

CANCELLATION, LIQUIDATED DAMAGES & RIGHT OF FIRST REFUSAL POLICY

For Integration into Future Equipment Rental Agreements — Effective 2026

SECTION 1: PURPOSE AND SCOPE

This policy establishes the cancellation, liquidated damages, and Right of First Refusal (“ROFR”) provisions for all equipment rental agreements entered into by Cleaver B LLC (“Lessor”). These provisions are designed to: (i) compensate Lessor for actual, documented costs and losses arising from cancellations; (ii) provide Lessee with clear, transparent, and predictable consequences for cancellation at every stage; and (iii) provide Lessor with a matching right before Lessee may engage a competing vendor for the same event.

Governing Law: This policy is drafted for enforceability across Lessor’s five-jurisdiction service area: Maryland, New Jersey, Delaware, Pennsylvania, and the District of Columbia. Each provision has been structured as a reasonable pre-estimate of actual damages (liquidated damages) rather than a penalty, in accordance with the Uniform Commercial Code §2A-504 (Liquidated Damages in Lease Agreements), the Restatement (Second) of Contracts §356, and applicable case law in each jurisdiction.

SECTION 2: DEFINITIONS

“Total Contract Value” (TCV) means the total amount due under the Lease for all equipment rental fees, delivery/setup fees, crew labor fees, and any other charges, before taxes.

“Deposit” means fifty percent (50%) of the TCV, paid at the time of booking, which is non-refundable under all circumstances as consideration for Lessor’s reservation of Equipment and exclusion of other potential lessees during the booking period.

“Event Date” means the first scheduled date of Equipment use as stated on the invoice, estimate, or order confirmation.

“Cancellation Notice” means written notification from Lessee to Lessor of Lessee’s intent to cancel, sent via email to cb@cleaverb.com or by other means specified in the Lease.

“Actual Damages” means Lessor’s documented, out-of-pocket costs incurred in reliance on the Lease, including but not limited to: crew scheduling and standby costs; equipment preparation, testing, and staging costs; transportation and fuel costs for equipment already in transit or pre-positioned; subcontractor or vendor commitments made on Lessee’s behalf; administrative costs of booking, invoicing, and coordination; and opportunity cost of declined bookings for the same date(s).

“Event Credit” means a non-transferable credit, with no cash value, that may be applied toward a future equipment rental with Cleaver B LLC, expiring twelve (12) months from issuance.

“Competing Offer” means any proposal, bid, quote, or agreement from a third-party vendor to provide stage, audio, or event equipment rental services for the same event for which Lessee has contracted with Lessor.

SECTION 3: TIERED CANCELLATION & LIQUIDATED DAMAGES SCHEDULE

The Parties acknowledge and agree that Lessor’s actual damages from a cancellation are difficult to calculate precisely at the time of contracting, and that the following schedule represents a

reasonable, good-faith pre-estimate of Lessor’s anticipated losses at each stage. Lessee acknowledges that these amounts are not penalties, but reflect Lessor’s increasing investment of time, labor, equipment allocation, and declined alternative bookings as the Event Date approaches.

Cancellation Window	Amount Retained	Rationale (Actual Damages Basis)	Credit Eligibility
60+ days before Event Date	50% of TCV (Deposit)	Reservation exclusivity; declined alternative bookings; administrative costs of booking, invoicing, and client coordination.	Balance above Deposit may be issued as Event Credit at Lessor’s discretion.
30–60 days before Event Date	65% of TCV	Above costs PLUS: crew scheduling commitments; equipment pulled from inventory and pre-allocated; subcontractor/vendor commitments initiated; reduced likelihood of rebooking date.	Balance above 65% may be issued as Event Credit at Lessor’s discretion.
14–29 days before Event Date	80% of TCV	Above costs PLUS: crew confirmed and on standby; equipment tested and staged; transportation logistics arranged; materials purchased; minimal rebooking probability.	Balance above 80% may be issued as Event Credit at Lessor’s discretion.
7–13 days before Event Date	90% of TCV	Above costs PLUS: equipment loaded or in transit; crew travel booked; fuel/mileage committed; virtually zero rebooking probability.	No Event Credit issued.
0–6 days before / Day-Of Event	100% of TCV	Full loss — all costs incurred, no possibility of rebooking or mitigation. Equipment delivered or staged, crew deployed, all commitments fulfilled.	No refund. No credit. No chargeback.

- (a) Deposit Non-Refundability.** The 50% Deposit is non-refundable under all circumstances, including but not limited to cancellation, force majeure, Destructive Event (as defined in the Lease), or any other cause. The Deposit represents consideration for Lessor’s agreement to reserve Equipment exclusively for Lessee and to forego other booking opportunities during the reservation period.
- (b) Reasonableness Acknowledgment.** Lessee acknowledges and agrees that: (i) the liquidated damages amounts set forth in the schedule above are reasonable and proportional to Lessor’s anticipated actual losses at each cancellation stage; (ii) Lessor’s actual damages from cancellation would be difficult or impossible to calculate with certainty; (iii) these amounts are not intended as, and do not constitute, a penalty; and (iv) Lessee has had a full and fair opportunity to review, negotiate, and understand these provisions before entering into the Lease. This acknowledgment is given voluntarily and is intended to satisfy the requirements for enforceable liquidated damages clauses under the UCC §2A-504, the Restatement (Second) of Contracts §356, and the laws of Maryland, New Jersey, Delaware, Pennsylvania, and the District of Columbia.
- (c) Actual Damages Reservation.** If Lessor’s actual, documented damages exceed the liquidated damages amount specified in the applicable tier, Lessor reserves the right to recover the difference from Lessee. Lessor shall provide Lessee with an itemized statement of actual damages within thirty (30) days of cancellation. This provision ensures that the liquidated damages schedule operates as a floor, not a ceiling, on Lessor’s recoverable damages.

