finished wine, winemaking ingredients, equipment cleaning supplies, corkers, equipment and juice purchases for the first 90 days after your Store opens for business. After the 90-day period, you may purchase juice from our other approved supplier(s). BEKH will derive a profit from these sales to our franchisees. Angela Lineberger, our Vice President, Secretary and Treasurer listed in Item 2, owns BEKH. For the fiscal year ending December 31, 2024, BEKH derived approximately $363,985 in revenue from required franchisee purchases, which is 91% of BEKH's total revenue of $399,507. With this exception, no officer of ours owns an interest in any required, recommended or approved supplier.

We may derive revenue from franchisee purchases. In the year ending December 31, 2024, we derived approximately $12,838 from required franchisee purchases, which is 1.6% of our total revenue of $825,440. In the year ending December 31, 2024, we received revenue in the form of a rebate from a third party supplier in the amount of $519.99 on account of the supplier's transactions with our franchisees.

There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

You must carry insurance policies protecting you, and us. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on your Store and all fixtures, equipment, supplies and other property used in the operation of the Store, for full repair and replacement value of the machinery, equipment and improvements, including full coverage for loss of income resulting from damage to the Store without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum of 6 months loss of income, including coverage for Royalties with us naming us as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate; (iv) liquor liability coverage with minimum limits of $1,000,000 per occurrence; (v) automobile liability insurance, including coverage for autos owned, leased, hired or borrowed by you or your owners and used for business purposes, with limits of at least $300,000 per claim; (vi) workers' compensation and employer's liability insurance covering all of your employees (vii) umbrella liability insurance which also includes liquor liability, employers liability and automobile liability, with minimum limits of $2,000,000 per occurrence; (viii) Waters Edge Wineries, Inc. as named additional insured on all liability policies required by this subparagraph; and (ix) any other such insurance coverages or amounts as required by law or other agreement related to your Store. We also recommend, but do not require, you to obtain data theft and cybersecurity coverage and employment practices liability insurance.

You can expect that items purchased or leased in accordance with our specifications will represent approximately 50% to 60% of total purchases you will make to begin operations of your Store and 25% to 50% of the ongoing costs to operate the Store.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 2A and 5A; Addendum to Lease	Items 7 and 11
b. Pre-opening purchases/leases	Sections 5A, 5F and 6A-C	Items 5, 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 5A and 5B; Addendum to Lease	Items 1, 5, 7, 8 and 11
d. Initial and ongoing training	Sections 7B and 7C	Items 5, 6 and 11
e. Opening	Sections 2C and 5A	Items 5, 11, 12 and 15
f. Fees	Sections 4B, 6C, 6J, 7B, 7C, 9A-E, 9G-9I, 11B, 11C and 15M	Items 5, 6 and 7
g. Compliance with standards and policies/operations manual	Sections 6A-O	Items 1, 6, 7, 8, 11 and 16
h. Trademarks and proprietary information	Sections 3A-E and 6K	Items 13 and 14
i. Restrictions on products/services offered	Sections 2D and 6A	Items 6, 7, 8, 11 and 16
j. Warranty and customer service requirements	Section 7D	Items 6 and 11
k. Territorial development and sales quotas	Sections 2B and 2D	Item 12
l. Ongoing product/service purchases	Sections 6A-C	Items 6, 7 and 8
m. Maintenance, appearance and remodeling requirements	Sections 5B-E	Items 7, 8 and 11
n. Insurance	Section 10C	Items 6, 7, and 8
o. Advertising	Sections 8A-D and 9C	Items 6, 7, 8 and 11
p. Indemnification	Section 10B	Item 6
q. Owner's participation/ management/staffing	Sections 7A-E	Items 11 and 15
r. Records/reports	Sections 9D, 9G and 9H	Items 6 and 16
s. Inspections/audits	Sections 5C, 6E and 9H	Items 6 and 11
t. Transfer	Sections 11A-G; Addendum to Lease Section 2	Items 6 and 17
u. Renewal	Sections 4A-B	Item 6 and Item 17
v. Post-termination obligations	Sections 10D(3-4) and 14A-C; Addendum to Lease Section 4	Item 17
w. Non-competition covenants	Section 10D	Item 17
x. Dispute Resolution	Sections 12A-E	Item 17
y. Liquidated Damages	Sections 10[E]- F	Item 6

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 Assistance. Before you open your Store, we will:

1. Provide you with site selection considerations and assistance and general building and design requirements for your Store (Franchise Agreement, Sections 5A and B). You must work with our then-current approved real estate broker to select a site for the Store within the area designated in the Franchise Agreement. Our approved real estate broker will seek out local assistance with each property to be reviewed. Customarily, any and all real estate broker fees incurred will be paid by landlord and not you. (Franchise Agreement, Section 5A). Once you select a proposed site, we will review and either approve or disapprove the selected location. We do not generally own the premises you will lease. We will generally approve the area in which you select the site.

   You must verify to us that your site complies with our site selection considerations. We do not select or endorse your site. However, upon your submission of all required information, we will provide you with written confirmation within 15-30 days that we have no objections to your site. Our identification of, or consent to, a site means that the site meets our criteria. The site selection factors considered by us in deciding whether or not to object to the location may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) business mix; I ability to obtain winery license; (f) ability to reflect image to be portrayed by Waters Edge Winery & Bistro businesses; and (g) adequacy of signs and image.

   You must propose a site for your location and obtain our approval within 90 days of the date of your Agreement. We will not unreasonably withhold consent to one 90-day extension of this deadline if prior to expiration of the deadline, you seek our approval in writing for an extension together with an explanation of the effort you have taken to date to identify a location and steps you plan to take in the future to identify a location. Otherwise, we have no obligation to grant an extension or provide another extension, if one has already been given. If we fail to approve a proposed site within 90 days from the date of your Agreement, or within the period covered by any extension we grant you, we have the right to declare your Agreement null and void and keep all Initial Franchise Fees or other amounts paid to us. (Franchise Agreement, Section 2A). You must conform the premises to local ordinances and building codes and obtain any required permits. (Franchise Agreement, Section 6I). We do not provide any assistance in hiring and training employees, except that we will provide initial training for up to 2 managers you elect to bring to the initial training program. (Franchise Agreement, Section 7B).

2. Provide you with the approved suppliers and Approved Supplies List (Franchise Agreement, Section 6B), including list of equipment, signs, fixtures, opening inventory and supplies you must order. Some of your purchases will be directly from us; others will be from other approved suppliers. We do not deliver or install these items.

3. Provide you with either a written copy or an electronic copy of the Operations Manuals that detail the specifications and procedures incidental to the operation of your Store (Franchise

Agreement, Section 6G). The table of contents of the Operations Manuals are listed in Exhibit C.

4. Provide the training programs described below (Franchise Agreement, Sections 7B and C).

Ongoing Assistance. During the operation of your Store, we will:

1. Provide updates to the Operations Manuals, approved suppliers and Approved Supplies Lists (Franchise Agreement, Sections 6B and 6G).

2. Make periodic visits to your Store as we reasonably determine to be necessary to provide consultation and guidance. (Franchise Agreement, Section 6E).

3. Provide refresher training courses, as you request or as we determine necessary and require you to attend. You must pay a daily training fee and all expenses for you and your manager to attend, including training materials, travel and living expenses (Franchise Agreement, Section 7C).

4. Maintain the Advertising Fund (Franchise Agreement, Section 8B).

5. We may, from time to time, make suggestions to you with regard to pricing policies. We retain the right to establish maximum and minimum prices to be charged by you for sales promotions or otherwise, but any exercise of that right will be specifically set forth in writing. (Franchise Agreement, Section 6M).

6. We may develop new products and services that you must offer. (Franchise Agreement, Section 6A).

7. Toll Free Telephone Number. We may now or in the future establish a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Manuals or otherwise in writing. (Franchise Agreement, Section 6.O).

Marketing

Pre-Opening Marketing Package and Local Advertising

When you sign your Franchise Agreement, you are required to purchase the Pre-Opening Marketing Package which costs $15,000. The Pre-Opening Marketing Package includes certain digital and traditional marketing that we manage prior to the opening of your Store and for the grand opening of your Store, such as the creation of social media content, press releases, local media outreach and other promotional activities and materials from our current approved supplier.

The grand opening program will begin 45 days before opening and last 15 days after opening. After opening, you must spend at least 3% of your Gross Sales on local advertising and promotion. You may only use your own advertising material if we have approved it before its use. You must obtain our approval of all promotional and advertising materials before use. We will approve or reject the materials within 10 days of receipt. On a quarterly basis you must provide us with itemization and proof of advertising and an accounting of the monies that you spent for approved local marketing. If you fail to make the required expenditure, we have the right to collect and contribute the deficiency to the advertising fund. You must maintain a business phone.

Advertising Fund

Your Store is required to pay an Advertising Fee of 2% of your Gross Sales to an advertising fund (the "Fund") established by us. The Fund and advertising fee do not apply to private branded locations since they will not benefit from the Fund. All Advertising Fees will be placed in the Fund that we own and manage. If requested, we will provide you an annual unaudited statement of the financial condition of the Fund. (Franchise Agreement, Section 8.B.).

We will administer the Fund. We may use the Fund for (1) broadcast or print advertising; (2) social media advertising; (3) the creation, development and production of advertising and promotional materials, including ad slicks, radio, direct mail pieces, and other print advertising; (4) marketing or related research and development; and (5) advertising and marketing expenses, including development of our website and intranet or extranet system, internet access provider costs, equipment research and development services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, customer incentive programs, sponsorships, marketing meetings and sales incentives, subscriptions to industry newsletters or magazines, and administrative costs, overhead and salaries for our marketing support personnel.

We determine the use of the monies in the Fund. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Store is located. The Fund is not a trust or escrow account, and we have no fiduciary obligation to you with respect to the Fund. We have the right to make disbursements from the advertising fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. As of December 31, 2024, we had not collected any Advertising Fees. Therefore, there were no Fund expenditures in the year then ended.

We will oversee and administer the Fund and advertising program. Outside suppliers may contribute to the Fund. We will prepare an annual unaudited accounting of the Fund and will make it available for your review upon your request.

There is no requirement in the franchise agreement for us to contribute to the Fund. However, it is our policy that for each Waters Edge Winery & Bistro we operate, we will contribute to the Fund on substantially the same basis as we require of you. Recognizing there may be different contribution levels or formulas for different franchisees, our contributions are not required to be the same amounts or formula as you contribute. We can spend in any fiscal year, more or less than the amount of contributions to our respective Funds made in that year. However, funds not spent in a fiscal year when contributed may be applied and used for Fund expenses in other years, which could also include payment of expenses from prior years.

Although we do not have a current practice of doing so, we may use advertising funds for the solicitation of franchise sales.

We currently do not utilize an advertising council composed of franchisees that advise us on advertising policies. However, we may implement such a council on notice to you.

Except as stated above, the franchise agreement does not have any requirements for you to participate in local or regional advertising cooperatives or in any other advertising fund.

Computer System

You must purchase and use hardware and software as we designate to record and analyze sales, labor, inventory, product usage, site selection considerations and tax information (the "Computer System"). The Computer System may be modified from time to time in response to business, operations and market conditions

(Section 6C of Franchise Agreement). As of the date of this disclosure document, the Computer System includes a Windows compatible PC with the minimum hardware and software configurations as detailed in the Operations Manual or otherwise in writing, as well as a Windows compatible printer (preferably a laser printer).

You must separately purchase a POS system meeting our requirements. As of the date of this disclosure document, the typical POS system setup includes the POS hardware, which varies depending on your Store's configuration and the POS cloud based software. The minimum hardware and software configurations are detailed in the Operations Manual or otherwise in writing. Our current approved POS supplier is Orderport based in Bellevue, Washington.

We may access your computer and POS systems and retrieve, analyze, download and use all software, data and files stored or used on your Computer System and POS. We may access the information system through electronic means, in your individual store or from other locations. You must store all data and information that we designate and report data and information in the manner we specify, including through the internet, extranet or other online communications. You also must have your Store connected to the internet. You must use the internet email account(s) we provide you.

You must record daily all sales using our designated software. You must keep books and records and submit reports as we periodically require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledger, all of which accurately reflect the operations and condition of your Store operations. You must provide us or our designee passwords and access to your online accounting records and other accounting programs. You acknowledge and agree that we and our designee will have full and complete access to information and data entered and produced by the accounting programs without need to obtain prior notice or approval from you; however, you may restrict our ability to change accounting information and limit us to "view only" in the software setup. There is no contractual limit on our right to access your software and computer information. You must compile, keep and submit to us, the books, records and reports to us as we periodically prescribe. The records that you are required to keep for your store must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You also must preserve and retain the books, records and reports for not less than 36 months. You must allow us electronic and manual access to any and all records relating to your Store.

You must pay for data storage, phone system , internet access and all additional hardware and software costs needed to implement and maintain these services. You are required to use our VoIP provider, RingCentral. You are required to purchase a minimum of 2 phones, but may need to purchase additional phones, depending on the size and configuration of your store. Each phone currently costs $50 to $100. You will be required to pay RingCentral's service fee, currently $35 per month, per phone line for services. The phone system account you are required to purchase and maintain through RingCentral is ultimately owned by us and upon expiration or termination of your Franchise Agreement, we will automatically have ownership of each phone line used in your Store.

As explained in Item 7, we estimate the cost of purchasing the Computer System, label printer and phone system will range from $2,957 to $14,660 You must also pay the cost to upgrade or update the Computer System, label printer and phone system if we so request. There is no contractual limitation on the frequency and cost for you to do so. We estimate the cost of purchasing the POS system software and hardware ranges from $8,150 to $10,650, which includes the initial installation and set-up costs of the Orderport POS system and cost to purchase the hardware required to operate your Store of which $3,000 to $6,000, will depend on your Store's configuration. There is also a monthly Technology Fee of $550. You must also pay the cost to upgrade or update the POS system and hardware if we so request. There is no contractual limitation on the

frequency and cost for you to do so. We have no contractual obligation to maintain, repair, update or upgrade your computer system, label printer, phone system, POS system or hardware.

Intranet

We have established an Intranet through which we may communicate with you and may disseminate the Operations Manuals, updates and other confidential information to you. You must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies. There is no separate cost for your use of the Intranet (Section 6D of Franchise Agreement).

Typical Length of Time Before You Open Your Store

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is approximately 12 months from the execution of the Franchise Agreement. Factors that may impact this length of time may include whether you have a site selected upon execution of the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the Store, meet local requirements, obtain inventory, obtain a winery permit and similar factors. Construction delays, including those caused by pandemics, epidemics or other unforeseen events occurring in the geographic area where you operate your Store, may delay your ability to open your Store.

If you have not selected a site at the time the Franchise Agreement is signed, you have 90 days to do so or we may terminate the Franchise Agreement and keep all amounts paid to us. (Franchise Agreement, Section 2A). You must begin operations within 12 months after the date the authorized location is designated and no more than 60 days after completion of training, unless we authorize an extension. (Franchise Agreement, Section 2C). If you fail to begin operations within the stated time, we may terminate the Franchise Agreement. (Franchise Agreement, Section 13B).

Operations Manuals

We will provide you a copy of, or access to the Waters Edge Winery & Bistro's Operations Manual and Food Operations Manual. The Operations Manuals contain proprietary information and you must keep such information confidential, as stated in Item 14 of this disclosure document. The table of contents of the current Operations Manual and Food Operations Manual are attached to this disclosure document as Exhibit C. As of December 31, 2024, the Operations Manual contained a total of 87 pages.

Training

Not more than 60 days and not less than 10 days before the opening of your individual Store, we will provide the following initial training courses to train you and up to 2 managers (including your General Manager), which the attendees must complete to our satisfaction. Training is conducted online through our Learning Management System ("LMS"), including WEW University ("WEW U"), and in our training facility in Rancho Cucamonga, California. Before opening and thereafter, you must require all employees handling food to obtain and maintain food handler certification training from companies we approve. In addition, you and all managers of the Store must take and successfully complete food management training from companies we approve.

LMS ON-BOARDING TRAINING PROGRAM

(REMOTE CLASSROOM)

Session	Subject	Total Hours of "Online" Training	Location
1	Intro to WEW U a) What is WEW U? b) WEW intranet and tools c) Grand Opening journey	0.2	Online
2	WEW Intranet, Library, and CRM a) Intranet basics, contents, and navigation b) Intranet credentials and manipulation c) Intranet notifications d) Library and contents e) CRM task checklist and documentation	0.5	Online
3	New Location On-Boarding Pre-Construction a) Intro to Director of Ops and Construction Management b) Avoid opening pitfalls c) Pre-construction task documentation	0.3	Online
4	New Location On-Boarding During Construction a) Financial and marketing planning b) Intro to suppliers and vendors c) Intro to technological partners d) During construction task documentation	0.3	Online
5	New Location On-Boarding Prep for Opening a) Intro to marketing and PR partner b) Begin hiring c) Grand Opening week schedule d) Grand Opening week team training e) Winery operations processes and procedures	0.3	Online
	TOTAL:	1.6	

LMS ONLINE TRAINING PROGRAM

(REMOTE CLASSROOM)

Session	Subject	Total Hours of "Online" Training	Location
1	The Big Picture a) WEW Philosophy b) 8 Points of Success c) Course Objectives d) Wine Making Overview e) Assessment	0.6	Online
2	First Pour a) Review/Q & A b) Marketing/Prospects c) Wine Knowledge d) Assessment	1.0	Online
3	Refining Your Tastes a) Review/Q & A b) Wine Tasting c) Sales Primer d) Assessment	1.0	Online
4	Profitable Pouring a) Review/Q & A b) Accounting 101 & QB c) Operating Profitably d) Good Hiring Practices e) Assessment	0.75	Online
5	Squeezing the Most Out a) Review/Q & A b) Wine Knowledge c) Daily Operations Branding d) Assessment	1.0	Online
6	Vine to Bottle a) Review/Q & A b) Entrepreneur vs. Shopkeeper c) Wine Knowledge d) Assessment	0.5	Online
7	Drink/Drank/Drunk a) Review/Q & A b) Safe Serve Principles c) Wine Club Ops d) Assessment	0.5	Online

Session	Subject	Total Hours of "Online" Training	Location
8	Calling All Wine Lovers a) Review/Q & A b) Internet Site Basics c) Social Media Overview d) Internet Marketing e) POS Overview & Setup f) Information Systems & Data g) Insurance h) COLA's i) GO Schedule j) Assessment	0.5	Online
9	Daily Operations and Ecolab a) Review/Q & A b) Day to day FOH operations c) FOH cleanliness and corporate expectation d) Cash and safe management e) Bar and wine management f) Kitchen Cleanliness g) Ecolabs services, products, and training) Kitchen prep i) Kitchen organization and safety j) Recipe standardization and costing k) Assessment	0.6	Online
	TOTAL:	6.45	

TRAINING PROGRAM

(CLASSROOM)

Day	Subject	Total Hours of "Classroom" Training	Total Hours of "On the Job" Training	Location
1	a) Review Online Training b) 8 Points of Success c) Onsite Course Objectives, Assessment d) Equipment/Products e) Wine Making Procedure	2	6	Rancho Cucamonga, CA
2	a) Review/Q & A b) Racking Procedure c) Wine Tasting Review	2	6	Rancho Cucamonga
3	a) Review/Q & A b) Filtering Procedure	2	6	Rancho Cucamonga
4	a) Review Q & A b) Oral Presentation c) Bottling Procedure	2	6	Rancho Cucamonga

Day	Subject	Total Hours of "Classroom" Training	Total Hours of "On the Job" Training	Location
5	a) Review/Q & A b) 2nd Assessment c) Order Desk Procedures d) Complete Review	2	6	Rancho Cucamonga
	TOTAL:	10	30	

a. Ken Lineberger oversees our training. Ken's background is described in Item 2, has 20 years of experience in the subjects being taught, 21 years in the wine industry, and 14 years of experience with us. Additional employees, such as Art DeCaro will assist with training. Mr. DeCaro will assist with the overall training and assist you during your grand opening week. Mr. DeCaro joined Waters Edge Wineries, Inc. in August 2020. Mr. DeCaro has many years of experience in the Temecula Valley wine industry in both boutique as well as commercial wineries and brings knowledge spanning from vineyard work, wine production and cellar work, retail sales and wine service, tours and events as well as overall winery management. Mr. DeCaro is also a Certified Sommelier through the Court of Master Sommelier. Mr. DeCaro has 12 years of experience in the subjects taught, 12 years of experience in the industry and 4 years of experience with us.

b. The instructional materials for each subject consist of the Operations Manuals, Training Manual, books/instructional materials and hands-on demonstration.

At least 2 people in your organization (you and your general manager) must complete to our satisfaction this training program that lasts approximately 1 week. We also provide books that we require you to read prior to attending training. We will provide the initial training program as needed. We do not charge for this training, but you must pay all travel and living expenses and supply costs for you and your manager. As noted in Item 7, you also will receive custom winery systems training before you open your Store. Training will be provided by our staff who will make up to 4 trips for up to 8 days total. The cost for the custom winery systems training is $4,000, and includes the $400 daily training fee, plus travel costs, including airfare, hotel, rental car and per diem. We may exempt you (at our sole discretion) from some or all the training if you have pre-existing experience in the winery field and can demonstrate that you have sufficient knowledge and experience in each of the training subjects provided. However, we can still require your manager to attend.

