

AGREEMENT BETWEEN HOWARD L. COVINGTON SR. AND Edward L. Wyche dba 6ixx Lounge LLC

This Agreement (the “Agreement”) is made and entered into as of January 14, 2025 (the “Effective Date”), by and between:

- **HOWARD L. COVINGTON SR.**, an individual, with a principal place of business at 9434 Viscount, Ste 170F, El Paso, Texas 79925 (“Investor”), and
- **Edward L. Wyche dba 6ixx Lounge LLC**, a limited liability company organized and existing under the laws of the State of Texas, with its principal place of business at 4317 Dyer, El Paso, Texas 79930 (“6ixx Lounge” or “Business”).

WHEREAS, Investor agrees to provide financial support to Edward L. Wyche dba 6ixx Lounge LLC in exchange for a profit-sharing arrangement, and

WHEREAS, Edward L. Wyche dba 6ixx Lounge LLC agrees to receive such support under the terms and conditions set forth in this Agreement, and

WHEREAS, Investor intends to transfer all rights and obligations under this Agreement to an LLC wholly owned by the Investor within one to two months of the Effective Date.

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

1. Purpose of the Agreement

The purpose of this Agreement is to set forth the terms under which Howard L. Covington Sr. will provide \$20,000 in funding to Edward L. Wyche dba 6ixx Lounge LLC, receive 15% of the profits for the first two years, and outline the subsequent transfer of this Agreement to the Investor’s LLC, while ensuring that all terms, rights, and obligations remain unchanged.

2. Funding and Repayment Terms

2.1 Funding

Investor agrees to provide \$20,000 in funding to Edward L. Wyche dba 6ixx Lounge LLC upon execution of this Agreement. This funding is intended solely for use in the operations of Edward L. Wyche dba 6ixx Lounge LLC and will not be used for personal purposes.

2.2 Repayment and Profit Sharing

- **Profit Sharing:** For the first two (2) years of this Agreement, Investor shall receive 15% of the net profits generated by Edward L. Wyche dba 6ixx Lounge LLC.
- **Guaranteed Minimum Return:** If 15% of net profits do not result in a total return equal to the \$20,000 investment plus an additional \$5,000 by the end of the second year, Edward L. Wyche

dba 6ixx Lounge LLC shall pay the Investor the difference to reach this guaranteed return within six (6) months of the second-year anniversary.

2.3 Exit Strategy

After two (2) years, both parties agree to review the ongoing relationship and assess whether the continuation of this Agreement is mutually beneficial. Either party may terminate the Agreement with 90 days' written notice after one year of the original agreement date, provided that the full repayment of any outstanding amounts to Investor is made in accordance with this Agreement.

2.4 Definition of Net Profits

"Net Profits" shall mean the total gross revenue generated by Edward L. Wyche dba 6ixx Lounge LLC, less:

- Direct operating expenses, including:
 - Cost of goods sold (COGS), such as inventory for food and beverages.
 - Salaries, wages, and benefits for employees directly involved in the operations.
- Overhead costs directly related to the business, including rent, utilities, insurance, and licensing fees.
- Taxes and government fees directly attributable to the business operations.

Exclusions from Net Profits:

- Discretionary expenses such as owner salaries or draws not tied to the lounge's operations.
- Depreciation or amortization of assets.
- Unrealized gains or losses on assets or inventory.
- Expenses not directly related to the business's operations, including personal or non-operational expenditures.

3. Transfer of Agreement to Investor's LLC

3.1 Transfer Timeline

Investor intends to transfer all rights, responsibilities, and obligations under this Agreement to an LLC wholly owned by the Investor ("HowMon Consulting and Investments LLC") within one to two months from the Effective Date.

3.2 Transfer Process

Upon transfer:

- A written Transfer Agreement will be executed, stating that all terms, rights, and obligations under this Agreement shall remain unchanged.

- Edward L. Wyche dba 6ixx Lounge LLC consents to such a transfer, provided that the HowMon Consulting and Investments LLC agrees in writing to be bound by the terms and conditions of this Agreement.

3.3 Financial Reporting and Audit Rights

- **Monthly Financial Reports:** Edward L. Wyche dba 6ixx Lounge LLC shall provide the Investor (or HowMon Consulting and Investments LLC, if applicable) with detailed monthly financial statements, including:
 - Income statement.
 - Balance sheet.
 - Cash flow statement.
- **Audit Rights:** The Investor retains the right to audit financial records with ten (10) business days' notice. If discrepancies exceeding 5% of reported net profits are discovered, the cost of the audit shall be borne by Edward L. Wyche dba 6ixx Lounge LLC.