We have no obligation to provide the initial training courses if you or your affiliate currently owns or operates a Waters Edge Winery & Bistro or if the Franchise Agreement is executed as a renewal franchise agreement. (Franchise Agreement, Section 7.B)

We may require you to attend refresher training programs and we also will provide additional training upon your reasonable request. At the time of this disclosure document, we charge a daily fee of $400 for these services, and you must pay the travel and living expenses for you and your manager to attend. If we come to you to provide any additional training, you must pay our personnel's travel expenses in addition to the daily training fee. All replacement General Managers must go through our training program at the time of hire and you must pay the $400 daily training fee. In lieu of attending training in Rancho Cucamonga, you may train the replacement general Manager, if we approve in writing for you to do so. Our training guidelines are outlined in the Operations Manual.

You must attend our annual national conference(s) that we organize for franchisees. In addition, we may require you and your General Manager to attend regional seminars that we may organize from time to time. We currently charge $1,500 to participate in our Annual Reunion, which we collect in monthly installments of $125 per month over 12 months. Additionally, you are responsible for travel, lodging and related costs and fees for all persons who attend from your Store.

Our training program is provided to protect our brand and the Marks and not to control the day-to-day operation of your Waters Edge Winery & Bistro.

ITEM 12
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 receive the right to operate an individual WATERS EDGE WINERY & BISTRO at a specific location described in the Franchise Agreement. If your Store location is not designated in your agreement when we sign, you have 90 days from the date of the Agreement to propose and obtain our consent to the proposed location. We may extend this deadline if you seek an extension prior to the expiration of the deadline. See Item 11.

The individual Store will be located in the Designated Area as set forth in Appendix A to the Franchise Agreement. The criteria used for determining the boundaries of your Designated Area include: the population base; population density; population growth trends; apparent degree of affluence of population; the density of residential and business entities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas. Your Designated Area will generally have a trade area with a population base of approximately 100,000, although this number may be lower if you are in a non-metropolitan area. We determine the Designated Area. A written description or a map attached to the Franchise Agreement describes the Designated Area. After your first year of operation, if your Store is performing at 75% or less of the System's store average during a consecutive 12 month period, we may amend or revoke your Designated Area in our discretion.

If you operate in certain locations such as casinos; military bases; race tracks; theme parks, including water parks and amusement parks, hotels, restaurants, malls, airports and specialty retail venues such as fairgrounds and other tourist oriented destinations ("Special Sites"), you will not receive any territorial rights. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

For locations other than Special Sites, we will not, during the term of your franchise, operate or grant others the right to operate any other WATERS EDGE WINERY & BISTRO within the Designated Area, except as generally described in this Item 12 and more fully set forth in the Franchise Agreement. Special Sites are excluded from your Designated Area. We have the right under our marks or otherwise to operate in Special Sites ourselves, or via franchisees or licensees, and to provide raw materials, ingredients, training and equipment or products to these Special Sites, even within your Designated Area.

Other than the Designated Area described above, the franchise is non-exclusive, and we retain the right, among others, in any manner and on any terms and conditions we deem advisable to compete with you. Specifically, we have the right: (1) outside of your Designated Area to grant other franchises and licenses and to develop and operate company or affiliate owned WATERS EDGE WINERY & BISTROS; and (2) inside and outside your Designated Area to offer, sell and distribute any products or services associated with the System under the Trademarks or any other trademarks through any distribution channel or method, such as the internet, catalog sales, telemarketing or other direct marketing, all without compensation to you, except that internet sales may be at our sole discretion either (a) directed to the store located in the Designated Area nearest to where the customer is located for fulfillment; or (b) if we elect to fulfill the online order to a customer in your Designated Area, we will pay fifty (50%) of the internet product's sale price less taxes, shipping and handling to you. We also have the right to operate and franchise or license others to operate stores or any other business within and outside the Designated Area under trademarks other than the WATERS EDGE WINERY & BISTRO Trademarks, without compensation to you, except that our operation of, or association or affiliation with stores (through franchising or otherwise) in the Designated Area that compete with WATERS EDGE WINERY &

BISTROS in the wine-related store segment will only occur as a result of some form of merger or acquisition with an existing store chain.

We are not required to pay you if we exercise any of the rights specified above in your Designated Area. We do not restrict you from soliciting or accepting orders from outside your Designated Area, but you do not have the right to use alternative channels of distribution (such as Internet, catalog sales or telemarketing) to make sales outside your Designated Area unless we approve in writing, except for any internet sales that we direct to you, as noted above.

You do not receive any options or right of first refusal to acquire additional locations within or outside of your Designated Area unless you sign another franchise agreement with us.

If you need to relocate your Waters Edge Winery & Bistro because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Designated Area; provided that you locate a site acceptable to us and are open and operating within 60 days from closing the Store. You may not voluntarily relocate, unless you have given us notice of your intent to relocate not less than 30 days prior to closing the Store, have procured a site that we accept within 15 days after closing the prior Store, have opened the new Store for business within 60 days of such closure and complied with any other conditions that we reasonably require. You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

You do not have the right to relocate in the event you lose the right to occupy the Unit Franchise premises because of the cancellation of your lease due to your breach. If your lease terminates because of your breach we may immediately terminate your franchise.

Neither we nor any of our affiliates have plans to operate or franchise a business under a different trademark, selling goods or services similar to those you will offer. However, we reserve the right to do so in the future.

ITEM 13
TRADEMARKS

The Franchise Agreement licenses you to use the service mark WATERS EDGE WINERY & BISTRO, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the "Marks").

If you have been granted a private branded franchise, you must, after obtaining our written consent to the proposed name or mark, use and/or adopt another primary trademark and/or trade name in connection with your franchise. You agree to include such other designations that we may request in connection with your primary trademark and trade name, which may include, for example a designation indicating you are a private branded franchisee of Waters Edge, operating under license. Any mark or name that you adopt in connection with the operation of your franchise will belong to and inure to our benefit. You agree to assign all such marks and names and any registrations for such marks and names to us.

On termination or expiration of your franchise, you must stop using the Marks and all other marks and names adopted in connection with your franchise.

You have no proprietary interest whatsoever in the Marks as your right to use the Marks is derived solely from your agreements with us and is limited to the conduct of your WATERS EDGE WINERY & BISTRO franchise business. At the appropriate time, we intend to file all required affidavits and renewals for the Marks listed below.

We registered the following marks on the Principal Register of the U.S. Patent & Trademark Office:

Principal Trademarks	Principal/ Supplemental Register	Goods/Services	Reg. Date	Reg. Number
WATERS EDGE WINERY	Principal	Wines; Franchise services, namely, offering business management assistance in the establishment and operation of wineries; Retail and online stores featuring wine and related products; Winery services; Custom production of wine for others; Providing information about wine-making	January 21, 2014 Renewed: September 20, 2023	4,471,672
	Principal	Wines; Franchise services, namely, offering business management assistance in the establishment and operation of wineries; Retail and online stores featuring wine and related products; Winery services; Custom production of wine for others; Providing information about wine-making	November 3, 2015	4,845,472
	Principal	Custom production of wine for others; Providing information about wine-making; Winery services	September 17, 2019	5,861,627
LIVE LIFE AT THE EDGE	Principal	Bar services; Bar services featuring wines; Bistro services; Providing of food and drink; Restaurant services; Wine bars; Restaurant, bar and catering services	August 27, 2019	5,845,452

We intend to file all required continued use affidavits to keep these registrations in effect.

We also claim common law rights to the trade and service marks we license to you.

Appendix A to your Franchise Agreement identifies the Marks that you are licensed to use. Appendix A includes the WATERS EDGE WINERY & BISTRO service marks and other Marks. Your use of the Marks and any goodwill is to our exclusive benefit, and you retain no rights in the Marks. You also retain no rights in the Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing. We may change the System presently identified by the Marks including the adoption of new Marks, new products, new equipment or new techniques and you must adopt changes to the System at your expense, as if they were part of the Franchise Agreement at the time of its execution. If we notify you to discontinue or modify the use of any Mark, you must comply with our requests within the time frame we tell you. You will have at least 90 days to do so. We will not have any liability or obligation as to your modification or discontinuance of any Mark.

You may not separately register any domain name containing any of the Marks or operate your own website selling wine or related products, or any social media site or page whether or not they contain our Marks without our express prior written consent. If we consent to your registration and/or use of a domain name, social media page or website for your business (whether acquired, registered and/or used before or after entering into the Franchise Agreement), you must place such domain name(s), social media pages and website(s) in our name and/or transfer the ownership of the domain name(s), social media page(s) and website(s) to us, and take whatever other action we may require in this regard.

We are not aware of any currently effective material determinations by the United States Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. There are no infringing uses actually known to us that could materially affect your use of the Marks. There are no agreements currently in effect that significantly limit our right to use or license the use of the principal trademarks. We are aware that certain restaurants located in Connecticut and Texas use Waters Edge in their name. However, due to our stores operating primarily as a winery and with a focus on wines, we do not deem such other usages detrimental to our brand.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Marks and have the sole right to decide to pursue or settle any infringement actions related to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. If we determine that a trademark infringement action requires changes or substitutions to the Marks, you must make the changes or substitutions at your own expense.

On termination or expiration of the Franchise Agreement, you agree that we may keep and if not already done so, you must transfer to us any domain names and websites used in operation of your Store.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered that are material to the franchise, although we do claim copyright ownership and protection for our web site, Operations Manual and various sales promotional and other materials published from time to time.

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights material to the franchise. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise.

There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware. If we determine that a patent or copyright infringement action requires changes or substitutions, you must make the changes or substitutions at your own expense.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. You may not teach classes for or at any school, public, private or otherwise, that conveys any information about our proprietary winemaking process or franchise operation.

Upon termination of your agreement with us, you must return to us all proprietary information, including but not limited to the Operations Manual and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the Operations Manual at your cost.

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

The rights and duties created by your franchise agreement is personal to you or your owners, as may be applicable. Among other things, we will grant a Franchise Agreement in specific reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and/or your shareholders/members/other owners. As such, you must participate in the actual operation of the franchise business as follows:

During the term of the Franchise Agreement, you (if franchisee is an individual) or your General Manager must devote full time and best efforts to the management of the Store. You or your General Manager must provide direct on-premises supervision to the Store. You and your General Manager must complete our training course. Your General Manager need not have any equity interest in the franchise. The use of a General Manager in no way relieves you of your obligations to comply with the agreement and to ensure that the Store is properly operated. You or your General Manager must be at the Store for any inspection or evaluation we conduct. You or your Principal Owners (if Franchisee is a corporation, partnership, limited liability company or partnership or other legal entity) and such person's spouses must execute a personal guaranty (attached at the end of the Franchise Agreement) assuming and agreeing to discharge all obligations of the Franchisee under the Franchise Agreement. Any partners must be approved by us.

In all cases, all shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information, and if we ask, such person's spouses, must execute non-disclosure agreements in a form we accept. If we so require, your spouse and any managers receiving training from us must execute covenants not to compete in a form that we approve.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

To maintain a uniform image and uniform quality of products and services throughout the WATERS EDGE WINERY & BISTRO system, we can restrict the products and services that you may offer from Stores. These restrictions are as follows:

Item 8 of this disclosure document describes our requirements for approved supplies and suppliers. Your Franchise Agreement requires you to sell or use only those products and services that we have approved in writing. You must offer for sale at the Store all the wine products and related products that we periodically require and you may not offer at the Store any unapproved products or services or use the premises for any purpose other than the operation of a Store. The purpose of these requirements is to ensure that franchisees adhere to uniformity requirements and quality standards associated with WATERS EDGE WINERY & BISTROS. We have the unlimited right to change the types of authorized products and services you may offer.

You must not install or maintain on the premises of the individual store any newspaper, racks, video games, jukeboxes, gaming machines, gum machines, games, rides, vending machines, pool tables, automated teller machines or other similar devices without our prior written approval.

You may not offer for sale any WATERS EDGE WINERY & BISTRO products through the internet or other online programming or advertising without our written approval. See Item 12. We do not otherwise impose any restrictions or conditions that limit your access to customers.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise agreement. You should read these provisions in the agreement attached to this disclosure document.

Provisions	Section in Franchise Agreement	Summary
a. Length of the term of the franchise	Section 4A	Term is 10 years
b. Renewal or extension of the term	Section 4B	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. If you wish to do so, and you satisfy the required pre-conditions to renewal, we will offer you the right to obtain an additional 10-year term. You must sign our then-current form of franchise agreement for the renewal term, and this new agreement may contain materially different terms and conditions, including higher royalty and/or advertising contribution, from the agreement that covered your original term.
c. Requirements for you to renew or extend	Section 4B	You give us written notice of your decision to renew at least 6 months but not more than 12 months before the end of the expiring term; you sign our then current form of franchise agreement; you have complied with the modernization requirements for your Store; you are not in default and have satisfied your obligations on a timely basis; if leasing, you have written proof of our ability to remain in possession of the

Provisions	Section in Franchise Agreement	Summary
		Store premises throughout the renewal term; you comply with our training requirements; you pay us a $5,000 renewal fee; and you sign a release. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Section 13C	You may not terminate this Agreement prior to expiration of its term except with our prior written consent.
e. Termination by us without cause	None	Not Applicable.
f. Termination by us with cause	Section 13A and B	We can terminate the Franchise Agreement only if you default or fail to comply with your obligations.
g. "Cause" defined – defaults which can be cured	Sections 13A and B	You have 10 days to cure non-submission of reports, non-payment of amounts due and owing and using, maintaining and/or carrying unapproved products and supplies; and 30 days to cure defaults for failing to abide by our other standards and requirements in connection with the operation of your business, or failing to meet any requirements or specifications established by us, and any other default not listed in "h" below. We can turn off access to the POS software and wine club software, if you are in breach of the Franchise Agreement and fail to cure within the specified time.
h. "Cause" defined – defaults which cannot be cured	Sections 13A and B	Non-curable defaults include: material misrepresentations in your Franchise Application, abandonment, loss or revocation of winery license, loss of lease, the failure to timely cure a default under the lease, loss of right of possession or failure to relocate, closing of the Store, unapproved use of confidential information, insolvency, bankruptcy, unapproved assignment or transfer, conviction, intentionally understating or underreporting Gross Sales or other fees, multiple defaults, or failure to cure within 24 hours of notice a default which materially impairs the goodwill associated with any of our Trademarks or which endanger health, safety and sanitation laws.
i. Your obligations on termination/ non-renewal	Sections 10D.3 and 14A-C	Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand, transfer to us of domain names, social media accounts and websites connected with your store, return of Operations Manual and proprietary materials, stop use of Confidential Information and right to purchase assets of the Store (also see "o" and "r" below).
j. Assignment of contract by us	Section 11G	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 11A	Includes any transfer of your interest in the Franchise Agreement or in the business or any ownership change listed in Section 11A of the Franchise Agreement.
l. Our approval of transfer by you	Section 11B	We have the right to approve all transfers and may not unreasonably withhold approval.
m. Conditions for our approval of transfer	Sections 11B-D	Transferee meets all of our then-current requirements for a new franchisee entering our franchise program then being offered, transfer fee paid, all amounts owed by prior franchisee paid, required modernization is completed, training completed,

Provisions	Section in Franchise Agreement	Summary
		required guarantees signed, necessary financial reports and other data on franchise business is prepared, and release signed by you (also see "r" below). You must also comply with any other conditions that we reasonably require as part of our transfer policies, which may include, but not be limited to: (a) obtaining consent of the Store owner(s) and landlord to the transfer; (b) at our option, the proposed transferee either: (i) signs our then current form of Franchise Agreement, modified to delete any initial fee, and to expire on the expiration date of your Agreement or (ii) signs our then current form of Franchise Agreement for a full term and pays our then current initial franchise fee.
n. Our right of first refusal to acquire your business	Section 11F Franchise Addendum	We can match any offer for your Store assets and, in the case of a proposed stock sale, we can purchase your Store assets at a price determined by an appraiser, unless you and we agree otherwise. If a SBA loan applies, there are limitations on our first refusal rights to acquire your business.
o. Our option to purchase your business	Section 14B Franchise Addendum	Upon termination, we have the right to purchase or designate a third party that will purchase all or any portion of the assets of your Store, including the land, building, equipment, fixtures, signs, furnishings, supplies, leasehold improvements, winery license and inventory. Qualified appraiser(s) will determine price as set forth in the Franchise Agreement. If a SBA loan applies, there are limitations on our option to purchase your business.
p. Your death or disability	Section 11E	You can transfer your franchise rights to your heir or successor in interest like any other transfer, but if assignee is your spouse or child, no transfer fee is required.
q. Non-competition covenants during the term of the franchise	Section 10D	No direct or indirect involvement in the operation of any store or wine-related business other than one authorized in the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	Section 10D	No direct or indirect involvement in a competing business for 2 years (i) in the former Designated Area (ii) within 20 miles of the former Designated Area or (iii) within 20 miles of any other business or store using the System.
s. Modification of the Agreement	Section 15B	No modifications generally, but we have the right to change the Operations Manual, and list of authorized trademarks.
t. Integration/ merger clause	Section 15B	No modifications generally, but we have the right to change Operations Manual and list of authorized trademarks. Nothing in the Agreement is intended to disclaim any representations made in the franchise disclosure document. Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.

Provisions	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Not Applicable	The Franchise Agreement requires disputes to be litigated in court (subject to applicable state law).
v. Choice of forum	Section 12(A)	Any cause of action, claim, suit or demand must be brought in the United States District Court for the Central District of California or any state court located in San Bernardino County, California (subject to applicable state law).
w. Choice of law	Section 12(B)	California law, except non-compete provisions governed by the laws of the state in which the Store is located (subject to applicable state law).

This table lists certain important provisions of the Addendum to Lease. You should read these provisions in the agreement attached to this disclosure document.

Provisions	Section in Addendum to Lease	Summary
a. Length of the term of the franchise	Not Applicable	Not Applicable
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	3(a)	If you default on your lease or the Franchise Agreement, we may assume your lease.
g. "Cause" defined – defaults which can be cured	Not Applicable	Subject to lease.
h. "Cause" defined – defaults which cannot be cured	Not Applicable	Not Applicable
i. Your obligations on termination/non-renewal	3(c)	You must assign lease to us if we elect to assume it upon your default or termination/expiration of your Franchise Agreement.
j. Assignment of contract by us	2	We have the right to sublease your premises to another franchisee if we elect to assume your lease.
k. "Transfer" by you – defined	2	If we elect to assume your lease due to your default or termination or expiration of the Franchise Agreement, you must transfer to us.
l. Our approval of transfer by you	Not Applicable	Not Applicable
m. Conditions for our approval of transfer	2, 3	We must elect to assume lease.

Provisions	Section in Addendum to Lease	Summary
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Not Applicable	Not Applicable
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the Agreement	6	No amendment unless in writing and signed by parties.
t. Integration/merger clause	Not Applicable	Not Applicable
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	Not Applicable	Not Applicable
w. Choice of law	Not Applicable	Not Applicable

ITEM 18
PUBLIC FIGURES

We do not currently use any public figure to promote our franchise. We reserve the right to do so in the future.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2024, we had 10 operating franchised outlets. This financial performance representation contains data only for the 9franchised locations that had been open for business for at least 12 full months in the period ending December 31, 2024 . Each month, franchisees provide us with information regarding the amount of business conducted during the prior month. Royalties the franchisees pay us are based on that information.

Some Waters Edge Winery & Bistros have earned these amounts. Your individual results may differ. There is no assurance you'll earn as much.

Table 1 2024 Fiscal Year Franchised Stores Gross Sales	
Store Number	**2024 Total Gross Sales**
1	$2,559,506
2	$1,447,668
3	$1,061,917
4	$688,509
6	$584,730
5	$545,808
9	$417,040
8	$407,899
10	$220,920
Average Gross Sales (Notes 2 and 3)	$881,555
Median Gross Sales (Notes 2 and 4)	$584,730
Highest Gross Sales (Notes 2 and 5)	$2,559,506
Lowest Gross Sales (Notes 2 and 6)	$220,920

NOTE 1:

As of December 31, 2024, we had a total of 10 franchised Waters Edge Winery Stores and no company-owned stores. The table above includes actual historical unaudited information we collected from the 9 franchised Waters Edge Winery stores that were open and operating for at least 12 months as of December 31, 2024. The figures in the table are taken from reports submitted to us by our franchisees on their Gross Sales for 2024. All information collected is unaudited.

NOTE 2:

"Gross Sales" include the total revenues and receipts our franchised Stores reported to us from the sale of all products and services including, but not limited to, wine, wine products, food, winemaking courses, services, merchandise, and any wholesale items sold onsite or offsite of the store but does not include sales taxes and returns.

NOTE 3:

The Average Gross Sales for the 9 franchised Stores open for at least 12 months in 2024 is the sum of all gross sales reported to us by those Stores, divided by the number of locations (9).

NOTE 4:

The Median Gross Sales is the data point at the center of all data points. This figure is based on the Gross Sales reported by our 9 franchised Stores which had been in business for at least 12 full months in the period ending December 31, 2024. In this odd numbered sequence, the median is the number in the middle of this 9 data point set, which is $584,730.

NOTE 5:

The Store with the Highest Gross Sales is our top performing franchised Store out of the 9 franchised Stores, that had been in business for at least 12 full months in the period ending December 31, 2024.

NOTE 6:

The Store with the Lowest Gross Sales is our lowest performing franchised Store of out of the 9 franchised Stores, that had been in business for at least 12 full months in the period ending December 31, 2024.

Written substantiation for the financial performance representations made in this Item 19 will be made available to you upon reasonable request.

Other than the financial performance representations listed above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned, affiliate-owned or franchised business. We do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing business, however, we may provide you with the actual records of that business. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Ken Lineberger, 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730, (909) 468-9463, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2022	12*	14**	+2
	2023	14**	12**	-2
	2024	12	10***	-2
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	12*	14**	+2
	2023	14**	12**	-2
	2024	12	10***	-2

* 6 of these locations are private branded locations.
** 4 of these locations are private branded locations.
*** 3 of these locations are private branded locations.

Table No. 2
Transfers of Outlets From Franchisees to New Owners
(Other than the Franchisor)
For Years 2022 to 2024

State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

Table No. 3
Status of Waters Edge Wineries
Franchised Outlets
For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2022	3[4]	0	2[4]	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Illinois	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	2	0
	2024	0	0	0	0	0	0	0
Kentucky	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Montana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio	2022	2[1]	0	0	0	0	0	2[1]
	2023	2[1]	0	0	0	0	0	2[1]
	2024	2[1]	0	0	0	0	0	2[1]
Oklahoma	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Texas	2022	3[4]	1	0	0	0	0	4[4]
	2023	4[4]	0	1	0	0	0	3[4]
	2024	3[4]	0	0	0	0	1[1]	2[2]
Virginia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Totals	2022	12[5]	4	2[1]	0	0	0	14[6]
	2023	14[6]	1	1	0	0	2	12[6]
	2024	12[6]	0	0	0	0	2[2]	10[3]

1. These locations are private branded locations.
2. 1 of these locations is a private branded location.
3. 3 of these locations are private branded locations.
4. 2 of these locations are private branded locations.
5. 6 of these locations are private branded locations.
6. 4 of these locations are private branded locations.

Table No. 4
Status of Waters Edge Wineries
Company-Owned Outlets
For Years
2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table No. 5
Projected Waters Edge Winery Openings
for Upcoming Fiscal Year As of December 31, 2024

State	Franchised Agreements Signed But Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
New Jersey	1	1	0
Tennessee	1	1	0
Texas	1	1	0
Virginia	1	1	0
Total	4	4	0

*Our fiscal year end is December 31. States not listed have no projected franchised activity to report.

The name, business address, and business telephone number of each franchisee as of December 31, 2024, and the name, city and state, and business telephone number of every franchisee who has had a Store terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this disclosure document, is attached as Exhibit F. If you buy this franchise, your contract information may be disclosed to other buyers when you leave the franchise system.

In some instances, current, and former franchisees may sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored or endorsed. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21
FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are Waters Edge Wineries, Inc.'s audited financial statements as of December 31, 2024, 2023 and 2022.

ITEM 22
CONTRACTS

This disclosure document includes a sample of the following contracts: Application and Deposit Agreement (Exhibit B); Store Franchise Agreement (Exhibit D) and Addendum to Franchise Agreement (SBA Loan) (Exhibit E); State Specific Addenda (Exhibit H); Electronic Funds Transfer Authorization (Exhibit I).

ITEM 23
RECEIPTS

The last 2 pages of this franchise disclosure document are detachable receipt pages (Exhibit J). Please insert the name, address and telephone number of the franchise seller, and date and sign both copies. Detach the last page and return to us promptly on execution. Retain the other copy of the receipt page for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

Waters Edge Wineries, Inc.
8560 Vineyard Avenue, Suite 408
Rancho Cucamonga, CA 91730
909-468-9463

EXHIBIT A

STATE AGENCIES/AGENTS TO RECEIVE SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS, STATE AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.gov	Commissioner of Financial Protection and Innovation of the State of California 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.gov
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities, Department of Commerce & Consumer Affairs 335 Merchant Street Room 203 Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Attn: Franchise Section 525 West Ottawa G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 335-7567	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909 (517) 241-6345
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
NEW YORK	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8285 (Phone) (212) 416-6042 (Fax)	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol-Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712	Securities Commissioner 600 East Boulevard Avenue State Capitol-Fifth Floor, Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387
RHODE ISLAND	Director, Securities Division State of Rhode Island Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582	Securities Division Department of Business Regulation Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue, Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, First Floor Richmond, Virginia 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051
WASHINGTON	Securities Division Department of Financial Institutions P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501
WISCONSIN	Franchise Registration Division of Securities Wisconsin Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064	Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 266-1064

EXHIBIT B

APPLICATION AND DEPOSIT AGREEMENT

Waters Edge Wineries, Inc.
8560 Vineyard Ave, Suite 408
Rancho Cucamonga, CA 91730
909-468-9463 ext 700

To be Signed At Least 14 Days After Franchisee's Receipt of the Franchise Disclosure Document

FRANCHISE APPLICATION AND DEPOSIT AGREEMENT (the "Application Agreement")

TO: Waters Edge Wineries, Inc. (the "Franchisor")
8560 Vineyard Ave, Suite 408
Rancho Cucamonga, CA 91730

FROM: _____ (the "Applicant")
_____
_____

The Applicant desires to be considered for a WATERS EDGE WINERY & BISTRO Franchise with the Franchisor. Franchisor is willing to consider Applicant as a potential Franchisee pursuant to the terms of this Application Agreement. Accordingly, the parties agree as follows:

1. Applicant Information. The Applicant agrees to complete Schedule A attached hereto, in as much detail and as accurately as possible. In addition, Applicant agrees to submit to the Franchisor such other information and documents concerning the Applicant as the Franchisor reasonably requires. Applicant agrees to notify the Franchisor immediately of any changes to the information provided.

2. Deposit. The Applicant submits, in connection with this Application Agreement, a deposit in the amount of $20,000. If the Franchise Agreement is entered into between the Franchisor and the Applicant, the $20,000 deposit will be credited towards the initial franchise fee of the Franchise Agreement without interest or deduction.

3. Return of Deposit. If the Franchisor fails to accept this Application Agreement by returning a signed copy of the Application Agreement to the Applicant within 30 days of the date of its submission, it is deemed not accepted and the Franchisor will return the entire deposit to Applicant without interest.

4. Confidential Information. The Applicant understands that, prior to executing the Franchise Agreement, the Franchisor may furnish information and material that will be of a confidential nature concerning the Franchisor, and the WATERS EDGE WINERY & BISTRO franchise system including, without limitation, proprietary knowledge regarding the WATERS EDGE WINERY & BISTRO business and its proprietary ingredients, methods and procedures. The Applicant agrees to keep all such information confidential and not to disclose same to any competitor of the Franchisor nor to any other person, firm or corporation who may use or obtain any benefit from the confidential information, directly or indirectly, without the prior written consent of the Franchisor. The Applicant further agrees not to use any confidential information for its own benefit or to use it to compete with the business of the Franchisor should this Application Agreement be terminated or should the Franchisor refuse to grant a WATERS EDGE WINERY & BISTRO franchise to the Applicant.

5. Lease. The Applicant acknowledges and agrees that the granting of the WATERS EDGE WINERY franchise referred to in this Application Agreement is conditioned on the Franchisor's review and approval of the lease to be entered into between the landlord of the premises and the Applicant. Applicant's lease with the landlord of the premises must contain the Addendum to Lease, attached as Appendix C to the Franchise Agreement. The Applicant represents and warrants to the Franchisor that the Applicant will locate the WATERS EDGE WINERY & BISTRO in the premises identified on the lease and comply with all of the terms and provisions of the lease. The Applicant covenants to indemnify and save harmless Franchisor with respect to any damage, injury, claims, losses, costs or charges caused or resulting from any act or omission of the Applicant or caused by or resulting from any matter whatsoever relating to the lease.

6. Consent. The Applicant hereby consents and regards this Application Agreement as notice in writing of the Franchisor's intent to obtain, and consents to Franchisor obtaining, from any credit reporting agency, bank, credit grantor or any other party with which the Applicant has a financial relationship, such information concerning the Applicant as the Franchisor may require in connection with the granting of the WATERS EDGE WINERY & BISTRO franchise. Further, the Applicant consents to the Franchisor taking whatever action it considers necessary to verify the information in Schedule A, including contacting any references provided.

7. Franchise Agreement. On Franchisee's receipt of written notice of Franchisor's acceptance of this Application Agreement, the Applicant shall have 12 months in which to enter into the Franchise Agreement, a lease consented to by the Franchisor and containing the Addendum to Lease referenced in Paragraph 5, and such other agreements and documents as the Franchisor may reasonably require. The Applicant shall pay the balance of the initial franchise fee upon signing the Franchise Agreement. In the event the Applicant fails to sign the Franchise Agreement and to pay the balance of the initial franchisee fee within the above noted time period, subject to the limitation below, $7,000 of the deposit referred to in Paragraph 2 above will be returned to the Applicant without interest, and thereafter neither party will have any liability or obligation to the other except that the Applicant will continue to be bound by its confidentiality and non-competition obligations set forth in Paragraph 4 above, which will survive the termination of this Application Agreement. Franchisor shall have no obligation to provide a refund of any portion of the Deposit if Applicant does not request the refund in writing within 180 days of the date of this Application Agreement.

8. Franchisee Status. The Applicant acknowledges that unless Franchisor executes a Franchise Agreement with the Applicant, the Applicant will have no right whatsoever to become a WATERS EDGE WINERY & BISTRO franchisee or to use the WATERS EDGE WINERY trademarks or any confidential information, notwithstanding that the Franchisor has accepted all or any part of the initial deposit. The Applicant further acknowledges that should a Franchise Agreement be entered into by the parties, the right of the Applicant to become and remain a franchisee shall be subject to Franchisor's right to terminate the Franchise Agreement as a result of Applicant's failure to execute the documents required, failure to commence business as required or any other breach by Applicant of the Franchise Agreement.

9. Schedule. Schedule A is attached and incorporated into this Application Agreement by reference and is deemed to be an integral part of this Application Agreement. Applicant represents and warrants under penalty of perjury that all information provided in Schedule A is true and correct.

Date: _____

SIGNED, SEALED and DELIVERED
in the presence of:

Applicant	(Printed Name)

Acceptance of Application.

Waters Edge Wineries, Inc. hereby acknowledges the foregoing together with the receipt of the amount of the deposit referred to above and agrees to consider the Applicant as a candidate for a WATERS EDGE WINERY & BISTRO franchise.

Waters Edge Wineries, Inc.

By:_____
Ken Lineberger, President

SCHEDULE A
Confidential Franchise Application

PERSONAL DATA **DATE_____**

Name_____ Social Security No._____

Address _____ Date of Birth_____/_____/_____

City_____ State_____ Zip_____

Home Phone_____ Business Phone_____

Spouse's Name_____ Spouse's Date of Birth_____/_____/_____

Spouse's Occupation_____ Dependents and ages_____

Any other name by which you are known (state details)_____

If at current residence less than 2 years, please provide previous residence.

Previous Residence_____

Dates at this address_____

Are you a citizen of the USA_____? If not, what country_____?

Have you ever been convicted of, or pled guilty or no contest to, a felony or misdemeanor (other than a minor traffic violation?) Yes_____ No_____

Have you declared personal bankruptcy within the last 10 years? Yes_____ No _____

Have you or your spouse ever had an issue with alcohol abuse or been convicted of a DUI? Yes_____ No _____ If yes, please explain.

_____
_____

Have you ever been involved in any lawsuit? If yes, please explain.

_____
_____
_____
_____

EDUCATION

Name and Location	Year Graduated	Major or Degree

High School_____

College_____

Graduate_____

PERSONAL REFERENCES

Name	Phone No.	Association

1._____

2._____

3._____

BUSINESS EXPERIENCE (Work history and/or business started)
Please give present or last position first and provide the last 10 years of work/business history. Attach an additional sheet if necessary.

1. Company_____ City, State_____

Type of Business_____ Employed From _____ To _____

Position_____

Major Accomplishments_____

May we contact this company? Yes_____ No_____

Contact Person_____ Phone_____

2. Company_____ City, State_____

Type of Business_____ Employed From _____ To _____

Position_____

Major Accomplishments_____

May we contact this company? Yes_____ No_____

Contact Person_____ Phone_____

3. Company_____ City, State_____

Type of Business_____ Employed From _____ To _____

Position_____

Major Accomplishments_____

May we contact this company? Yes_____ No_____

Contact Person_____ Phone_____

PERSONAL BALANCE SHEET

ASSETS	**LIABILITIES**
Cash on hand and in banks (See schedule 1) $_____	Loans, Notes, Mortgages, Payable (See schedule 5) $_____
Stocks & Bonds (See schedule 2) _____	Acc't & bills due_____
Account/Notes Receivable (See schedule 3) _____	Taxes due_____
Real Estate Investments (See schedule 4) _____	Other Liabilities (Itemize)
Other Assets _____	_____ _____
_____	_____ _____
_____	_____ _____

Total Assets $_____ **Total Liabilities $_____**

Total Net Worth $_____ (Assets – Liabilities)

Capital available to invest in this franchise $_____

Residence Own_____ Rent_____ How Long_____

Schedule #1

Banking references (List all bank accounts including Savings & Loans)

Institute Name & Phone	Account Balance	Contact Officer

Schedule #2 **Stocks and Bonds**

Number of Shares	Description of Security	Marketable or Non-marketable	Current Market Value

Schedule #3 **Accounts/Notes Receivable**

Received from	Amount

Schedule #4 **Real Estate Investments (List all real estate held)**

The legal and equitable title to all real estate listed in this statement is in the name of the applicant unless otherwise indicated

Description or Street Number of Property	Date of Purchase	Cost	Mortgage Balance	Market Value	Liens	Monthly Payment

Schedule #5 Loans, Notes and Mortgage Payable

Payable to Amount

_____

_____

_____

OTHER INFORMATION

1. In your opinion: What are the essentials to the successful operation of a WATERS EDGE WINERY?

   _____

   _____

2. Why do franchisees pay an initial franchise fee?

   _____

   _____

3. Why do franchisees pay a royalty fee?

   _____

   _____

4. Why do franchisees pay a marketing and advertising fee?

   _____

   _____

5. Have you been given a Franchise Disclosure Document (FDD) in connection with this application?
   _____Yes _____No

   If yes, what is the date of the FDD? _____/_____/_____

6. Was any special promise made to you in connection with this application?

   _____Yes _____No If yes, please state details

   _____

   _____

7. What's the most recent winery you have visited? Describe when this was, and a little bit about your experience:

_____

_____

_____

8. What wine do you enjoy most? Why?

_____

_____

_____

9. How often to you enjoy wine?

☐ Several days/week ☐ A few times a month ☐ Occasionally ☐ Rarely/Never

10. What's your favorite wine & food pairing? Why?

_____

_____

_____

11. Do you prefer Old World wines, or New World? Why?

_____

_____

_____

12. Have you ever belonged to a wine club? Describe:

_____

_____

_____

13. If you could visit any wine region in the world, where would it be and why?

_____

_____

_____

14. Have you ever experienced a bad wine? Was it flawed in some way or simply not to your liking?

_____

_____

15. Have you ever worked in the food service industry before? Can you briefly describe any experience:

_____

_____

_____

16. How do you feel about public speaking?

_____

_____

17. What does the term hospitality mean to you?

_____

_____

_____

18. Can you list some descriptive core values that a successful hospitality team member should embody?

_____

_____

19. Can you describe what a successful, comfortable and satisfying dining experience would be for you?

_____

_____

_____

20. Can you describe a bad, uncomfortable, unsatisfying dining experience that you have had?

_____

_____

_____

I authorize you to make investigations of my credit, character and ability, and to contact anybody, whether or not listed above, including former employers, in order to obtain personal information about me. I release all such persons from any liability or damages that may be incurred as a result of furnishing such information. I also certify that all the information in this application is true and complete.

_____ _____

Signature Date

EXHIBIT C

TABLE OF CONTENTS FOR OPERATIONS MANUAL

WATERS EDGE WINERIES®, INC.
Individual Confidential Operations Manual

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EXHIBIT D

UNIT FRANCHISE AGREEMENT

(Including Appendices)

WATERS EDGE WINERY & BISTRO Franchise Agreement

Between

Waters Edge Wineries, Inc.
8560 Vineyard Avenue, Suite 408
Rancho Cucamonga, CA 91730
909-468-9463

And

_____
Name of Franchisee

_____
Street

_____
City State Zip Code

_____
Area Code Telephone

_____
Authorized Location:

_____
Street

_____
City State Zip Code

Effective Date:

(To be completed by Us)

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WATERS EDGE WINERY & BISTRO® FRANCHISE AGREEMENT

This Franchise Agreement is made this ____ day of _____, 20__ between Waters Edge Wineries, Inc., a Delaware corporation, whose principal business address is 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730 ("Franchisor," "our," "we" or "us"), and _____, a(n) _____ whose principal business address is _____ ("franchisee," "your" or "you"). If the franchisee is a corporation, partnership, limited liability company or other legal entity, certain provisions to this Agreement also apply to its owners.

RECITALS

A. We developed a unique system for operating retail locations that feature the manufacture and sale of wine, food and bistro menu items the teaching of winemaking and the sale of related wine accessories;

B. We own the WATERS EDGE WINERY Trademarks and other trademarks used in connection with the operation of a WATERS EDGE WINERY store;

C. We have the right to license the WATERS EDGE WINERY and WATERS EDGE WINERY AND BISTRO Trademarks and the right to develop and operate WATERS EDGE WINERY & BISTRO stores; and

D. You desire to either (i) develop and operate a WATERS EDGE WINERY & BISTRO store using the WATERS EDGE WINERY trademarks; or (ii) if you are an existing franchisee operating a Private Branded Store, open additional stores under the same Private Brand as your first store and We, in reliance on your representations, have approved your franchise Application and Deposit Agreement.

E. You asked and we agree to grant you: (CHECK ONE):

□ A full franchise, granting you the right to use our trademarks, system and methodologies. A full franchise will entitle you to participate in our advertising program and receive advertising and marketing assistance in your territory;

□ A private branded franchise, granting you the right to use our system and methodologies, but under a separate primary trademark you create and we approve. As a private branded franchise, you will not receive advertising and marketing assistance in your territory. This option is only available to existing Private Branded franchisees who want to open additional locations under the same brand as the first store.

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms below have the following definitions:

A. "Electronic Depository Transfer Account**"** means an account established at a national banking institution approved by us and providing us with access to electronically withdraw any funds due to us.

B. "General Manager" means the individual who (i) personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the Store, and (ii) does not participate in the active operation or management of any business other than the . The General Manager must be appointed at least 60 days prior to the Store opening and fully trained 10 days prior to the Store opening. The General Manager is identified on the Ownership and Management Addendum attached to this Agreement.

C. "Gross Sales" includes the total revenues and receipts from the sale of all products and services including, but not limited to, wine and wine products, food, winemaking courses, services, merchandise, and any wholesale items, sold onsite or offsite of your Store whether under any of the Trademarks or otherwise and includes, but is not limited to, winery rental fees received and any other revenues collected by you from your operations. Gross Sales does not include sales tax actually paid to government agencies and documented refunds provided to customers.

D. "Principal Owner" means any person who directly or indirectly owns a 51% or greater interest in the franchisee when the franchisee is a corporation, limited liability company or a similar entity other than a partnership entity. If the franchisee is a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If the franchisee is one or more individuals, each individual is a Principal Owner of the franchisee. Each franchisee must have at least one Principal Owner. Your Principal Owner(s) are identified on the Ownership and Management Addendum attached to this Agreement. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

E. "Store" means the WATERS EDGE WINERY & BISTRO Store or private branded store you develop and operate pursuant to this Agreement. The Store you open will manufacture and store wine and prepare food items, and you will sell such wine and food items in a retail location that meets our building plans and décor specifications as set forth in subparagraph 5.B.

F. "System" means the WATERS EDGE WINERY & BISTRO System, which consists of distinctive manufacturing of wine products prepared according to special recipes and formulas with unique manufacturing and storage procedures and techniques, and food items, all offered in a setting of a distinctive exterior and interior facility, layout, signage and materials and using certain distinctive types of equipment such as our Custom Winery Systems, supplies, ingredients, business techniques, methods and procedures together with sales promotion programs, all of which we may modify and change from time to time.

G. "Trademarks" means the WATERS EDGE WINERY and WATERS EDGE WINERY & BISTRO Trademarks and Service Marks that are registered in the United States Trademark Office, and the trademarks, service marks and trade names set forth on Appendix A, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Store. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Store from time to time.

GRANT OF LICENSE

2. The following provisions control with respect to the license granted hereunder:

A. Authorized Location. We grant to you the right and license to establish and operate a Store identified by the WATERS EDGE WINERY & BISTRO Trademarks or such other marks as we may direct. The Store will be located at _____ or

a location to be designated within 90 days from the date of this Agreement (the "Authorized Location"). When a location has been designated and consented to by you and us, it will become part of this subparagraph 2.A as if originally stated. Unless you seek and we grant you an extension in writing, if an Authorized Location is not designated within 90 days from the date of this Agreement (the "Location Deadline"), we have the right to declare this Agreement null and void without the return of any Initial Franchise Fee or other amounts paid to us. We will not unreasonably withhold consent to one 90 day extension of the Location Deadline, if prior to the expiration of the Location Deadline you seek our approval in writing to the extension together with an explanation of steps taken to date and your future plan to identify a location. Otherwise, we have no obligation to grant an extension or provide another extension, if one has already been given. You accept the license and undertake the obligation to operate the Store at the Authorized Location using the Trademarks and the System in compliance with the terms and conditions of this Agreement.

B. Designated Area. You must locate and operate the Store at an Authorized Location within the area described in Appendix B (the "Designated Area"). You may sell WATERS EDGE WINERY & BISTRO products and services only at or from the Store as set forth in the Operations Manuals.