4. Non-Responsibility for Operations, Liabilities, and Debts

1. **Operational Independence:** Investor (and later the HowMon Consulting and Investments LLC) shall have no responsibility or involvement in the day-to-day operations, management, or decision-making of Edward L. Wyche dba 6ixx Lounge LLC. Edward L. Wyche dba 6ixx Lounge LLC shall remain fully responsible for its own business operations.
2. **Liabilities and Debts:** Investor (and later the HowMon Consulting and Investments LLC) shall not be held liable for any debts, losses, liabilities, or legal disputes incurred by Edward L. Wyche dba 6ixx Lounge LLC.

5. Compliance with Laws

1. **Alcohol Regulations:** Edward L. Wyche dba 6ixx Lounge LLC shall comply with all regulations of the Texas Alcoholic Beverage Commission (TABC) and all applicable laws of El Paso County, Texas.
2. **Other Laws:** Edward L. Wyche dba 6ixx Lounge LLC shall ensure compliance with all local, state, and federal laws relevant to its business operations.

6. Owner Compensation and Major Expenses

1. **Owner Compensation:** During the first two (2) years of this Agreement, owner compensation, including salaries, bonuses, or other payments, shall not exceed \$30,000 annually, unless otherwise approved in writing by the Investor.

2. **Approval of Major Expenses:** Edward L. Wyche dba 6ixx Lounge LLC must obtain written consent from the Investor for any single expenditure exceeding \$5,000 that is not part of routine operating costs.

7. Edward L. Wyche dba 6ixx Lounge LLC Responsibilities - Compliance Documentation

Edward L. Wyche dba 6ixx Lounge LLC agrees to provide Howard L. Covington Sr. (and later the HowMon Consulting and Investments LLC, if applicable) with all necessary documentation and information explaining the regulatory requirements of the Texas Alcoholic Beverage Commission (TABC), County of El Paso, City of El Paso, and the State of Texas. This includes, but is not limited to:

1. Licensing and permitting requirements for alcohol sales and distribution.
2. Operational standards required by local, county, and state laws.
3. Regular updates or changes to regulations that impact the operations of Edward L. Wyche dba 6ixx Lounge LLC.
4. Verification of compliance with all applicable rules to ensure that business practices align with the relevant laws and regulations.

8. Additional Provisions

1. **Force Majeure Clause:** Neither party shall be liable for delays or non-performance caused by events beyond their control, including acts of God, natural disasters, or government actions.
2. **Performance Milestones:** If net profits fall below \$8,000 for three consecutive months, the Investor reserves the right to request renegotiation of the terms of this Agreement, including, but not limited to, an increased profit share percentage or expedited repayment schedule.
3. **Collateral:** To secure the investment, Edward L. Wyche dba 6ixx Lounge LLC grants the Investor a lien on the following business assets:
 - INSIGNIA 4K LCD
 - 1-70 INCH
 - 2-50 INCH
 - 180 INCH PROJECTOR SCREEN
 - PROJECTOR CAMERA
 - BEER COOLER
 - STOVE
 - ELECTRIC TABLE TOP FRYER
 - MICROWAVE
 - 1-72 INCH PREP TABLE
 - 1-36 INCH TABLE TOP
 - 3 COMPARTMENT KITCHEN SINK
 - 1-3 COMPARTMENT UNDERBAR SINK
 - STAINLESS STEEL HAND WASHING SINK
 - 70- CHAIRS
 - 20- TABLES
 - 15- BAR STOOLS
 - 5-COUNTER STOOLS
 - 10 FT HOOD SYSTEM WITH FIRE SUPPRESSION SYSTEM
 - 40 LB GREASE TRAP

In the event of default, the Investor has the right to take possession of these assets to recover outstanding amounts owed.

4. **Insurance:** Edward L. Wyche dba 6ixx Lounge LLC shall maintain business liability insurance, liquor liability insurance, and property insurance with minimum coverage of \$1,000,000. Proof of insurance shall be provided to the Investor upon request.
5. **Indemnification Clause:** Edward L. Wyche dba 6ixx Lounge LLC indemnifies Investor against claims or liabilities arising from its operations.
6. **Termination for Cause Clause:** Either party may terminate for breach or legal non-compliance, provided proper notice is given.

9. Dispute Resolution

1. **Mediation:** Disputes shall first be submitted to mediation in El Paso County, Texas, with costs shared equally.
2. **Litigation:** If mediation fails, disputes will be resolved in a court of competent jurisdiction in El Paso County, Texas.
3. **Governing Law:** This Agreement is governed by the laws of the State of Texas.

10. Entire Agreement

This Agreement constitutes the entire understanding between the parties and supersedes all prior agreements. Amendments must be in writing and signed by both parties.

HOWARD L. COVINGTON SR.

By: _____

Name: _____

Date: _____

Edward L. Wyche dba 6ixx Lounge LLC

By: _____

Name: _____

Title: _____

Date: _____