We will not locate and operate or grant to anyone else a franchise or license to locate and operate a WATERS EDGE WINERY & BISTRO store within the Designated Area so long as this Agreement is in effect, except for the Special Sites defined in subparagraph 2.D. After your first year of operation, if your Store is performing at seventy-five percent (75%) or less of the System's store average during a consecutive 12 month period, we may amend or revoke your Designated Area in our discretion on written notice. You do not have any right to sublicense or subfranchise within or outside of the Designated Area and do not have the right to operate more than one Store within the Designated Area. If your Store is located within a Special Site (as defined below), you receive no territorial rights. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

C. Opening. You agree that the Store will be open and operating in accordance with the requirements of subparagraph 5.A within 12 months after the date the Authorized Location is designated and no more than 60 days after you complete training, unless we authorize in writing an extension of time.

D. Our Reservation of Rights. The license is limited to the right to develop and operate one Store at the Authorized Location located in the Designated Area. This license does not include (i) any right to sell products and services identified by the Trademarks at (1) any location other than the Store authorized under this Agreement; or (2) through any unapproved channel or method of distribution, including through a website owned and operated by any entity other than us, unless approved by us in writing; or (ii) any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned stores at any time or at any location outside of the Designated Area.

You acknowledge and agree that we have the right (i) anywhere outside of the Designated Area to grant other franchises and licenses and to develop and operate company or affiliate owned WATERS EDGE WINERY & BISTRO stores; (ii) to offer, sell and distribute inside and outside of the Designated Area any products or services associated with the System (now or in the future) under the Trademarks or any other trademarks, service marks or trade names through any distribution channel or method, all without compensation to you (except that any internet sales may be at our sole discretion either (a) directed to the store located in

the Designated Area nearest to where the customer is located for fulfillment; or (b) if we elect to fulfill the online order to a customer in your Designated Area, we will pay fifty (50%) of the internet product's sale price less taxes, shipping and handling to you); and (iii) to operate and franchise or license others to operate stores offering similar products and services as you do or any other business within and outside the Designated Area under trademarks other than the WATERS EDGE WINERY & BISTRO Trademarks, without compensation to you, except that our operation of, or association or affiliation with, stores (through franchising or otherwise) in the Designated Area that compete with WATERS EDGE WINERY & BISTRO stores in the wine and beverage segment will only occur through some form of merger or acquisition with an existing store chain.

Further, you acknowledge that certain locations within the Designated Area are by their nature unique and separate in character from sites generally developed as or serviced by WATERS EDGE WINERY & BISTRO stores. As a result, you agree that the following locations ("Special Sites") are excluded from your Designated Area and we have the right under our Trademarks or otherwise, to operate in, franchise, license and provide raw materials, ingredients, training and equipment or products to: (1) casinos; (2) military bases; (3) race tracks; (4) theme parks, including water parks and amusement parks; (5) hotels; (6) restaurants; (7) malls; (8) airports and (9) selected specialty retail venues, such as fairgrounds or other tourist oriented destinations (all of which may exist now or in the future).

TRADEMARK STANDARDS AND REQUIREMENTS

3. You acknowledge and agree that the Trademarks are our property. You further acknowledge that your right to use the Trademarks is specifically conditioned upon the following:

A. Trademark Ownership. We grant you the right to use the Trademarks in operating your Store. The Trademarks are our valuable property, and we are the owner of all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Store and of the business conducted at the Authorized Location that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to our benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest our rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Store except those set forth in Appendix A or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice marking requirements. Each wine bottle must contain a label with the approved WATERS EDGE WINERY logo. You may use the Trademarks only in association with products and services approved by us and that meet our standards or requirements with respect to quality, method and condition of manufacturing, storage, production, preparation and sale, and portion and packaging.

If pursuant to Recital E above, you are granted a private branded franchise, you must, after obtaining our written consent to the proposed name or mark, use and/or adopt another primary trademark and/or trade name in connection with your franchise (in addition to the Trademarks). You agree to include such other designations that we may request in connection with your primary trademark and trade name, which may include, for example a designation indicating you are an

affiliate of Waters Edge Wineries, operating under license. You acknowledge and agree that any mark or name that you adopt in connection with the operation of your franchise will belong to and inure to our benefit. You agree to assign all such marks and names and any registrations for such marks and names to us on written request and to take all further and other steps requested by us to effectuate the assignment of these marks and names to us. On termination or expiration of your franchise, you must stop using the Trademarks and all other marks and names adopted in connection with your franchise.

C. Store Identification and Other Uses of Marks. Except as directed by us, you must use the name WATERS EDGE WINERY & BISTRO as the trade name of the Store and you may not use any other mark or words to identify the Store without our prior written consent. You may not use the words WATERS EDGE WINERY or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Trademarks on various materials, such as business cards, stationery and checks, provided you (i) accurately depict the Trademarks on the materials, (ii) include a statement on the materials indicating that the business is independently owned and operated by you, (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, (iv) seek and obtain our prior written approval for use of the Trademarks on the proposed materials prior to use, and (v) make available to us, upon our request, a copy of any materials depicting the Trademarks. You must post a prominent sign in the Store identifying yourself as a WATERS EDGE WINERY franchisee in a format we deem reasonably acceptable, including an acknowledgment that you independently own and operate the Store and that the WATERS EDGE WINERY Trademark is owned by us and your use is under a license we have issued to you. If you are a private branded franchise, your adopted store name must always display the words "An Affiliate of Waters Edge Wineries" in the vicinity of your approved logo. The Affiliate designation must not be less than 30% the size of your approved logo.

D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks or our other intellectual property, such as copyrights or patents, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct in writing. We reserve the right to change the Trademarks at any time. Upon receipt of our notice to change the Trademarks, you must cease using the former Trademarks and commence using the changed Trademarks at your expense.

TERM AND RENEWAL

4. The following provisions control with respect to the term and renewal of this Agreement:

A. Term. The initial term of this Agreement is 10 years unless this Agreement is sooner terminated in accordance with Paragraph 13. The initial term commences upon the Effective Date of this Agreement. We may extend this initial term in writing for a limited period

of time not to exceed 6 months to take into account the term of any applicable lease for the Authorized Location.

B. Renewal Term and Conditions of Renewal. You may renew this Agreement for an additional term of 10 years, provided that: (i) you have given us written notice of your decision to renew at least 6 months but not more than 12 months prior to the end of the expiring term; (ii) you sign our then-current form of franchise agreement, the terms of which may differ from this Agreement, including higher fees and modified to reflect no additional renewal term upon expiration and other modifications to reflect that the agreement relates to the grant of a renewal; (iii) you have complied with the provisions of subparagraph 5.E regarding modernization; (iv) you are not in default of this Agreement or any other agreement pertaining to the franchise granted at the time you provide notice of your intent to renew or at the time of renewal, have satisfied all monetary and material obligations on a timely basis during the term and are in good standing; (v) if leasing the Store premises (and not subject to relocation under (iii) above), you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal period; (vi) you comply with our then-current training requirements; (vii) you and your Principal Owners and guarantors execute a general release of claims in a form we prescribe; and (viii) you pay us or our designee a renewal fee in the amount of $5,000.

C. Month-to-Month Agreement. If you do not sign our then-current Franchise Agreement prior to the expiration date and you continue to accept the benefits of this Agreement after it expires, then at our option, this Agreement may be treated either as (i) expired as of the expiration date with you then operating without a license and in violation of our rights; or (ii) continued on a month-to-month basis ("Month-to-Month Agreement") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by applicable law. In the latter case, all of your obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions imposed on you on expiration of this Agreement will be deemed to take effect upon termination of the Month-to-Month Agreement.

FACILITY STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of WATERS EDGE WINERY & BISTRO stores to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

A. Store Facility; Lease. You are responsible for purchasing or leasing a site that meets our site selection considerations. You are required to use our then-current approved real estate broker to select a site for your Store within the Designated Area. Our approved real estate broker will seek out local assistance with each property to be reviewed. Our approved real estate broker's assistance in no way constitutes a representation or warranty with respect to our approval or suitability of the proposed site. We must consent to the site in writing.

You may not open your Store for business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in subparagraphs 5.A and 5.B and we have approved your opening date. We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations

or your failure to open by a particular date. We also are entitled to injunctive relief or specific performance under subparagraph 12.D for your failure to comply with your obligations.

In the event that you enter into any type of lease for the Store premises, you must provide the lease to us and receive our prior written approval of the lease before you execute it. We have no responsibility for the lease; it is your sole responsibility to evaluate, negotiate and enter into the lease for the Store premises. Your lease must contain the Addendum to Lease attached as Appendix C. You must provide us a copy of the lease and Addendum within 5 days of their execution.

B. Construction. You may not commence construction of the Store until you have received our written consent to your building plans and your design and décor layout. You also must construct and equip the Store in accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures and design and layout of the building. You must use our designated construction management firm.

Without limiting the generality of the prior paragraph, you must promptly after obtaining possession of the site for the Store: (i) have prepared and submitted for our approval basic architectural plans and specifications (not for construction) consistent with our general atmosphere, image, décor, color scheme and ambience requirements as set forth from time to time in the Operations Manuals for a WATERS EDGE WINERY & BISTRO store (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, signs and decorating); (ii) purchase or lease and then, in the construction of the Store, use only the approved equipment, fixtures and signs; (iii) complete the construction and/or remodeling, equipment, fixtures, furniture and sign installation and decorating of the Store in full compliance with plans and specifications we approve and all applicable ordinances, building codes and permit requirements without any unauthorized alterations; (iv) obtain all customary contractors' sworn statements and partial and final waivers; (v) obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans With Disabilities Act; and (vi) obtain and maintain all required zoning changes, building, utility, health, sanitation, winery and sign permits and licenses and any other required permits and licenses. It is your responsibility to comply with the foregoing conditions.

Any change to the interior or exterior decor or image, equipment or signage of the Store to be made after our consent is granted for initial plans, whether at the request of you or of us, must be made in accordance with specifications that have received our prior written consent. You may not commence such addition or modification until you have received our written consent to your revised plans.

C. Maintenance. The building, equipment, fixtures, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Store must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon periodic evaluations of the premises by our representatives. Within a period of 30-60 days (as we determine depending on the work needed) after the receipt of any particular report prepared following such an evaluation, you must affect the items of maintenance we designate, including the repair of defective items and/or the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to customers or public health or safety, you must affect the items of maintenance immediately.

D. Relocation. If you need to relocate because of condemnation, destruction, or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Designated Area; provided that you locate a site acceptable to us and are open and operating within 60 days from closing the Store, all in accordance with our then-current standards. If you voluntarily decide to relocate the Store, your right to relocate the Store will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 30 days prior to closing the Store, have procured a site that we accept within 15 days after closing the prior Store, have opened the new Store for business within 60 days of such closure and complied with any other conditions that we reasonably require.

You must pay the costs of any relocation, and we reserve the right to charge you for any reasonable costs that we incur.

You do not have the right to relocate in the event you lose the right to occupy the Store premises because of the cancellation of your lease due to your breach, rather the cancellation of your lease due to your breach is grounds for immediate termination under subparagraph 13.B.2.

E. Modernization or Replacement. From time to time as we require, you must affect items of modernization and/or replacement of the trade dress or equipment as may be necessary for your Store to conform to the standards for similarly situated new WATERS EDGE WINERY & BISTRO stores. You must complete to our satisfaction any changes we require within 3 months from the date you are notified of any required changes. We will not require you to spend more than $50,000 annually on any required modernization and/or replacement of trade dress or equipment pursuant to this section. However, the monetary limits described above will not apply to any modernization and/or replacement of trade dress we may require in connection with a transfer or renewal of the Franchise.

Notwithstanding the prior paragraph, we will not require you to make any modernization expenditures during the first 5 years of this Agreement (except in the event of a transfer as noted below). You, however, must perform general, continued maintenance and refreshing of the Store premises whenever necessary as set forth in subparagraph 5.C. Further, each and every transfer of any interest in this Agreement or your Store or business governed by Paragraph 11 or renewal covered by Paragraph 4 is expressly conditioned upon your compliance with these requirements at the time of transfer or renewal.

You acknowledge and agree that the requirements of this subparagraph 5.E are both reasonable and necessary to insure continued public acceptance and patronage of WATERS EDGE WINERY & BISTRO stores. If you fail to make any improvement or perform the maintenance listed above, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance and you must reimburse us for the costs we incur.

F. Signage. In addition to installing interior signage that accurately displays the Trademarks, you also must purchase an approved outdoor sign at your expense which must bear the WATERS EDGE WINERY & BISTRO logo or other mark we designate and complies with our specifications, which we may modify and change from time to time due to modifications to the System, including changes to the Trademarks. If you are a private braded franchise, your signage must say "An affiliate of" with the WATERS EDGE WINERY & BISTRO logo. You must make such changes to the outdoor signage as we require. Your failure to replace the signage within 3 months from the date of notification will constitute a default of this Agreement under Paragraph 13. Any upgrades to the type or size of your outdoor signage will be at your expense.

PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

6. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to products and operations:

A. Authorized Products and Ingredients. You must use in the operation of the Store and in the preparation and manufacture of wine and other beverage products only the proprietary and non-proprietary ingredients, recipes, formulas, techniques, processes and supplies, and must prepare and sell wine and products in such appearance and packaging, all as we specify in our most current operations material or otherwise in writing. You acknowledge and agree that we may change these materials periodically and that you are obligated to conform to the requirements. All supplies, including containers and other customer service materials of all descriptions and types must meet our standards of uniformity and quality. You acknowledge that the Store must at all times maintain an inventory of ingredients and beverage products and other products, material and supplies that will permit operation of the Store at maximum capacity. You must carry and offer for sale all approved products and services we designate. You must not carry or offer for sale any unapproved product or service.

B. Approved Supplies and Suppliers. We will furnish to you from time to time lists of approved supplies or approved suppliers. You must only use approved products, inventory (including ingredients), equipment, fixtures, signs, advertising materials, trademarked items and novelties, and other items (collectively, "approved supplies") in the Store as set forth in the approved supplies and approved suppliers lists, as we may amend from time to time. Although we do not do so for every item, we have the right to approve the manufacturer of approved supplies. You acknowledge and agree that certain approved supplies may only be available from one source, and we may be that source. For instance, we are currently the only approved supplier for the custom winery system, juice and other supplies. You are required to purchase your initial inventory, as described in the Manuals, within sixty (60) days of signing the Franchise Agreement. We will derive revenue from the sale of products and supplies to you. All inventory, products, materials and other items and supplies used in the operation of the Store that are not included in the approved supplies or approved suppliers lists must conform to the specifications and standards we establish from time to time. ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION AND ANY REQUIRED COMPUTER SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.

C. Computer System, POS and Phone System. You must purchase and use the computer system and label printers that we require for the Store, including all future updates, maintenance, supplements and modifications (the "Computer System"). The Computer System includes hardware and software used in the operation of the Store. We reserve the right to require you to purchase or lease software that provides a system used to track and manage unfinished goods inventory, purchase orders and tax information. The computer hardware component of the Computer System must conform to specifications we develop. You must also purchase or lease and install a POS System and software meeting our requirements and pay for monthly support for the POS System (the "POS System"). We can require you to pay us direct for the software licensing fees to allow us to take advantage of better pricing on a systemwide basis. We have the right to require you to upgrade, update and change the Computer System and POS System on written notice, at your expense. You must comply with all directives we issue in this regard. You acknowledge and agree that we will have full and complete access to information and data entered and produced by the Computer System and POS System. You must have at the

Authorized Location internet access with a form of high speed connection as we require and you must maintain an email account for our direct correspondence with you and the Store. You are also required to purchase a minimum of two (2) VoIP phones from our then-current approved supplier. Each party to this Agreement acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to comply with those reasonable new standards that we establish.

D. Intranet. We will operate an Intranet system that we authorize you to access. You will have the mere privilege to use the Intranet, subject to your strict compliance with the standards and specifications, protocols and restrictions that we may establish from time to time in the Manuals and otherwise. You acknowledge that, as administrator of the Intranet, we may access and view any communication posted on the Intranet. You further acknowledge that the Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert. You must establish and continually maintain an electronic connection with the Intranet as specified in the Operations Manuals that allows us to send messages to and receive messages from you. If you default under this Agreement or any other agreement with us, we may, in addition to, and without limiting any other rights and remedies available to us, disable or terminate your access to the Intranet without us having any liability to you.

E. Evaluations. We or our authorized representative have the right to enter your Store at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your premises, equipment, and to test, sample, inspect and evaluate your supplies, ingredients and products, as well as the storage, preparation and formulation and the conditions of sanitation and cleanliness in the storage, production, manufacture, handling and serving. Any evaluation that you fail is a default under this Agreement. Further, if we determine that any condition in the Store presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close the Store until the situation is remedied to our satisfaction.

F. Period of Operation. Subject to any contrary requirements of local law, your Store must be opened to the public and operated at least 8 hours each day, at least 6 days a week. Any variance from this provision must be authorized by us in writing. You are permitted to close the Store one day a week, but this day must be consistent from week to week. For instance, you may not be closed on a Monday one week and on a Sunday the next, without first obtaining our written consent and notifying your customers of the change. You acknowledge and agree that if your Store is closed for a period of 3 consecutive days or 10 or more days (not including the one day a week in which you are permitted to close) in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of God, war, strikes, riots or other force majeure cause preventing you temporarily from complying with the foregoing will suspend compliance for the duration of such interference.

G. Operating Procedures. You must adopt and use as your continuing operational routine the required standards, procedures, techniques and management systems described in the Operations Manuals or other written materials relating to product manufacture, preparation and storage, financial management, equipment and facility. We will revise the Confidential Operations Manual and Food Operations Manual ("Operations Manuals") and these standards, procedures, techniques and management systems periodically to meet changing conditions of

retail operation in the best interest of stores operating under the Trademarks. Any required standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

You acknowledge having received one copy of or access to the Operations Manuals for use during the term of this Agreement. The Operations Manuals at all times are our sole property. You must at all times treat the Operations Manuals, and the information they contain, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Operations Manuals and other materials and you expressly agree to comply with each new or changed requirement. You must at all times insure that your copy of the Operations Manuals are kept current and up to date, and in the event of any dispute as to the contents of the Operations Manuals, the terms of the master copy of the Operations Manuals that we maintain is controlling. You acknowledge and agree that in the future the Operations Manuals and other system communications may only be available on the internet or other online or computer communications.

You acknowledge that your compliance with the Operations Manuals is vitally important to us and other System franchisees and is necessary to protect our reputation and the goodwill of the Trademarks and to maintain the uniform quality of operation through the System. However, while the Operations Manuals are designed to protect our reputation and the goodwill of the Trademarks, they are not designed to control the day-to-day operation of the Store.

H. Confidential Information. You, the Principal Owners, and the General Manager may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Store. For purposes of this Agreement, "Confidential Information" means all proprietary information, the software used in operating your Store, the Operations Manuals and other information communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Store. Any and all Confidential Information, including, without limitation, the Operations Manuals, proprietary ingredients, secret formulas and recipes, methods, procedures, suggested pricing, specifications, processes, materials, techniques, customer lists and other customer data, POS System data, wine club data, and other data, may not be used for any purpose other than operating the Store. You acknowledge and agree that we own all information contained in the POS System, wine club data, customer lists, other customer data, and all other Confidential Information used to operate the Store. You also acknowledge and agree that upon termination or expiration of this Agreement, you will have no ownership rights in any aspect of the Confidential Information including, but not limited to, any information contained in the POS System, wine club data, customer lists, other customer data, and any other Confidential Information used to operate the Store. In addition, during the term of this Agreement or thereafter, you may not teach classes for or at any school, public, private or otherwise, that conveys any information about our proprietary winemaking processes or franchise operations. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in the franchisee, the Principal Owners, the General Manager and other key employees. You must provide executed copies of these agreements to us upon our request.

I. Compliance with Law; Licenses and Permits. You must at all times maintain your premises and conduct your Store operations in compliance with all applicable laws, regulations, codes and ordinances. You must secure and maintain in force all federal, state and local licenses and permits relating to the operation of your Store. This includes, but is not limited to, a federal winery license, a state winery license and all retail alcohol, food and business licenses

required. It is your sole responsibility to comply with all applicable local, state and federal laws and requirements regarding the advertising, sale and labeling of alcoholic beverages and food items. Your failure to secure and maintain all necessary federal, state and local licenses required for the operation of your Store and/or to comply with all requirements for advertising, selling and labeling of alcoholic beverages and food items is a breach of this Agreement and grounds for termination pursuant to Paragraph 13.

You acknowledge that you are an independent business and responsible for control and management of your Store, including, but not limited to, the hiring and discharging of your employees, and setting and paying wages and benefits of your employees. You agree to comply with all applicable laws pertaining to the privacy of customers, employees, and financial transactional information ("Privacy Laws"). You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters for your personnel.

You must immediately notify us in writing of any claim, litigation or proceeding that arises from or affects the operation or financial condition of your WATERS EDGE WINERY & BISTRO business or Store, including any notices of health code violations or winery license violations.

J. Participation in Internet Web Sites or Other Online Communications. We reserve the right to require you to, at your expense, participate in the WATERS EDGE WINERY web site, any intranet or extranet system we may develop or other online communications as we may require. You must pay our then current rates to access these systems. We have the right to determine the content and use of the web site and any intranet or extranet system we may develop and will establish the rules under which franchisees may or must participate. We reserve the right to sell wine and wine related products on the website, and agree to split the proceeds of the sale in the manner described in Section 2(D). We retain all rights relating to the web site and any intranet or extranet system we may develop and may alter or terminate the web site, intranet or extranet system. Your general conduct on the web site, intranet and extranet system or other online communications and specifically your use of the Trademarks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in the web site, intranet or extranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in the web site, intranet and extranet system, or otherwise use the Trademarks or System on the internet or other online communications, will terminate when this Agreement expires or terminates.

K. Websites, Social Media and Domain Names. You may not separately register any domain name containing any of the Trademarks or operate your own website selling wine or related products or any social media site or page for your Store, whether or not they contain our Trademarks without our express prior written consent. If we consent to your registration and/or use of a domain name, website or social media site or page for your business (whether acquired, registered and/or used before or after entering into this Agreement), you must place such domain name(s), website(s) and social media site(s) or page(s) in our name and/or transfer the ownership of the domain name(s), website(s) and social media site(s) or page(s) to us, and take whatever other action we may require in this regard. On termination or expiration of this Agreement, you agree that we may keep and if not already done so, you must transfer to us any domain names, social media site(s) or pages(s) and websites used in operation of your Store.

L. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense, subject to any express limitations set forth in this Agreement.

M. Suggested Pricing Policies. We may, from time to time, make suggestions to you with regard to your pricing policies. We retain the right to establish maximum and minimum prices to be charged by you for sales, promotions or otherwise, but any exercise of that right will be specifically set forth in writing. You must honor the terms of all promotional or discount programs that we offer and comply with any pricing policies we may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies (when permitted by law).

N. Vending Services. You may not install or maintain on the premises of the Store any newspaper racks, video games, jukeboxes, gaming machines, gum machines, games, rides, vending machines, pool tables, automated teller machines or other similar devices without our prior written approval.

O. Uniforms. You must purchase and your employees must at all times wear uniforms while on duty imprinted with the Trademarks and conforming to other specifications prescribed by us.

P. Converting from our Private Branded Franchise Program to the Full Franchise Program. If you are a private branded franchisee in good standing and: (1) you are in full compliance with the terms of this Agreement; and (2) you want to convert to our Full franchise program, we may, at our sole discretion, elect to provide you an allowance to assist with the costs involved to change signage and re-brand to the Full franchise program. Nothing herein shall impose an obligation on us to do so. You will be subject to the advertising fee and all other requirements of the full franchise program after the conversion.

Q. Toll-Free Telephone Number. We have the right, but not the obligation, to establish and maintain a toll free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Operations Manuals or otherwise in writing.

PERSONNEL AND SUPERVISION STANDARDS

7. The following provisions and conditions control with respect to personnel, training and supervision:

A. Supervision. You must have a General Manager at all times during the term of this Agreement. You and your General Manager must ensure that the Store is operated in accordance with the terms and conditions of this Agreement.

B. Training. You must, at your expense, comply with all of the training requirements we prescribe for the Store to be developed under this Agreement. You and your General Manager must attend remote training provided via the web as well as classroom training in Rancho Cucamonga, California (or any other location designed by us in the future) and complete training

to our satisfaction. The initial training also includes custom winery system training and other pre-opening assistance that we or our designee provide at your Store prior to opening. Before starting operations and thereafter, you must require all employees handling food to obtain and maintain food handler certification training from companies we approve. In addition, you and all managers of the Store must take and successfully complete food management training from companies we approve. In the event you are given notice of default as set forth in subparagraphs 13.A and B and the default relates, in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you, and the General Manager, at your expense, comply with the additional training requirements we prescribe. Any new General Manager must comply with our training requirements within a reasonable time as we specify. You must pay all costs and our then current fees and travel expenses (if any) for such training. Under no circumstances may you permit management of the Store's operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require. We have no obligation to provide initial training if (i) you or an affiliate (if you are an entity) already owns or operates a Waters Edge Winery Store as of the date of this agreement; or (ii) this Agreement is executed as a renewal franchise agreement.

C. Ongoing Training. We may require you and your General Manager to attend, at your expense, ongoing training at our training facility, the Authorized Location or any other location we designate. You must pay all costs and our then current fees for such training, including any travel expenses we incur to provide the training if at the Authorized Location.

D. Additional Assistance. If you ask and we agree to provide additional assistance to you, you must pay our then current fees for such assistance plus our personnel's travel expenses.

E. Staffing. You will determine who to retain, how many people to retain (subject to any minimum staffing requirements we may prescribe), how you compensate your personnel, terms of employment and working conditions, when and how to discipline the personnel you hire, and when and how to terminate the personnel you hire. You are required at all times to comply with all applicable employment laws. No employee of yours will be deemed to be an agent or employee of ours for any purpose whatsoever and we are not a joint employer of those persons.

F. Attendance at Meetings. You must attend, at your expense, our annual franchise convention. You must also attend, at your expense, any regional meetings that we hold relating to new products or product preparation procedures, new operational procedures or programs, training, store management, sales or sales promotion, or similar topics. If you are not able to attend a meeting or convention, you must notify us at least 30 days prior to the meeting. You must pay our then current fee for attending our annual franchise conventions and regional meetings, which we may collect in monthly installments. You are also responsible for travel, lodging and related costs and fees for all persons who attend from your Store.

G. Payroll Service. You must retain an outside payroll service to provide payroll services to your employees.

ADVERTISING

8. You agree to actively promote your Store, to abide by all of our advertising requirements and to comply with the following provisions:

A. Required Local Expenditures, Approved Materials. You must use your best efforts to promote and advertise the Store and participate in any local advertising and promotional programs we establish from time to time. You are required to spend 3% of your Gross Sales on

approved local advertising and promotion. On a quarterly basis you must provide us with itemization and proof of advertising and an accounting of the monies that you have spent for approved local advertising. If you fail to make the required expenditure, we have the right to collect and contribute the deficiency to the Advertising Fund (defined below). You must use only such marketing and advertising materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. You must submit your proposed advertising or marketing materials to us prior to their use. We will approve or reject the materials within 10 days of receipt. Furthermore, any promotional activities you conduct in the Store or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste, accurately depict the Trademarks and used in a manner that we have prescribed. For each advertisement or promotion you publish or conduct, it is your sole responsibility to comply with local, state and federal laws regarding the sale of liquor or the operation of a winery.

B. Advertising Fund. We operate an Advertising Fund and require you to pay an Advertising Fee as set forth in subparagraph 9.C. All Advertising Fees will be placed in an Advertising Fund that we own and manage. The Advertising Fund is not a trust or escrow account, and we have no fiduciary obligation to franchisees with respect to the Advertising Fund. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing and advertising campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each store or in each advertising market. We have the right to make disbursements from the Advertising Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The disbursements may include payments to us for the expense of administering the Advertising Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. If requested, we will provide you an annual unaudited statement of the financial condition of the Advertising Fund. If you have a private branded franchise, this Section 8.B shall not apply to you.

C. Pre-Opening Marketing Package and Promotion. You must conduct certain advertising and public relations activities in connection with the opening of your Store, as we specify in writing. We require you to use our approved supplier for your grand opening advertising. Our Pre-Opening Marketing Package includes certain digital and traditional marketing that we manage prior to the opening of your Store and for the grand opening of your Store, such as the creation of social media content, press releases, local media outreach and other promotional activities and materials (the "Pre-Opening Marketing Package"). You must pay us our then-current Pre-Opening Marketing Package Fee (described below).

FEES, REPORTING AND AUDIT RIGHTS

9. You must pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee.

(i) You must pay to us or our designee a nonrefundable Initial Franchise Fee of $_____, Twenty Thousand ($20,000) of which you will pay when you sign the Franchise Application and Deposit Agreement. The remaining $_____ of the Initial Franchise Fee is due and payable in full on the date you sign this Agreement, is earned on receipt and is in consideration for our expenses incurred and services rendered in granting you franchise rights. We waive the Initial Franchise Fee if you are a private branded franchisee converting to our Full Franchise program.

(ii) Initial Franchise Fee - Additional Locations. Should we approve your application to purchase an additional Waters Edge franchise, the parties shall, for each additional franchise so purchased, enter into our then current form of Franchise Agreement, except that the amount of the Initial Franchise Fee shall be as follows:

1. For the second Waters Edge franchise purchased by you or your affiliate (i.e. another entity you or your owners control), the Initial Franchise Fee shall be seventy five percent (75%) of our then current Initial Franchise Fee charged to franchisees;

2. For the third Waters Edge franchise purchased by you or your affiliate (i.e. another entity you or your owners control), the Initial Franchise Fee shall be fifty percent (50%) of our then current Initial Franchise Fee charged to franchisees;

For the fourth Waters Edge franchise purchased by you or your affiliate (i.e. another entity you or your owners control) and each subsequent franchise thereafter, the Initial Franchisee Fee shall be twenty five (25%) of our then current Initial Franchise Fee charged to franchisees.

Nothing herein obligates us to grant you an additional franchise and you do not obtain rights pursuant to this Agreement to purchase or operate more than one franchise location.

B. Royalty Fee. In addition to the Initial Franchise Fee, during the full term of this Agreement and in consideration of the rights granted to you, you must pay to us or our designee a monthly Royalty Fee. For the first twelve (12) months of the term of this Agreement, the Royalty Fee is 5% of Gross Sales. Thereafter, the Royalty Fee shall be 6% of Gross Sales.

C. Advertising Fee. If you have a Full Franchise Location, you must pay to us or our designee a monthly Advertising Fee in an amount equal to 2% of your Gross Sales, as further described in Paragraph 8.B of this Agreement.

D. Pre-Opening Marketing Package. You must purchase the Pre-Opening Marketing Package from us at a cost of $15,000 on signing this Agreement (the "Pre-Opening Marketing Package Fee").

E. Added Services Fee. You must pay us or our designee a monthly Added Service Fee of three percent (3%) of your Gross Sales, with a minimum payment of $495, whichever is greater. We may increase the Added Services Fee minimum monthly payment requirements on thirty (30) days written notice. The Added Service Fee minimum will not increase by more than $150 per month in any 12-month period. You must begin paying the Added Services Fee ninety (90) days after you sign the Franchise Agreement, regardless of whether or not your WATERS EDGE WINERY & BISTRO store is open for business. The Added Services Fee will be used to provide one or more of the following additional services we elect to provide you as more fully described in the Operations Manuals: intranet/extranet access/website hosting, internet email accounts, website development assistance for your Store which will be accessible through our main website, search engine optimization (SEO) services, financial benchmark dashboard and access to our online training platform.

F. Reunion Deposit Fee. You pay $125 per month towards our annual reunion conference. Amounts collected from you are credited towards our then-current annual reunion fee charge.

G. Technology Fee. You must pay our approved supplier their then-current monthly Technology Fee. You will be required to pay the then-current set up and installation costs for each POS System.

H. Default Fee. We have the right to assess a fee of up to Two Thousand Five Hundred ($2,500) per violation of any term, obligation or requirement of the Operations Manuals or this Agreement. Our assessment of this fee shall not constitute a waiver by us of our right to seek damages and/or other relief against you arising from the violation, including our right to terminate this Agreement pursuant to Section 13.

I. Computations and Remittances. You authorize us to poll your POS to compute all amounts due and owing at the end of each month's operation and remittance for the amounts must be made to us on or before the 15th day of the following month, accompanied by the reports required by subparagraph 9.J of this Agreement. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us any amounts that we may hold from time to time on your behalf or that we owe to you. Further, if you are delinquent in the payment of any amounts owed to us, we have the right to require you to prepay estimated Royalties.

J. Electronic Transfer. We have the right to require all Royalty Fees, Advertising Fees, Added Services Fees, Technology Fees, Reunion Deposit Fees, Pre-Opening Marketing Package, amounts due for purchases from us and other amounts due to us to be paid through an Electronic Depository Transfer Account. At our request, you must open and maintain an Electronic Depository Transfer Account, and provide us with continuous access to such account for the purpose of receiving any payments due to us. Every month, you will deposit to the account sufficient sums to cover amounts owed to us prior to the date such amounts are due. You must sign any documents we or your bank requires to establish and implement the Electronic Depository Transfer Account. Once established, you must not close the Electronic Depository Transfer Account without our written consent.

K. Interest Charges; Late Fees. Any and all amounts that you owe to us will bear interest at the rate of eighteen (18%) per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late payments, you must also pay to us a service charge of Fifty Dollars ($50) for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we (or our designee) do not receive the payment on or before the date due; or (ii) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment. We also may levy fines against you for your failure to comply with your obligations under this Agreement, as further explained in the Operations Manuals. Any interest, service charge or fine levied against you will be deducted from your Electronic Depository Transfer Account ten (10) days after you receive notice from us.

L. Financial Planning and Management. You must record daily all sales using our designated software. You must keep books and records and submit reports as we periodically

require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledger, all of which accurately reflect the operations and condition of your Store operations. You must provide us or our designee passwords and access to your online accounting records and other accounting programs. You acknowledge and agree that we and our designee will have full and complete access to information and data entered and produced by the accounting programs without need to obtain prior notice or approval from you; however, you may restrict our ability to change accounting information and limit us to "view only" in the software setup. You must compile, keep and submit to us, the books, records and reports to us as we periodically may prescribe. The records that you are required to keep for your Store must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You also must preserve and retain the books, records and reports for not less than 36 months. You must allow us electronic and manual access to any and all records relating to your Store.

M. Reports and Audit. Within 5 days after the end of each month, you must submit to us a report with respect to the preceding calendar month in the form and content as we periodically prescribe. The report must include, but not be limited to, the following information for the preceding month: (i) amount of Gross Sales, amount of sales and excise tax and the computation of the Royalties; and (ii) quantities of products purchased and the sources from which each were obtained. Upon our request and within 30 days after notice, you must submit copies of your most recent sales tax return, monthly sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items. Also, if requested by us to verify your Gross Sales, you must submit, within 30 days of request, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 60 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared on an accrual basis including all adjustments necessary for fair presentation of the financial statements. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on other franchisees.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Store are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales or Royalties or a variance of 2% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales or Royalties at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Sales or Royalties or a variance of 2% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately. To verify the information that you supply, we have the right to reconstruct your sales through any reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of

sales unless you provide evidence in a form satisfactory to us of your sales within a period of 14 days from the date of notice of understatement or variance.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or in a manner as set forth in subparagraph 11.D.8 or where your information is grouped with similar information from other stores to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

10. You agree to comply with the following terms and conditions:

A. Payment of Debts. You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us, our affiliates and/or vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Store or business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Store or business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.

B. Indemnification. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Store. You agree to fully protect, indemnify and hold us and each of our owners, directors, officers, successors and assigns harmless from and against any and all claims, demands, damages acts, omissions and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Store (regardless of cause or any concurrent or contributing fault or negligence of us) including, but not limited to, any liability arising from labor or employment law violations or from claims against us by your employees or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred.

C. Insurance. You must purchase and maintain in full force and effect, at your expense and from a company we accept, insurance that insures you, us and any other persons we designate by name. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on the Store and all fixtures, equipment, supplies and other property used in the operation of the Store, for full repair and replacement value of the machinery, equipment and improvements, including full coverage for loss of income resulting from damage to the Store without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum 6 months loss of income, including coverage for our Royalties with us named as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of $1,000,000 per occurrence and $2,000,000 aggregate; (iv) liquor liability coverage with minimum limits of $1,000,000 per occurrence; (v) automobile liability insurance, including coverage for autos owned, leased, hired or borrowed by you or your owners and used for business purposes, with limits of at least $300,000 per claim; (vi) workers' compensation and employer's liability insurance covering all of your employees (vii) umbrella liability insurance which also includes liquor liability, employers liability and automobile liability, with minimum limits of $2,000,000 per occurrence; (viii) Waters Edge Wineries, Inc. as named additional insureds on all liability

policies required by this subparagraph; (ix) any other such insurance coverages or amounts as required by law or other agreement related to the Store.

The required insurance coverage must commence as of the date the building lease has been signed for your Authorized Location. You must deliver to us at commencement and thereafter annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured (as noted in (viii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the WATERS EDGE WINERY & BISTRO system, standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

D. Noncompete Covenants. You agree that you will receive valuable training and Confidential Information that you otherwise would not receive or have access to but for the rights licensed to you under this Agreement. You therefore agree to the following non-competition covenants:

1. Unless otherwise specified, the term "you" as used in this subparagraph 10.D includes, collectively and individually, all Principal Owners, General Manager, guarantors, officers, directors, members, partners, as the case may be, and holders of any ownership interest in you. You must obtain from individuals identified in the preceding sentence a signed non-compete agreement in a form satisfactory to us that contains the non-compete provisions of this subparagraph 10.D.

2. You covenant that during the term of this Agreement you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any wine business (manufacture, wholesale or retail) other than one authorized by this Agreement, or any other agreement between us and you.

3. You covenant that you will not, for a period of 2 years after the expiration or termination of this Agreement, regardless of the cause of termination, or within 2 years of the sale of the Store or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any wine business (manufacture, wholesale or retail) or in a store that sells wine or other beverage products the same as or similar to the type sold in WATERS EDGE WINERY & BISTRO stores: (i) in the former Designated Area; (ii) within a 20-mile radius of the former Designated Area; or (iii) within a 20-mile radius of the location of any other business or store using the WATERS EDGE WINERY & BISTRO System, whether franchised, affiliated or owned by us.

4. You agree that the length of time in subpart (3) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

E. Violation of Noncompete Covenant. If, after termination or expiration of this Agreement, you directly or indirectly own, operate or have any financial interest in any competitive business in violation of Section 10(D)(3), then, in addition to our other rights and remedies, you shall pay us liquidated damages. The liquidated damages shall be an amount equal to (i) eight percent (8%) of the average monthly Gross Sales derived from the Store during the 12-month period immediately preceding termination or expiration, including revenue derived from the sale of any merchandise, other products and services at or from the Store, and all other income of every kind and nature of the Store, multiplied by (ii) the number of full and partial months from your first violation of Section 10(D)(3) to the expiration of the non-compete term identified in Section 10(D)(3) ("Liquidated Damages"). If at the time of termination, your Store operated less than 12-months, then the measuring period for 10(E)(i) above shall instead be the 3-month period immediately preceding termination. The Liquidated Damages shall be paid by you to us in one lump sum on our written demand.

F. Reasonable Good Faith Estimate. We and you acknowledge and agree: (i) it would be very difficult and impractical to determine the precise amount of damages and expenses we will incur if you breach Section 10(D)(3) during the 2-year period following termination or expiration of this Agreement due to challenges inherent in determining amounts of revenue lost by us and other injury and damage to us from your violation; and (ii) the formula and measurement above and resulting Liquidated Damages are a reasonable, good faith estimate of the damages we will incur from your violation of Section 10(D)(3). You and we waive any claim that the resulting amount of Liquidated Damages is less than our actual damages or more than our actual damages, both you and we acknowledging and agreeing that the formula, measurement and resulting amount are a good faith, reasonable estimate and by the nature of being an estimate, will ultimately be inexact.

TRANSFER OF FRANCHISE

11. You agree that the following provisions govern any transfer or proposed transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Store. Consequently, neither your interest in this Agreement nor in the Store may be transferred or assigned to or assumed by any other person or entity (the "assignee"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with subparagraph 11.F, and if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in subparagraph 11.C is paid, and the transfer conditions described in subparagraph 11.D are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or otherwise, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Paragraph 11:

1. Any change in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner) which results in the Principal Owner owning less than 51%;

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or

3. For purposes of this subparagraph 11.A, a pledge or seizure of any ownership interests in you or in any Principal Owner that affects the ownership of 25% or more of you or Principal Owner, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the Store or business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subparagraph 11.F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in subparagraph 11.C, and satisfy the transfer conditions described in subparagraph 11.D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

You may not place in, on or upon the location of the Store, or in any communication media or any form of advertising, any information relating to the sale of the Store or the rights under this Agreement, without our prior written consent.

B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Paragraph 11 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in subparagraph 11.F must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other required information. The application must indicate whether you or a Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to elect either to terminate this Agreement or to collect from you and the guarantors a transfer fee equal to two times the transfer fee provided for in subparagraph 11.C.

C. Transfer Fee. You must pay to us a transfer fee in an amount equal to 50% of our then current Initial Franchise Fee at the time you submit an application for consent to transfer.

You must pay from the purchase price any broker, agent or other intermediary used in connection with the sale of the franchise and Store to the assignee.

D. Conditions of Transfer. We may condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity, on the following:

1. Assignee Requirements. The assignee must meet all of our then-current requirements for new franchisees entering our franchise program we are offering at the time of the proposed transfer.

2. Payment of Amounts Owed. All amounts owed by you to us, your suppliers or any landlord for the Store premises and Authorized Location, or upon which we have any contingent liability must be paid in full.

3. Reports. You must have provided all required reports to us in accordance with subparagraphs 9.H and I.

4. Modernization. You must have complied with the provisions of subparagraph 5.E.

5. Guarantee. In the case of an installment sale for which we have consented to you or any Principal Owner retaining a security interest or other financial interest in this Agreement or the Store or business operated thereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be.

6. General Release. You, each Principal Owner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Store or the parties' business relationship, in the form we designate, releasing us.

7. Training. The assignee must, at your or assignee's expense, attend and satisfactorily complete our training program and otherwise comply with the training requirements of subparagraph 7.B.

8. Financial Reports and Data. We have the right to require you to prepare and furnish to the assignee and/or us such financial reports and other data relating to the Store and its operations as we deem reasonably necessary or appropriate for the assignee and/or us to evaluate the Store and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Store and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignee to evaluate the Store and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

9. Other Conditions. You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies, which may include, but not be limited to: (a) obtaining consent of the Store owner(s) and landlord to the transfer; (b) at our option, the proposed transferee either: (i) signs our then current form of Franchise Agreement, modified to delete any initial fee, and to expire on the expiration date of this Agreement or (ii) signs our then current form of Franchise Agreement for a full term and pays our then current Initial Franchise Fee. Furthermore, you and the assignee must comply with any state and federal law or requirement regarding the transfer of your winery license.

E. Death, Disability or Incapacity. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under subparagraph 11.B, comply with the training requirements of subparagraph 7.B, pay the applicable transfer fee under subparagraph 11.C, and satisfy the transfer conditions under subparagraph 11.D, as in any other case of a proposed transfer, all within

180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Store still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in subparagraph 11.F.

F. Right of First Refusal. If you propose to transfer or assign this Agreement or your interest herein or in the Store or business, in whole or in part, to any third party, including, without limitation, any transfer contemplated by subparagraph 11.E or any transfer described in subparagraph 11.A, you first must offer to sell to us your interest. In the event of a bona fide offer from such third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer. In the event the proposed transfer results from a change in control of the franchisee or a Principal Owner under subparagraphs 11.A.1 through 11.A.3, or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the equipment, furniture and fixtures, and any leasehold interest used in the operation of your Store. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties and in accordance with the price determination formula established in subparagraph 14.B in connection with an asset purchase upon expiration. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Authorized Location is located will appoint one upon petition of either party.

You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested. We then have 45 days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 90-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Paragraph 11. You may effect no other sale or assignment of you, this Agreement or the Store or business without first offering the same to us in accordance with this subparagraph 11.F.

G. Transfer by Us. We have the right to sell or assign, in whole or in part, our interest in this Agreement.

DISPUTE RESOLUTION; CHOICE OF LAW; WAIVERS

12. The following provisions apply with respect to dispute resolution; choice of law and waivers:

A. Litigation. The parties agree that any dispute, suit, action or proceeding for damages or any request for injunctive, declaratory or other equitable relief ("Proceeding") between you and us arising under, out of, in connection with or in relation to this Agreement, any lease or sublease for the Store or the interpretation, performance or breach of this Agreement, the parties' relationship, or the business must be instituted in the United States District Court for the Central District of California or any court of the State of California located in San Bernardino

County, California, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have.

B. Choice of Law. Subject to our rights under federal trademark laws, the parties agree that California law shall govern any Proceeding brought pursuant to Section 12(A) except that the non-compete provisions of Section 10(D), shall be governed by the laws of the state in which the Store is located. You waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Store is located. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Store is located outside of California and such provision would be enforceable under the laws of the state in which the Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this paragraph is intended by the parties to subject this Agreement to any franchise or similar law, rule or regulation of any state to which it would not otherwise be subject.

C. Waivers.

1. Jury Waiver. The parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.

2. Class Action Waiver. Any Proceeding must be resolved on an individual basis and not joined as part of a class action or the claims of other parties.

3. Punitive Damages Waiver. The parties waive and agree that no punitive or exemplary damages shall be awarded under any circumstances.

D. Injunctive Relief. You recognize that the Store is one of a large number of stores and stores identified by the Trademarks and similarly situated and selling to the public similar products, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the Court. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the Court. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party.

E. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, or to prevent a breach of this Agreement, or to obtain a declaration of rights or obligations under this Agreement, or any other action or proceeding relating to this Agreement or the relationship between the parties,

any lease or sublease for the Store, or the business, shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

DEFAULT AND TERMINATION

13. The following provisions apply with respect to default and termination:

A. Defaults. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failing to pay when due any amounts required to be paid to us, conviction of you, a Principal Owner, or a guarantor of (or pleading no contest to) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Store, any felony, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Principal Owner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this subparagraph 13.B: (i) you will have 30 calendar days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports or using, maintaining and/or carrying unapproved products or supplies, in which case you will have 10 calendar days to cure those defaults; (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective immediately upon our issuance of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: any material misrepresentation or omission in your Franchise Application and Deposit Agreement; your voluntary abandonment of this Agreement or the Authorized Location; the permanent loss or revocation of your winery license; the loss of your lease; the failure to timely cure a default under the lease; the loss of your right of possession or failure to reopen or relocate under subparagraph 5.D; the closing of the Store by any state or local authorities for health or public safety reasons; any unauthorized use of the Confidential Information; you become insolvent; you, your Principal Owner or guarantor enter into or file for bankruptcy protection; you, a Principal Owner, or guarantor, makes an assignment or enters into any similar arrangement for the benefit of creditors; conviction of you, any Principal Owners, or guarantors of (or pleading no contest to) any felony or misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of the Trademarks or the Store; intentionally understating or underreporting Gross Sales, Royalties or Advertising Fees or any understatement or 2% variance on a subsequent audit within a 2 year period under

subparagraph 9.K; any unauthorized transfer or assignment in violation of Paragraph 11 or any default by you that is the second, same or similar default within any 12-month consecutive period or the fourth default of any type within any 24-month consecutive period.

3. Immediate Termination After No More than 24 Hours to Cure. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Trademarks, or violates any health, safety or sanitation law or regulation (i) you will have no more than 24 hours after we provide written notice of the default to cure the default; and (ii) this Agreement will terminate effective immediately on our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

C. Termination By Franchisee. Franchisee may not terminate this Agreement prior to expiration of its term except with our prior written consent.

D. Our Rights When You are in Default. If you are in default of this Agreement and fail to cure within the prescribed time identified above, then in addition to all our other rights and remedies, we may suspend your access to the POS and wine club software until such time as you cure the default(s) or make other arrangements satisfactory to us. You release us from all claims as a result of any access suspension.

POST-TERM OBLIGATIONS

14. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Trademarks (and all other names and marks adopted in connection with the Store) and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks at the Authorized Location will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. On our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Store (although we will not assume any past due obligations). You must immediately comply with the post-term non-compete obligations under subparagraph 10.D, cease all use and display of the Trademarks and any other marks and names adopted in connection with your Store and of any proprietary material (including the Operations Manuals and the product preparation materials) and of all or any portion of promotional materials furnished or approved by us, assign all right, title and interest in all domain names, social media acocunts and websites connected with the Store and cancel or assign to us or our designee, at our option, any adopted marks, assumed name rights, or equivalent registrations filed with authorities (in accordance with the Assignment attached as Appendix D). The phone system account you are required to purchase and maintain through our approved supplier is ultimately owned by us and upon expiration or termination of this Agreement, we will automatically have ownership of each phone line used at your Store. You must pay all sums due to us or designees and all sums you owe to third parties that have been guaranteed by us. You must immediately return to us, at your expense, all copies of the Operations Manuals and product preparation materials then in your possession or control or previously disseminated to your employees, stop use of all Confidential Information and continue to comply with the confidentiality provisions of subparagraph 6.G. You

must promptly at your expense and subject to subparagraph 14.B, remove or obliterate all Store signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks, other adopted marks, or names or materials confusingly similar to the Trademarks and so alter the appearance of the Store as to differentiate the Store unmistakably from duly licensed stores identified by the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all Store signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks, other adopted marks or names or material confusingly similar to the Trademarks or other marks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us that expressly or by their nature survive the expiration or termination of this Agreement.

B. Purchase Option. We have the right but not the obligation to purchase or designate a third party that will purchase all or any portion of the assets of your Store that are owned by you or any of your affiliates including, without limitation, equipment, the Computer System, fixtures, signage, furnishings, supplies, leasehold improvements, winery license and inventory of the Store at a price determined by a qualified appraiser (or qualified appraisers if one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Store's other assets) selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this Paragraph within 30 days after the date of the expiration or termination of this Agreement. You agree to assist in the transfer of the winery license to us or our designated third party. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party.

In the event the Agreement is terminated or expires, the price determined by the appraiser(s) will be the lesser of the depreciated book value or reasonable fair market value, but no less than salvage value of the assets based on their continuing use in, as, and for the operation of a WATERS EDGE WINERY & BISTRO Store and the appraiser will designate a price for each category of asset (e.g., equipment, fixtures, etc.), but shall not include the value of any goodwill of the Store or business, as the goodwill of the Store and business is attributable to the Trademarks and the System.

Within 45 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Store that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefor and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

If we do not exercise our option to purchase under this subparagraph, you may sell or lease the Store premises to a third party purchaser, provided that your agreement with the purchaser includes a covenant by the purchaser, which is expressly enforceable by us as a third party beneficiary, pursuant to which the purchaser agrees, for a period of 2 years after the expiration or termination of this Agreement, not to use the premises for the operation of a store business that has a product line or method of operation similar to that employed by our company-owned or franchised stores. Your agreement with the purchaser also must state that the purchaser has no right to use the WATERS EDGE WINERY & BISTRO Trademarks in any manner.

C. Claims. You and your Principal Owners and guarantors may not assert any claim or cause of action against us relating to this Agreement or the WATERS EDGE WINERY & BISTRO Store or business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

GENERAL PROVISIONS

15. The parties agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be severable and the rest of this Agreement shall remain in full force and effect. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto and the Application and Deposit Agreement constitute the sole agreement between the parties with respect to its subject matter and embodies all prior agreements and negotiations with respect to the Store or business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the Application and Deposit Agreement. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made in the franchise disclosure document.

C. Notices. Any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If intended for us, addressed to Ken Lineberger, Waters Edge Wineries, Inc., 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730;

2. If intended for you, addressed to you at _____ _____or at the Authorized Location;

Any notices delivered to the party to whom it is addressed shall be deemed to have been given and received on the day it is so delivered at such address, provided that if such day is not a business day, then the notice shall be deemed to have been given and received on the first business day next following such day. Any notice mailed as aforesaid shall be deemed to have been given and received on the third business day following the date of its mailing, unless earlier confirmation of delivery is received. Any notice transmitted by facsimile or other form of recorded communication shall be deemed given and received on the first business day after its transmission. Any party may from time to time change its address set out above by notice to the other parties in accordance with this section.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President or one of our authorized Vice Presidents.

E. References. If the franchisee is 2 or more individuals, the individuals are jointly and severally liable, and references to you in this Agreement includes all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

F. Guarantee. All Principal Owners of a franchisee that is a corporation, partnership, limited liability company or partnership or other legal entity must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement becomes a Principal Owner pursuant to the provisions of Paragraph 11 or otherwise must execute the form of undertaking and guarantee at the end of this Agreement.

G. Successors/Assigns. Subject to the terms of Paragraph 11 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

H. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify the requirements of subparagraph 5.E and other express limitations set forth in this Agreement.

2. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

I. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. In all public records, in relationships with other persons, and on letterhead and business forms, you will indicate your independent ownership of the Store and that you are a franchisee of Waters Edge Wineries, Inc. You must post a sign in a conspicuous location in the Store that will contain your name and state that the Store is independently owned and operated under a franchise agreement with us. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

J. Force Majeure. A party shall not be liable for delay in performance of an obligation to pay money to the other party, if the delay is due to terrorism, war, riot,, strike, or other labor trouble, utility failure, storm, fire, flood, earthquake, hurricane, explosion, embargo, blockade, insurrection, act of God or other similar event that is beyond the control of the parties. In the event of such delay, the time for performance will be extended by a period of time equal to the cause of the delay, but no longer than 30 days.

K. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the approved products and other standards, specifications, and requirements for any franchised store or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such store or store, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard product lines, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

L. Notice of Potential Profit. We may from time to time make available to you goods, products and/or services for use in your Store on the sale of which we may make a profit. Further, we may from time to time receive consideration from suppliers and/or manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we are entitled to said profits and/or consideration.

M. Effective Date. We will designate the "Effective Date" of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement. However, as described in subparagraph 5.A, you do not have the right to, and may not, open and commence operation of a Store at the Authorized Location until we notify you that you have satisfied all of the pre-opening conditions set forth in this Agreement.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

FRANCHISEE: (For an Entity)

Date: _____

_____,
a _____
(Please type or print name and type of entity)

By:_____
(Signature of person signing on behalf of entity)

_____
(Please type or print name of person signing on behalf of entity)

Its:_____
(Please type or print title of person signing on behalf of entity

Witness: _____
(Please type or print)

Signature:_____

FRANCHISEE: (For an Individual)

Date:_____

Name:_____
(Please type or print)

Date:_____

Name:_____
(Please type or print)

Signature:_____

Witness:_____

Signature:_____
(Please type or print)

US:

Waters Edge Wineries, Inc.

Date: _____

Signature:_____

By: _____

Its: _____

PERSONAL GUARANTEE AND AGREEMENT
TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in subparagraph 10.D, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

FRANCHISEE: _____

PERSONAL GUARANTORS:

_____	_____
Individually	Individually
_____	_____
Print Name	Print Name
_____	_____
Address	Address
_____	_____
City State Zip Code	City State Zip Code
_____	_____
Telephone	Telephone

Individually	Individually
Print Name	Print Name
Address	Address
City State Zip Code	City State Zip Code
Telephone	Telephone

OWNERSHIP AND MANAGEMENT ADDENDUM TO
WATERS EDGE WINERY® & BISTRO FRANCHISE AGREEMENT

1. Principal Owner. You represent and warrant to us that the following person and entity, and only the following person or entity, will be your Principal Owner:

NAME	HOME ADDRESS	PERCENTAGE OF INTEREST

2. General Manager. You represent and warrant to us that the following person, and only the following person, is your General Manager:

NAME	TITLE	ADDRESS

3. Change. You must immediately notify us in writing of any change in the information contained in this Addendum and, at our request, prepare and sign a new Addendum containing the correct information.

4. Effective Date. This Addendum is effective as of this _____ day of _____, 20___.

_____ _____
Your Initials Our Initials

Appendix A to the Franchise Agreement

Trademarks

You have the right to use the following Trademarks in accordance with the terms of the Franchise Agreement:

Principal Register of the United States Patent and Trademark Office:

Service Mark:	WATERS EDGE WINERY
Registration No.:	4,471,672
Registration Date:	January 21, 2014 (renewed September 20, 2023)
Service Mark:	WATERS EDGE WINERIES and design
Registration No.:	4,845,472
Registration Date:	November 3, 2015
Service Mark:	WATERS EDGE WINERY & BISTRO and design
Serial No.:	5,861,627
Registration Date:	September 17, 2019
Service Mark:	LIVE LIFE AT THE EDGE
Serial No.:	5,845,452
Registration Date:	August 27, 2019

We may amend this Appendix A from time to time in order to make available additional Trademarks or to delete those Trademarks that become unavailable. You agree to use only those Trademarks that are then currently authorized.

The Trademarks must be used only in the manner that we specify. No deviations will be permitted.

Appendix B to the Franchise Agreement

The Designated Area

As stated in Subparagraph 2.B of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Designated Area in which you will locate and operate the Store is defined as follows:

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

The Designated Area is considered fixed as of the date of the Franchise Agreement.

YOU:_____

By_____
Its_____

WE:

WATERS EDGE WINERIES, INC.

By_____
Its_____

Appendix C to the Franchise Agreement

Addendum to Lease

This Addendum to Lease ("Addendum"), dated _____, 20__, is entered into between _____("Lessor"), and _____("Lessee").

RECITALS

A. The parties have entered into a Lease Agreement, dated _____, 20__, (the "Lease") for the premises located at _____ (the "Premises").

B. Lessee has agreed to use the Premises only for the operation a WATERS EDGE WINERY® store at the Premises pursuant to a Franchise Agreement (the "Franchise Agreement") with Waters Edge Wineries, Inc. ("Waters Edge Wineries") under the name WATERS EDGE WINERY® or other name Waters Edge Wineries designates (the "Store").

C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

AGREEMENT

Lessor and Lessee agree as follows:

1. Remodeling and Decor. Lessor agrees to allow Lessee to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement.

2. Assignment. Lessee has the right to assign all of its right, title and interest in the Lease to Waters Edge Wineries or its successors or designee at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor's consent. No assignment will be effective, however, until Waters Edge Wineries or its successor or designee gives Lessor written notice of its acceptance of the assignment. If Waters Edge Wineries elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Lessor and Lessee agree that (i) Lessee will remain liable for the responsibilities and obligations, including amounts owed to Lessor, prior to the date of assignment and assumption, and (ii) Waters Edge Wineries will have the right to sublease the Premises to another licensee, provided the licensee agrees to operate the Store as a WATERS EDGE WINERY Store pursuant to a Franchise Agreement with Waters Edge Wineries. Waters Edge Wineries will be responsible for the lease obligations incurred after the effective date of the assignment.

3. Default and Notice.

   (a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor agrees to give Lessee and Waters Edge Wineries written notice of such default or violation within a reasonable time after Lessor knows of its occurrence. Lessor agrees to provide Waters Edge Wineries the written notice of default as written and on the same day Lessor gives it to Lessee. Although Waters Edge Wineries is under no obligation to cure the default, Waters Edge Wineries will notify Lessor if it intends to cure the default and unilaterally assume Lessee's interest in the lease as provided

in Paragraph 3(c). Waters Edge Wineries will have an additional 15 days from the expiration of Lessee's cure period in which to cure the default or violation.

(b) All notices to Waters Edge Winery must be sent by registered or certified mail, postage prepaid, to the following address:

Waters Edge Wineries, Inc.
8560 Vineyeard Ave., Suite 408
Rancho Cucamonga, CA 91730
Attention: Ken Lineberger

Waters Edge Wineries may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees to notify both Lessee and Waters Edge Wineries of any change in Lessor's mailing address to which notices should be sent.

(c) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, Waters Edge Wineries has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

4. Termination or Expiration.

(a) Upon the expiration or termination of the Franchise Agreement, Waters Edge Wineries has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

(b) Upon the expiration or termination of the Lease, if Waters Edge Wineries does not assume Lessee's interest in the Lease, Lessor agrees to cooperate and allow Waters Edge Wineries to enter the Premises, without cost and without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a WATERS EDGE WINERY Store and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from WATERS EDGE WINERY stores. In the event Waters Edge Wineries exercises its option to purchase assets of Lessee, Lessor agrees to permit Waters Edge Wineries to remove all such assets being purchased by Waters Edge Wineries.

5. Consideration; No Liability.

(a) Lessor acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Lessee may not lease the Premises without this Addendum.

(b) Lessor acknowledges that Lessee is not an agent or employee of Waters Edge Wineries and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Waters Edge Wineries or any affiliate of Waters Edge Wineries and that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Waters Edge Wineries.

(c) Nothing contained in this Addendum makes Waters Edge Wineries or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of Waters Edge Wineries.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained Waters Edge Wineries' written consent.

7. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect.

8. Miscellaneous.

   (a) Waters Edge Wineries is a third party beneficiary of this Addendum.

   (b) References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions and renewals to the documents.

   (c) References to Lessor, Lessee and Waters Edge Wineries include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LESSEE:

By: _____

Title: _____

LESSOR:

By: _____

Title: _____

Appendix D to the Franchise Agreement

Assignment of Websites, Social Media Accounts and Domain Names

Date: _____

This assignment is effective as of the date of termination or expiration of the Franchise Agreement entered into between Waters Edge Wineries, Inc. ("us") and _____ ("you"). You hereby irrevocably assign to us or our designee all websites, domain names and social media accounts and sites applicable to your Store, as defined in the Franchise Agreement, with respect to each and all of your WATERS EDGE WINERY® businesses. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment.

We hereby are authorized and empowered upon termination or expiration of the Franchise Agreement and without any further notice to you to notify the applicable internet domain registrar, social media operators as well as any other digital media company used by you to transfer your websites, social media accounts and domain names to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign your websites, social media accounts and domain names, including but not limited to, executing any forms that the social media operators or domain registrars may require to effectuate the assignment. This assignment is also for the benefit of the domain registrars and social media site operators and the domain registrars and social media operators, may accept this assignment and our instructions as conclusive evidence of our rights in the websites, social media accounts and domain names and our authority to direct the amendment, termination or transfer of the websites, social media accounts and domain names, as if they had originally been issued to us. In addition, you agree to hold the domain registrars and social media operator companies harmless from any and all claims against them arising out of any actions or instructions by Waters Edge Wineries regarding the websites, social media accounts and domain names.

YOU:

_____ _____

By_____ By_____
Its_____ Its_____

AND

WATERS EDGE WINERIES, INC.

By_____
Its_____

EXHIBIT E

ADDENDUM TO FRANCHISE AGREEMENT (SBA LOAN)

WATERS EDGE WINERIES, INC.
SBA ADDENDUM TO FRANCHISE AGEEMENT[1]

THIS ADDENDUM ("**Addendum**") is made and entered into on _____, 20____, by and between WATERS EDGE WINERIES, INC. ("**Franchisor**"), located at 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730, and _____("**Franchisee**"), located at _____ _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U.S. Small Business Administration ("**SBA**"). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor required Franchisee to sign:

Change of Ownership. If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

Forced Sale of Assets. If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

Covenants. If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

Employment. Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. § § 3729 – 3733.

(Signature Page Follows)

[1] While relationships established under license, jobber, dealer and similar agreements are not generally described as ''franchise'' relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

AUTHORIZED REPRESENTATIVE OF FRANCHISOR:

WATERS EDGE WINERIES, INC.**,**
A Delaware corporation

By: _____
Name: _____
Title: _____

AUTHORIZED REPRESENTATIVE OF FRANCHISEE:

(IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

_____
[Print Name of Franchisee Entity]

By: _____
Name: _____
Title: _____

OR

(IF FRANCHISEE IS AN INDIVIDUAL):

_____
Print Name

_____
Signature

_____
Print Name

_____
Signature

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

EXHIBIT F

LIST OF EXISTING AND TERMINATED FRANCHISES

WATERS EDGE WINERIES, INC.
FULL FRANCHISEES AS OF DECEMBER 31, 2024

KENTUCKY

Charlie Watkins
Waters Edge Winery & Bistro
114 S Mulberry St,
Elizabethtown, KY 42701
cwatkins@wineryetown.com

MONTANA

Angela Zuba
Waters Edge Winery & Bistro
2593 Highway 2 East, 8
Kalispell, MT 59901
angela@wewinerykalispell.com

OKLAHOMA

Waters Edge Winery Moore
Mara English
200 SE 19th Street
Moore, OK 73160
(405) 551-1112

Michelle Dean
Waters Edge Winery & Bistro Broken Arrow
116 S. Main Street
Broken Arrow, OK 74012
michelle@wewba.com
(918) 286-0086

Michelle Dean
Waters Edge Winery & Bistro Broken Arrow #2
3300 South Elm Place
Broken Arrow, OK 74011
michelle@wewba.com
(918) 286-0086

TEXAS

Candice Elliott
Waters Edge Winery & Bistro
4828 Waterview Town Center Dr Ste. 700
Richmond, TX 77407
(346) 843-2320
candice@wewrichmondtx.com

VIRGINIA

Waters Edge Winery & Bistro
Jason Witt
6464 Hampton Blvd
Norfolk, Virginia 23508
info@wewnorfolk.com

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

WATERS EDGE WINERIES, INC. PRIVATE BRANDED LOCATIONS
AS OF DECEMBER 31, 2024

OHIO

Gillig Custom Winery
1720 Northridge Road
Findley, OH 45840
nikki@gilligwinery.com

Urban Pine Winery & Bistro
3415 Briarfield Blvd
Maumee, Ohio
(419)-773-4088
jen@urbanpinewinery.com

TEXAS

Kevin & Teresa Miller
Texas Sun Winery
3415 North Loop 250 West, Suite 305
Midland, Texas 79707
kevin@texassunwinery.com

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

WATERS EDGE WINERIES, INC. FRANCHISEES WHO WERE TERMINATED CANCELED OR NOT RENEWED, OR WHO OTHERWISE CEASED DOING BUSINESS IN THE YEAR ENDING DECEMBER 31, 2024

CALIFORNIA

Mark Mitzenmacher
Waters Edge Winery & Bistro Long Beach
149 Linden Avenue, Suite C
Long Beach, CA 90802
mark@watersedgewineries.com
(909) 322-6816

TEXAS

Sable Gate Winery
2600 Travis Street, Suite 104
Houston, Texas 77006
szilvia@sablegatewinery.com
(713) 360-7113

TRANSFERS AS OF DECEMBER 31, 2024

NONE.

FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2024

NEW JERSEY
Bud Phillips
Phillipsburg, NJ
bphillips@bevgraph.com

TENNESSEE
Tate Tidwell
Chattanooga, TN
Utgradn02@gmail

TEXAS
Kate Vahdani
Dallas, TX
kcvahdani@gmail.com

VIRGINIA
Paul Williams
Midlothian, VA
fairfacts@gmail.com

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

WATERS EDGE WINERIES, INC.
COMPANY OWNED LOCATIONS AS OF DECEMBER 31, 2024

None.

EXHIBIT G

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF

WATERS EDGE WINERIES, INC., AS OF DECEMBER 31, 2024, 2023, and 2022

WATERS EDGE WINERIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024

(AUDITED)

CWGB&S CPAs

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP

Certified Public Accountants

2851 Camino Del Rio South | Suite 410 | San Diego, CA 92108-3808 | P (619) 563-0145 | F (619) 563-9584 | www.cwgcpa.com

WATERS EDGE WINERIES, INC.
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CWGB&S CPAs
Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

Member of AICPA

PARTNERS

Richard A. Goldberg, CPA
Wes L. Salem, CPA
Ma. Lolita Cremat, CPA
Michael Selamet Kwee, CPA

CWGB&S CPAs

Certified Public Accountants

CalCPA

OFFICE MANAGER

Tanya Davis

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of
Waters Edge Wineries, Inc.

Opinion

We have audited the accompanying financial statements of Waters Edge Wineries, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waters Edge Wineries, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Cashuk, Wiseman, Goldberg, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
March 17, 2025

WATERS EDGE WINERIES, INC.
BALANCE SHEETS
December 31, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	$ 157,146	$ 475,829
Accounts Receivable (Note A)	114,000	3,141
Due From Related Entity (Note F)	289,020	128,657
Employees Advance	2,700	3,300
TOTAL CURRENT ASSETS	562,866	610,927
PROPERTY AND EQUIPMENT		
Property and Equipment, net of accumulated depreciation of $84,360 and $53,891 in 2024 and 2023 (Notes A & C)	144,558	175,027
OTHER ASSETS		
Note Receivable (Note J & L)	180,000	200,000
TOTAL ASSETS	**$ 887,424**	**$ 985,954**

The accompanying notes are an integral part of these financial statements.

CWGB&S CPAs
Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

WATERS EDGE WINERIES, INC.
BALANCE SHEETS
December 31, 2024 and 2023

LIABILITIES AND STOCKHOLDER'S EQUITY

	2024	2023
CURRENT LIABILITIES		
Accrued Expenses	$ 54,029	$ 34,718
Income Tax Payable (Note B)	3,213	3,213
Current Portion of Long-Term Debt (Note H)	24,745	22,615
TOTAL CURRENT LIABILITIES	81,987	60,546
LONG-TERM LIABILITIES		
Long-Term Debt, net of current portion (Note H)	515,016	522,265
TOTAL LONG TERM LIABILITIES	515,016	522,265
TOTAL LIABILITIES	597,003	582,811
STOCKHOLDER'S EQUITY		
Common Stock - 20,000 Shares Authorized, 200 Issued and Outstanding	200	200
Additional Paid in Capital	-	2,582
Retained Earnings (Accumulated Deficit)	290,221	400,361
TOTAL STOCKHOLDER'S EQUITY (DEFICIT)	290,421	403,143
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 887,424**	**$ 985,954**

The accompanying notes are an integral part of these financial statements.

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Certified Public Accountants
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WATERS EDGE WINERIES, INC.
STATEMENTS OF INCOME
Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES		
Franchise Royalties and Fees (Note A)	$ 613,440	$ 616,302
Franchise Sales (Notes A)	212,000	72,000
TOTAL REVENUES	825,440	688,302
COST OF REVENUES	106,794	102,048
GROSS PROFIT	718,646	586,254
EXPENSES		
Advertising (Note A)	108,391	44,430
Bad Debt (Note A)	-	20,639
Depreciation	30,469	30,302
General & Administrative	123,847	150,911
Insurance	41,431	33,411
Interest	31,152	27,487
Professional Fees-Legal	35,849	1,085
Professional Fees-Others	39,219	42,721
Personnel Expenses	232,378	228,555
Leases (Notes A & D)	17,080	20,048
TOTAL EXPENSES	659,816	599,589
INCOME (LOSS) FROM OPERATION	58,830	(13,335)
OTHER INCOME (EXPENSES)		
Interest Income	845	4,384
Settlement Income (Note J)	-	128,505
Legal Settlement Cost (Note J)	160,000	-
Gain (Loss) From Disposal of Fixed Assets	-	(8,994)
NET OTHER INCOME (EXPENSES)	(159,155)	123,895
INCOME (LOSS) BEFORE TAXES	(100,325)	110,560
Income Tax Expense (Note B)	800	1,658
NET INCOME (LOSS)	$ (101,125)	$ 108,902

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WATERS EDGE WINERIES, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
Years Ended December 31, 2024 and 2023

	Common Stock		Additional Paid In Capital	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
Beginning Balance, January 1, 2023	200	$ 200	0	$ 291,459	$ 291,659
Contributions	-	-	2,582	-	2,582
Distributions	-	-	-	-	-
Net Income (Loss)	-	-	-	108,902	108,902
Ending Balance, December 31, 2023	200	$ 200	$ 2,582	$ 400,361	$ 403,143
Contributions	-	-	-	-	-
Distributions	-	-	(2,582)	(9,015)	(11,597)
Net Income (Loss)	-	-	-	(101,125)	(101,125)
Ending Balance, December 31, 2024	**200**	**$ 200**	**$ -**	**$ 290,221**	**$ 290,421**

The accompanying notes are an integral part of these financial statements.

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WATERS EDGE WINERIES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$ (101,125)	$ 108,902
Adjustments to Reconcile Net Income to Net Cash		
Provided(Used) by Operating Activities:		
Depreciation	30,469	30,302
Gain From Disposal of Fixed Assets	-	8,994
Cash Provided(Used) by Changes in		
Operating Assets and Liabilities:		
Accounts Receivable	(110,859)	12,081
Franchise Deposits	-	(22,000)
Due from Related Party	(160,363)	(110,903)
Accrued Expenses	19,314	(6,373)
Employee Advances	600	30,200
Due from Stockholder	-	(2,485)
Note Receivable	20,000	(200,000)
Note Payable-Current Portion	2,130	(15,474)
Income Tax Payable	-	(5,645)
CASH USED FOR OPERATING ACTIVITIES	(299,834)	(172,401)
FINANCING ACTIVITIES		
Proceeds (Distributions) from Additional-Paid-in-Capital	-	2,582
Proceeds from Long-Term Debt	(18,849)	-
Principal Payments of Long-Term Debt/FA Disposal/Debt Assumption	-	(9,795)
CASH USED FOR FINANCING ACTIVITIES	(18,849)	(7,213)
DECREASE IN CASH AND CASH EQUIVALENTS	(318,683)	(179,614)
Cash and Cash Equivalents at Beginning of Year	475,829	655,443
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 157,146	$ 475,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income Taxes Paid	$ 7,303	$ 1,600
Interest Expense	31,152	27,487

The accompanying notes are an integral part of these financial statements.

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Certified Public Accountants
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Fax (619) 563-9584 • www.cwgcpa.com

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Waters Edge Wineries, Inc. (the Company) was incorporated under the laws of the State of California on May 15, 2012. The Company has adopted a December 31 calendar year end for reporting requirements.

2. The Company is a franchisor that provides a unique franchise system to franchisees. The Company sells franchise licenses to business owners in certain states. The license provides the franchisee the right to the Company's trademarks, training, processes, software and supply chain to help them operate an independent winery business. The Company collects monthly royalty and support fees from the franchisees.

3. Revenue Recognition-The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topics 606, "*Revenue from Contracts with Customers*" which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

   Under the new guidance, the Company determines if the pre-opening activities contain any distinct goods or services. A good or service that is promised to a franchisee is distinct if both of the following criteria are met: (a) the franchisee can benefit from the good or service either on its own or together with other resources that are readily available to the franchisee, and (b) the Company's promise to transfer the good or service to the franchisee is separately identifiable from other promises in the contract. The transaction is then allocated to distinct performance obligations based on standard selling prices.

   In January 2021, FASB issued Accounting Standards Update No. 2021-02, *"Franchisor-Revenue from Contracts with Customers"*, creating a practical expedient that simplifies the identification of performance obligations for private company franchisors for certain pre-opening services. The Company made the election to use this practical expedient to recognize the pre-opening services as a single performance obligation.

   Pre-opening services are defined as follows:

   a. Assistance in the selection of a site
   b. Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and lease negotiation
   c. Training of the franchisee's personnel or the franchisee
   d. Preparation and distribution of manuals and similar materials concerning operations, administration, and record keeping.

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Certified Public Accountants
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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

Revenue Recognition-Con't

e. Bookkeeping, information technology, and advisory services, including setting u the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
f. Inspection, testing, and other quality control programs

As provided by the practical expedient, pre-opening services provided by the Company to a franchisee are accounted for as a single performance obligation, distinct from franchisee license. Accordingly, initial fees allocated to pre-opening services are recognized when those services are performed consistent with current GAAP. There were no deferred revenue

Revenue is recognized when all material services or conditions relating to the sale have been substantially, performed or satisfied by the company (usually upon commencement of franchisee obtaining capacity of earning fees). Fees received before this time are deferred and included in deferred franchise fees. There were no deferred franchise fees as of December 31, 2024 and 2023.

Franchise royalties and support fees are recognized when earned and are stated net of all related franchisee costs. The royalty and support fees are average 5% of the franchisees' gross sales and $350 per month.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.

5. Accounts Receivable-consist of fees related to services rendered and sales completed in the current year but were not received as of the balance sheet date. Management determines an allowance for doubtful accounts based on specific identification of uncollectible receivables and historical collection rates. Uncollectible receivables are written off after all attempts at collection are exhausted. There was no bad debt recorded in 2024. Management has determined that receivables of $114,000 at December 31, 2024 are collectible.

6. Reclassifications-Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

7. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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Certified Public Accountants
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Fax (619) 563-9584 • www.cwgcpa.com

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

8. Leases-Effective January 1, 2022, the Company adopted the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, "*Leases* (Topic 842)" and all related amendments. The Company elected to apply the practical expedient of forgoing the restatement of comparable periods. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. In addition, the Company elected the practical expedients permitted under transition guidance to not reassess leases entered into prior to adoption. As permitted under ASC 842, the Company made an accounting policy election to exempt leases with an initial term of 12 months or less from balance sheet recognition. Instead, short-term leases are expensed over the lease term with no impact to the balance sheet.

   Under this approach, operating leases are measured and recorded as operating leases as of January 1, 2022 and existing capital leases are carried over at their carrying value and classified as finances leases. The Company's operating lease at December 31, 2024 is a short-term lease and has been elected to be exempt from balance recognition. The Company had no finance leases as of December 31, 2024.

9. Concentration of Cash and Credit Risk-The Company maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, the Company has no uninsured cash balances.

10. Property and Equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. As the Company's accounting policy, maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

    Depreciation is provided at rates based on the following estimated useful lives:

Vehicles	5 years

    For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

11. Fair Value of Financial Instruments-Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

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Certified Public Accountants
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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Other Receivables, Notes Receivables, Accrued Liabilities and Other Payables-The carrying amounts reported in the balance sheets for these items are a reasonable estimate of fair value.

Loan Payable and Long-Term Debt-The fair value of loan payable and long-term debt is estimated based on the present value of cash flows required under the loan and debt, using discounting rate based on interest rates for similar debt instruments. The carrying amounts approximated fair value.

12. Advertising Costs are expensed in the year incurred. The Company incurred $108,391 and $44,430 in advertising expense in the years ended December 31, 2024 and 2023, respectively.

NOTE B-INCOME TAXES:

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income in their individual income tax returns. The State of California imposes a tax of 1 ½% of taxable income or $800, whichever is greater.

Provision for state income tax for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
California	$ 800	$ 1,658

The income allocable to each stockholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the stockholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted FASB ASC 740-10 regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would sustain an examination by applicable taxing authorities. The Company recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of income and comprehensive income, which are none for the years ended December 31, 2024 and 2023. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

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NOTE C-PROPERTY AND EQUIPMENT:

At December 31, 2024 and 2023, the company had the following property and equipment:

	2024	2023
Vehicle	$ 228,918	$ 228,918
Accumulated Depreciation	(84,360)	(53,891)
Net Property and Equipment	$ 144,558	$ 175,027

NOTE D-LEASES:

The Company leases office facilities on a month-to-month basis. Total rent expense for the year ended December 31, 2024 was $17,080. The office lease is classified as short-term operating based on its terms.

NOTE E- STOCKHOLDER:

Ken Lineberger is the sole stockholder of the company with 200 shares of stock owned for the years ended December 31, 2024 and 2023.

NOTE F-RELATED PARTY TRANSACTIONS:

The Company shares office space and employees with a related party, BEKH Cellar. As of December 31, 2024, the Company has a note receivable from BEKH Cellar in the amount of $289,020. This loan is unsecured, non-interest bearing and due on demand.

NOTE G-SUBSEQUENT EVENT:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 17, 2025, the date the financial statements were available to be issued. There were no other subsequent events requiring adjustments to and disclosures in the financial statements as of and for the year ended December 31, 2024.

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NOTE H-LONG TERM DEBT:

Long-Term Debts as of December 31, 2024 and 2023 consisted of the following:

Note Payable to Carmax Auto Finance. Secured by vehicle, matures in March 2029, monthly payment of $1,370 including interest at 9.89% annually.	$ 57,075
Unsecured SBA Loan, matures in August 2051, with Interest rate of 3.75%. Monthly payment of $2,496.	512,686
	569,686
Less: Current Portion	24,745
Net Long-Term Debt	$ 515,016

Maturities of financing obligations are as follows:

Year Ending December 31	Amount
2025	$ 24,745
2026	25,409
2027	26,409
Thereafter	463,198
TOTAL	$ 539,761

NOTE I-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs).

In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

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NOTE I-FAIR VALUE MEASUREMENTS-CON'T:

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2024 and 2023, there were no assets and liabilities measured at fair value.

NOTE J-CLAIMS AND LITIGATIONS:

On October 26, 2022, the Company filed a federal complaint against one of its franchisee, Wine Vibes, LLC. On September 26, 2023, the parties entered into a settlement agreement and Mutual Release of Claims, requiring Wine Vibes, LLC to pay a sum of $300,000, plus interest at 12% per annum or the highest legal rate, whichever is lower. The settlement amount maybe reduced to $200,000 in 10 yearly installment s of $20,000 (the "Reduced Settlement Amount") if Wine Vibes, LLC complies with the terms and conditions of the settlement agreement and make payments of all installments for the reduced settlement amount.

During 2024, the Company paid its legal team $160,000 for the legal costs associated with the above settlement.

NOTE K-RETIREMENT PLAN:

The Company does not sponsor any retirement plan for its employees.

NOTE L-NOTE RECEIVABLE:

Note receivable consists of settlement receivable from Wine Vibes, llc in 2023. The note amount as of end of year was $180,000, due in 10 yearly installments, with zero interest (see Note J).

CWGB&S CPAs
Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

WATERS EDGE WINERIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

(AUDITED)

CWGB&S CPAs

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM, & SALEM, LLP

Certified Public Accountants

2851 Camino Del Rio South | Suite 410 | San Diego, CA 92108-3808 | P (619) 563-0145 | F (619) 563-9584 | www.cwgcpa.com

WATERS EDGE WINERIES, INC.
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Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

Member of AICPA

PARTNERS

Richard A. Goldberg, CPA
Wes L. Salem, CPA
Ma. Lolita Cremat, CPA
Michael Selamet Kwee, CPA

CWGB&S CPAs

Certified Public Accountants

CalCPA

OFFICE MANAGER

Tanya Davis

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of
Waters Edge Wineries, Inc.

Opinion

We have audited the accompanying financial statements of Waters Edge Wineries, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waters Edge Wineries, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Cashuk, Wiseman, Goldberg, Birnbaum & Salem, LLP

CASHUK, WISEMAN, GOLDBERG, BIRNBAUM AND SALEM, LLP

San Diego, California
February 15, 2024

WATERS EDGE WINERIES, INC.
BALANCE SHEETS
December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents (Note A)	$ 475,829	$ 655,443
Accounts Receivable (Note A)	3,141	15,222
Due From Related Entity (Note F)	128,657	17,754
Employees Advance	3,300	33,500
TOTAL CURRENT ASSETS	610,927	721,919
PROPERTY AND EQUIPMENT		
Property and Equipment, net of accumulated depreciation of $53,891 and $78,157 in 2023 and 2022 (Notes A & C)	175,027	245,324
OTHER ASSETS		
Note Receivable (Note J & L)	200,000	-
TOTAL ASSETS	**$ 985,954**	**$ 967,243**

The accompanying notes are an integral part of these financial statements.

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WATERS EDGE WINERIES, INC.
BALANCE SHEETS
December 31, 2023 and 2022

LIABILITIES AND STOCKHOLDER'S EQUITY

	2023	2022
CURRENT LIABILITIES		
Accrued Expenses	$ 34,718	$ 41,092
Due To Stockholder (Note F)	-	2,485
Income Tax Payable (Note B)	3,213	8,858
Franchise Deposits	-	22,000
Current Portion of Long-Term Debt (Note H)	22,615	38,089
TOTAL CURRENT LIABILITIES	60,546	112,524
LONG-TERM LIABILITIES		
Long-Term Debt, net of current portion (Note H)	522,265	563,060
TOTAL LONG TERM LIABILITIES	522,265	563,060
TOTAL LIABILITIES	582,811	675,584
STOCKHOLDER'S EQUITY		
Common Stock - 20,000 Shares Authorized, 200 Issued and Outstanding	200	200
Additional Paid in Capital	2,582	-
Retained Earnings (Accumulated Deficit)	400,361	291,459
TOTAL STOCKHOLDER'S EQUITY (DEFICIT)	403,143	291,659
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 985,954**	**$ 967,243**

The accompanying notes are an integral part of these financial statements.

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WATERS EDGE WINERIES, INC.
STATEMENTS OF INCOME
Years Ended December 31, 2023 and 2022

	2023	2022
REVENUES		
Franchise Royalties and Fees (Note A)	$ 616,302	$ 512,834
Franchise Sales (Notes A)	72,000	90,000
TOTAL REVENUES	688,302	602,834
COST OF GOODS SOLD	102,048	282,574
GROSS PROFIT	586,254	320,260
EXPENSES		
Advertising (Note A)	44,430	137,101
Bad Debt (Note A)	20,639	919
Depreciation	30,302	37,503
General & Administrative	150,911	274,496
Insurance	33,411	35,095
Interest	27,487	46,961
Professional Fees-Legal	1,085	86,179
Professional Fees-Others	42,721	65,011
Personnel Expenses	228,555	212,002
Leases (Notes A & D)	20,048	14,194
TOTAL EXPENSES	599,589	909,461
INCOME (LOSS) FROM OPERATION	(13,335)	(589,201)
OTHER INCOME (EXPENSES)		
Gain Contingency-PPP Loan Forgiveness	-	8,318
Interest Income	4,384	3,189
Settlement Income (Note J)	128,505	1,276,518
Gain (Loss) From Disposal of Fixed Assets	(8,994)	-
NET OTHER INCOME (EXPENSES)	123,895	1,288,025
INCOME (LOSS) BEFORE TAXES	110,560	698,824
Income Tax Expense (Note B)	1,658	10,458
NET INCOME	$ 108,902	$ 688,366

The accompanying notes are an integral part of these financial statements.

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WATERS EDGE WINERIES, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
Years Ended December 31, 2023 and 2022

	Common Stock		Additional Paid In Capital	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount			
Beginning Balance, January 1, 2022	200	$ 200	356,140	$ (396,907)	$ (40,567)
Contributions	-	-	-	-	-
Distributions	-	-	(356,140)	-	(356,140)
Net Income (Loss)	-	-	-	688,366	688,366
Ending Balance, December 31, 2022	200	$ 200	$ -	$ 291,459	$ 291,659
Contributions	-	-	2,582	-	2,582
Distributions	-	-	-	-	-
Net Income (Loss)	-	-	-	108,902	108,902
Ending Balance, December 31, 2023	**200**	**$ 200**	**$ 2,582**	**$ 400,361**	**$ 403,143**

The accompanying notes are an integral part of these financial statements.

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WATERS EDGE WINERIES, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 108,902	$ 688,366
Adjustments to Reconcile Net Income to Net Cash		
Provided(Used) by Operating Activities:		
Depreciation	30,302	37,503
Gain From Disposal of Fixed Assets	8,994	-
Cash Provided(Used) by Changes in		
Operating Assets and Liabilities:		
Accounts Receivable	12,081	194,969
Franchise Deposits	(22,000)	2,000
Due from Related Party	(110,903)	100,966
Accrued Expenses	(6,373)	1,869
Employee Advances	30,200	(28,409)
Due from Stockholder	(2,485)	2,485
Note Receivable	(200,000)	-
Note Payable-Current Portion	(15,474)	1,237
Lines of Credit	-	(10,530)
Income Tax Payable	(5,645)	8,858
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(172,401)	999,314
INVESTING ACTIVITIES		
Purchases of Property & Equipment	-	(247,390)
FINANCING ACTIVITIES		
Proceeds (Distributions) from Additional-Paid-in-Capital	2,582	(356,140)
Proceeds from Long-Term Debt	-	62,115
Principal Payments of Long-Term Debt/FA Disposal/Debt Assumption	(9,795)	(13,703)
CASH USED FOR FINANCING ACTIVITIES	(7,213)	(307,728)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(179,614)	444,196
Cash and Cash Equivalents at Beginning of Year	655,443	211,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 475,829	$ 655,443
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income Taxes Paid	$ 7,303	$ 1,600
Interest Expense	27,487	46,961

The accompanying notes are an integral part of these financial statements.

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Certified Public Accountants
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Fax (619) 563-9584 • www.cwgcpa.com

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Waters Edge Wineries, Inc. (the Company) was incorporated under the laws of the State of California on May 15, 2012. The Company has adopted a December 31 calendar year end for reporting requirements.

2. The Company is a franchisor that provides a unique franchise system to franchisees. The Company sells franchise licenses to business owners in certain states. The license provides the franchisee the right to the Company's trademarks, training, processes, software and supply chain to help them operate an independent winery business. The Company collects monthly royalty and support fees from the franchisees.

3. Revenue Recognition-The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topics 606, "*Revenue from Contracts with Customers*" which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

   Under the new guidance, the Company determines if the pre-opening activities contain any distinct goods or services. A good or service that is promised to a franchisee is distinct if both of the following criteria are met: (a) the franchisee can benefit from the good or service either on its own or together with other resources that are readily available to the franchisee, and (b) the Company's promise to transfer the good or service to the franchisee is separately identifiable from other promises in the contract. The transaction is then allocated to distinct performance obligations based on standard selling prices.

   In January 2021, FASB issued Accounting Standards Update No. 2021-02, *"Franchisor-Revenue from Contracts with Customers"*, creating a practical expedient that simplifies the identification of performance obligations for private company franchisors for certain pre-opening services. The Company made the election to use this practical expedient to recognize the pre-opening services as a single performance obligation.

   Pre-opening services are defined as follows:

   a. Assistance in the selection of a site
   b. Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and lease negotiation
   c. Training of the franchisee's personnel or the franchisee
   d. Preparation and distribution of manuals and similar materials concerning operations, administration, and record keeping.

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Certified Public Accountants
Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

Revenue Recognition-Con't

e. Bookkeeping, information technology, and advisory services, including setting u the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business
f. Inspection, testing, and other quality control programs

As provided by the practical expedient, pre-opening services provided by the Company to a franchisee are accounted for as a single performance obligation, distinct from franchisee license. Accordingly, initial fees allocated to pre-opening services are recognized when those services are performed consistent with current GAAP. There were no deferred revenue

Revenue is recognized when all material services or conditions relating to the sale have been substantially, performed or satisfied by the company (usually upon commencement of franchisee obtaining capacity of earning fees). Fees received before this time are deferred and included in deferred franchise fees. There were no deferred franchise fees as of December 31, 2023 and 2022.

Franchise royalties and support fees are recognized when earned and are stated net of all related franchisee costs. The royalty and support fees are average 5% of the franchisees' gross sales and $350 per month.

4. Cash & Cash Equivalents for purposes of the statement of cash flows, include cash on hand, cash in checking and savings accounts with banks. All short-term debt securities with a maturity of three months or less are considered cash equivalents.

5. Accounts Receivable-consist of fees related to services rendered and sales completed in the current year but were not received as of the balance sheet date. Management determines an allowance for doubtful accounts based on specific identification of uncollectible receivables and historical collection rates. Uncollectible receivables are written off after all attempts at collection are exhausted. Bad debt in the amount of $20,639 was recorded in 2023. Management has determined that receivables of $3,141 at December 31, 2023 are collectible.

6. Reclassifications-Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

7. Use of Estimates-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

8. Leases-Effective January 1, 2022, the Company adopted the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, "*Leases* (Topic 842)" and all related amendments. The Company elected to apply the practical expedient of forgoing the restatement of comparable periods. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. In addition, the Company elected the practical expedients permitted under transition guidance to not reassess leases entered into prior to adoption. As permitted under ASC 842, the Company made an accounting policy election to exempt leases with an initial term of 12 months or less from balance sheet recognition. Instead, short-term leases are expensed over the lease term with no impact to the balance sheet.

   Under this approach, operating leases are measured and recorded as operating leases as of January 1, 2022 and existing capital leases are carried over at their carrying value and classified as finances leases. The Company's operating lease at December 31, 2023 is a short-term lease and has been elected to be exempt from balance recognition. The Company had no finance leases as of December 31, 2023.

9. Concentration of Cash and Credit Risk-The Company maintains corporate cash balances which, at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. At year end, the Company has no uninsured cash balances.

10. Property and Equipment are stated at cost. The straight-line method of depreciation is followed for financial reporting purposes. Depreciation is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives or the lives of the respective leases, whichever is shorter. As the Company's accounting policy, maintenance and repairs are charged to expense. Major renewals and improvements are capitalized. Gains and losses on dispositions are credited or charged to earnings as incurred.

    Depreciation is provided at rates based on the following estimated useful lives:

Furniture and Equipment	5-7 years
Vehicles	5 years

    For federal income tax purposes, depreciation is computed using the accelerated cost recovery system and the modified accelerated cost recovery system.

11. Fair Value of Financial Instruments-Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

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Certified Public Accountants
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NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CON'T:

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

Cash and Cash Equivalents, Accounts Receivable, Other Receivables, Notes Receivables, Accrued Liabilities and Other Payables-The carrying amounts reported in the balance sheets for these items are a reasonable estimate of fair value.

Loan Payable and Long-Term Debt-The fair value of loan payable and long-term debt is estimated based on the present value of cash flows required under the loan and debt, using discounting rate based on interest rates for similar debt instruments. The carrying amounts approximated fair value.

12. Advertising Costs are expensed in the year incurred. The Company incurred $44,430 and $137,101 in advertising expense in the years ended December 31, 2023 and 2022, respectively.

NOTE B-INCOME TAXES:

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income in their individual income tax returns. The State of California imposes a tax of 1 ½% of taxable income or $800, whichever is greater.

Provision for state income tax for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
California	$ $1,658	$ 10,458

The income allocable to each stockholder is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the stockholders could be changed if an adjustment in the income is ultimately determined by the taxing authorities. Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted FASB ASC 740-10 regarding accounting for uncertain income tax positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would sustain an examination by applicable taxing authorities. The Company recognizes penalties and interest arising from uncertain tax positions as incurred in the statement of income and comprehensive income, which are none for the years ended December 31, 2023 and 2022. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

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NOTE C-PROPERTY AND EQUIPMENT:

At December 31, 2023 and 2022, the company had the following property and equipment:

	2023	2022
Furniture and Equipment	$ -	$ 6,982
Vehicle	228,918	316,499
Total Property and Equipment	228,918	323,481
Accumulated Depreciation	(53,891)	(78,157)
Net Property and Equipment	$ 175,027	$ 245,324

NOTE D-LEASES:

The Company leases office facilities on a month-to-month basis. Total rent expense for the year ended December 31, 2023 was $20,048. The office lease is classified as short-term operating based on its terms.

NOTE E- STOCKHOLDER:

Ken Lineberger is the sole stockholder of the company with 200 shares of stock owned for the years ended December 31, 2023 and 2022.

NOTE F-RELATED PARTY TRANSACTIONS:

The Company shares office and employees with a related party, BEKH Cellar. As of December 31, 2023, the Company has a note receivable from BEKH Cellar in the amount of $128,657. This loan is unsecured, non-interest bearing and due on demand.

$2,485 due to stockholder as of 12/31/2022 was paid in 2023.

NOTE G-SUBSEQUENT EVENT:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 15, 2024, the date the financial statements were available to be issued. There were no other subsequent events requiring adjustments to and disclosures in the financial statements as of and for the year ended December 31, 2023.

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NOTE H-LONG TERM DEBT:

Long-Term Debts as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Note Payable to Auto Center. Secured by vehicle, matures in December 2024, monthly payment of $1,274 including interest at 4.74% annually. Vehicle was sold and loan was paid off in 2023.	$ -0-	$ 33,582
Note Payable to Jeep Chrysler. Secured by vehicle, matures in December 2027, monthly payment of $1,241 including interest at 7.24% annually.	51,559	62,115
Unsecured SBA Loan, matures in August 2051, with Interest rate of 3.75%. Monthly payment of $2,496.	493,321	505,452
	544,880	601,149
Less: Current Portion	22,615	38,089
Net Long-Term Debt	$ 522,265	$ 563,060

Maturities of financing obligations are as follows:

Year Ending December 31	Amount
2023	$ 22,615
2024	24,513
2025	25,902
Thereafter	471,850
TOTAL	$ 544,880

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Certified Public Accountants
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NOTE I-FAIR VALUE MEASUREMENTS:

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs).

In accordance with FASB ASC Topic 820, the following summarizes the fair value hierarchy:

Level 1 Inputs—Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs—Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs—Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

FASB ASC Topic 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of December 31, 2023 and 2022, there were no assets and liabilities measured at fair value.

NOTE J-CLAIMS AND LITIGATIONS:

On October 26, 2022, the Company filed a federal complaint against on of its franchisee, Wine Vibes, LLC. On September 26, 2023, the parties entered into a settlement agreement and Mutual Release of Claims, requiring Wine Vibes, LLC to pay a sum of $300,000, plus interest at 12% per annum or the highest legal rate, whichever is lower. The settlement amount maybe reduced to $200,000 in 10 yearly installment s of $20,000 (the "Reduced Settlement Amount") if Wine Vibes, LLC complies with the terms and conditions of the settlement agreement and make payments of all installments for the reduced settlement amount.

NOTE K-RETIREMENT PLAN:

The Company does not sponsor any retirement plan for its employees.

NOTE L-NOTE RECEIVABLE:

Note receivable consists of settlement receivable from Wine Vibes, llc, in the amount of $200,000, due in 10 yearly installments, with zero interest (see Note J).

CWGB&S CPAs
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Telephone (619) 563-0145
Fax (619) 563-9584 • www.cwgcpa.com

EXHIBIT H

STATE SPECIFIC ADDENDA

ADDENDUM TO WATERS EDGE WINERIES, INC.

DISCLOSURE DOCUMENT - REQUIRED BY THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE TO BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF ANY AGREEMENT.

Neither Waters Edge Wineries, Inc., nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

The Franchise Agreement requires the parties to resolve all disputes through litigation in the U.S. District for the Central District of California or any state court in San Bernardino, California, with the costs being borne by the losing party.

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

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. sec. 101 et. Seq.).

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

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

You must sign a general release 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).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1):
Any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

Item 6 of the FDD is amended in California to disclose that the highest interest rate allowed by law in California is 10%.

Franchisee must comply with the requirements set forth in the alcoholic beverage control act and the California code of regulations for the sale of alcoholic beverages.

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.

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

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

ADDENDUM TO THE WATERS EDGE WINERIES, INC.
FRANCHISE AGREEMENT – CALIFORNIA

This Addendum to Franchise Agreement (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, by and between **Waters Edge Wineries, Inc.**, a Delaware corporation, as Franchisor ("**Franchisor**"), and _____, as Franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

For the purposes of Cal. Bus. & Prof. Code Section 20022, Franchisor and Franchisee agree that:

1. The parties will use the declining-balance depreciation method to calculate the value of Franchisee's assets (inventory, supplies, equipment, fixtures, and furnishings) for the purposes of a purchase by Franchisor under Section 20022. The purchase price by Franchisor for these assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

2. For purposes of Section 20022, franchisee is not able to provide to Franchisor "clear title and possession" to Franchisee's assets if those assets are subject to liens or encumbrances including: (i) purchase money security interests; (ii) blanket security interests; (iii) rights of first refusal; (iv) liens by Franchisee's landlord; or (v) tax liens.

3. For the purposes of Section 20022(h), Franchisor's right of offset will include the following amounts owed by Franchisee to Franchisor or Franchisor's affiliates: (i) royalty fees; (ii) advertising fees; (iii) added services fees; (iv) liquidated damages; (v) transfer fees; and (vi) any other type of fees or amounts owed by Franchisee to Franchisor or Franchisor's affiliates.

For the purposes of Cal. Code Regs. Tit. 10, § 310.114.1, Franchisor and Franchisee agree that:

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document 14 days prior to execution of any agreement.

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

3. 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.).

4. 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.

5. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

6. The Franchise Agreement requires the parties to resolve all disputes through litigation in the U.S. District for the Central District of California or any state court in San Bernardino, California, with the costs being borne by the losing party.

For the purposes of Cal. Bus. & Prof. Code Section 20035, Franchisor and Franchisee agree that:

1. **"Fair Market Value of the Franchise Assets"** means the value of Franchisee's assets, valued according to the declining-balance method of depreciation. The purchase price by Franchisor for the assets will not include the cost of removal and transportation of those assets, which will be Franchisee's responsibility.

2. **"Fair Market Value Of The Franchised Business" means the "Fair Market Value Of The Franchise Assets**" as defined above, plus goodwill. The parties agree that the value of goodwill is the amount of royalty fees paid by Franchisee to Franchisor within the twelve (12) month period immediately before Franchisor's termination or failure to renew if franchisor is in violation of the California Franchise Relations Act.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1):
Any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law

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

FRANCHISEE	FRANCHISOR
_____	WATERS EDGE WINERIES, INC.
Signature: _____	By: _____
Print Name: _____	Print Name: _____

ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT

By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the "**Act**"), the Disclosure Document is amended as follows:

1. Illinois law governs the agreements between the parties to the Franchise Agreement.

2. Section 4 of the Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Act provides that any condition, stipulation or provision that purports to bind a person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

4. Your rights upon termination and non-renewal of the Franchise Agreement are set forth in sections 19 and 20 of the Act.

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

ILLINOIS

ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (this "**Addendum**") dated _____, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, by and between **WATERS EDGE WINERIES, INC., A DELAWARE CORPORATION,** as franchisor ("**Franchisor**"), and _____, as franchisee ("**Franchisee**"). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. Illinois law governs the agreements between the parties to the Franchise Agreement.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision that purports to bind a person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Franchisee's rights upon termination and non-renewal of the Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR:

WATERS EDGE WINERIES, INC.,
A Delaware Corporation,

By: _____

Name: _____

Title: _____

FRANCHISEE:

_____

A _____

By: _____

Name: _____

Title: _____

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 is amended by the addition of the following:

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

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

EXHIBIT I

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

(DIRECT DEBITS)

The undersigned franchisee/depositor ("DEPOSITOR") hereby (1) authorizes WATERS EDGE WINERIES, INC. and its affiliates ("FRANCHISOR") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below and (2) authorizes the depository designated below ("Depository") to debit such account pursuant to FRANCHISOR's instructions.

_____	_____
Depository	Branch
_____	_____
City and State	Zip Code
_____	_____
Bank Transit /ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from FRANCHISOR and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide FRANCHISOR and DEPOSITOR with thirty (30) days prior written notice of the termination of this authority. If an erroneous debit entry is initiated to DEPOSITOR's account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or forty-five (45) days after posting, whichever comes first, DEPOSITOR shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws. DEPOSITOR shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by FRANCHISOR. FRANCHISOR will credit DEPOSITOR for fees if any error is deemed to be caused by FRANCHISOR.

_____	_____
DEPOSITOR (Print Name)	DEPOSITORY (Print Name)
By: _____	By: _____
Its: _____	Its: _____

**Copy of a voided check must be attached

EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Virginia	Pending

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

EXHIBIT J

RECEIPTS

RECEIPTS
(Your Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

MICHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT THE EARLIER OF 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

NEW YORK REQUIRES YOU TO RECEIVE THIS FRANCHISE 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.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE AGENCY REFERRED TO IN EXHIBIT A.

The name, principal business address and phone number of each franchise seller offering the franchise is:

Franchisor:	**Franchise Seller:**	**Additional Sellers (if applicable)**
Waters Edge Wineries, Inc. 8560 Vineyard Avenue, Suite 408 Rancho Cucamonga, CA 91730 Telephone: (909) 468-9463 ken@watersedgewineries.com	Names of Individual(s) selling on behalf of Franchisor: Ken Lineberger and Mark Mitzenmacher Waters Edge Wineries, Inc. 8560 Vineyard Avenue, Suite 408 Rancho Cucamonga, CA 91730 Telephone: (909) 468-9463 ken@watersedgewineries.com	_____ _____ _____ _____ _____

Issuance Date: May 16, 2025.

See Exhibit A for our registered agents authorized to receive service of process.

I received a disclosure document dated May 16, 2025 that included the following Exhibits: A) List of State Agencies; B) Application and Deposit Agreement; C) Table of Contents for Operations Manual and Food Operations Manual; D) Franchise Agreement; E) Addendum to Franchise Agreement (SBA Loan); F) List of Franchisees; G) Financial Statements; H) State Specific Addenda; I) Electronic Funds Transfer Authorization and J) Receipts.

Date: _____ Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: (___)_____ Zip: _____

Date: _____ Signed: _____

Print Name: _____

Address:_____

City: _____ State: _____

Phone: (__)_____ Zip: _____

KEEP THIS COPY FOR YOUR RECORDS

RECEIPTS
(Our Copy)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

MICHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT THE EARLIER OF 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

NEW YORK REQUIRES YOU TO RECEIVE THIS FRANCHISE 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.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE AGENCY REFERRED TO IN EXHIBIT A.

The name, principal business address and phone number of each franchise seller offering the franchise is:

Franchisor:	**Franchise Seller:**	**Additional Sellers (if applicable)**
Waters Edge Wineries, Inc. 8560 Vineyard Avenue, Suite 408 Rancho Cucamonga, CA 91730 Telephone: (909) 468-9463 ken@watersedgewineries.com	Names of Individual(s) selling on behalf of Franchisor: Ken Lineberger and Mark Mitzenmacher Waters Edge Wineries, Inc. 8560 Vineyard Avenue, Suite 408 Rancho Cucamonga, CA 91730 Telephone: (909) 468-9463 ken@watersedgewineries.com	_____ _____ _____ _____ _____

Issuance Date: May 16, 2025.

See Exhibit A for our registered agents authorized to receive service of process.

I received a disclosure document dated May 16, 2025, that included the following Exhibits: A) List of State Agencies; B) Application and Deposit Agreement; C) Table of Contents for Operations Manual and Food Operations Manual; D) Franchise Agreement; E) Addendum to Franchise Agreement (SBA Loan); F) List of Franchisees; G) Financial Statements; H) State Specific Addenda; I) Electronic Funds Transfer Authorization and J) Receipts.

Date: _____ Signed: _____

Print Name: _____

Address: _____

City: _____ State: _____

Phone: (___)_____ Zip: _____

Date: _____ Signed: _____

Print Name: _____

Address:_____

City: _____ State: _____

Phone: (__)_____ Zip: _____

PLEASE SIGN AND DATE THIS COPY OF THE RECEIPT AND RETURN IT TO:
Ken Lineberger, 8560 Vineyard Avenue, Suite 408, Rancho Cucamonga, CA 91730