- (d) **No Refund on Early Surrender.** No cash refund shall be issued for the early return of Equipment under any circumstances. Lessor may, at its sole discretion, issue an Event Credit for the unused portion of the Rental Period.
- (e) **Force Majeure Cancellations.** In the event a force majeure event (as defined in the Lease) causes the cancellation or interruption of an event, no cash refund shall be issued. Lessor may, at its sole discretion, issue an Event Credit to be applied toward a future rental. Lessee expressly waives any claim for refund, chargeback, or payment reversal arising from a force majeure event.
- (f) **Destructive Event Liability.** In the event Equipment is damaged or destroyed as a result of a Destructive Event (riot, violence, terrorism, etc. as defined in the Lease), Lessee shall be liable for one hundred percent (100%) of the full replacement value of all affected Equipment in addition to the full TCV. No refund, credit, or chargeback of any kind shall be issued.

SECTION 4: RIGHT OF FIRST REFUSAL (ROFR)

Lessee grants Lessor a Right of First Refusal with respect to any Competing Offer received by Lessee for the same event for which Lessee has contracted with Lessor. The ROFR operates as follows:

- (a) **Notification Obligation.** Before cancelling this Lease to engage a competing vendor, Lessee shall provide Lessor with written notice of the Competing Offer, including: (i) the name of the competing vendor; (ii) a complete description of the equipment and/or services offered; (iii) the total price quoted; (iv) the proposed delivery/setup timeline; and (v) any other material terms. This notice shall be provided to Lessor at cb@cleaverb.com no less than fifteen (15) calendar days before the Event Date.
- (b) **Matching Period.** Upon receipt of the Competing Offer notice, Lessor shall have five (5) business days to provide Lessee with a written response. Lessor may, at its sole discretion: (i) match the Competing Offer in whole by offering equivalent equipment, services, and pricing; (ii) match the Competing Offer in part and propose modified terms; or (iii) decline to match the Competing Offer.
- (c) **Effect of Match.** If Lessor matches the Competing Offer (in whole or in a manner acceptable to both Parties), the original Lease shall remain in full force and effect, and the terms shall be amended in writing to reflect any agreed-upon modifications. Lessee shall not engage the competing vendor for the same event.
- (d) **Effect of Decline or Non-Response.** If Lessor declines to match the Competing Offer or fails to respond within the five (5) business day matching period, Lessee may proceed with cancellation of this Lease. However, all liquidated damages provisions of Section 3 shall apply in full based on the date of the original Cancellation Notice. Lessor's decline to match does not waive Lessor's right to liquidated damages.
- (e) **Cancellation Without ROFR Compliance.** If Lessee cancels this Lease to engage a competing vendor without first providing the Competing Offer notice required under subsection (a) and allowing the matching period under subsection (b), such cancellation shall be deemed a material breach of this Lease. In addition to all liquidated damages under Section 3, Lessee shall be liable for a breach surcharge equal to fifteen percent (15%) of the TCV, representing Lessor's additional administrative costs, lost negotiation opportunity, and the diminished value of Lessor's contractual rights. The Parties agree this surcharge is a reasonable pre-estimate of Lessor's additional damages from the ROFR violation and does not constitute a penalty.

- (f) **Good Faith.** Lessee shall exercise its rights under this Section in good faith. Lessee shall not solicit or manufacture Competing Offers for the purpose of renegotiating terms with Lessor or circumventing the cancellation provisions of this Lease. If Lessor reasonably determines that a Competing Offer was solicited in bad faith, the ROFR process shall be deemed void, and Lessee's cancellation shall be subject to the full liquidated damages schedule in Section 3 without offset or credit.
- (g) **Scope.** The ROFR applies only to Competing Offers for the same event and same scope of services (stage, audio, and/or related equipment rental). It does not restrict Lessee from engaging other vendors for different events or for services not within the scope of this Lease.

SECTION 5: DOCUMENTATION AND EVIDENCE

To ensure enforceability and transparency, Lessor shall maintain the following documentation for each booking:

- (a) A signed or electronically accepted copy of the Lease (or evidence of constructive acceptance per §34 of the Lease);
- (b) The invoice, estimate, or order confirmation identifying the Lessee, Equipment, Event Date, and TCV;
- (c) Records of all payments received, including payment method, date, amount, and transaction reference number;
- (d) An itemized record of Actual Damages incurred at the time of cancellation, including: crew scheduling records; equipment allocation and preparation logs; transportation and fuel receipts; subcontractor invoices or commitments; records of declined alternative bookings for the same date(s); and any other out-of-pocket costs;
- (e) Copies of all Cancellation Notices, Competing Offer notices, and ROFR correspondence;
- (f) Electronic authorization records (QuickBooks Pay Now confirmations, email threads, estimate approvals, IP addresses, and timestamps) as specified in the Lease;
- (g) All documentation shall be retained for a minimum of three (3) years following the Event Date or final payment, whichever is later.

SECTION 6: LESSEE ACKNOWLEDGMENT AND TRANSPARENCY STATEMENT

Lessor shall present this cancellation policy to Lessee at the time of booking, either as part of the Lease or as a separate addendum incorporated by reference. The following acknowledgment language shall be included in the Lease or at the point of electronic acceptance:

LESSEE ACKNOWLEDGMENT OF CANCELLATION TERMS

By entering into this Lease, making any payment, or accepting Equipment, Lessee acknowledges and agrees that:

- 1. I have read and understand the tiered cancellation and liquidated damages schedule.*
- 2. I understand that the liquidated damages amounts are a reasonable pre-estimate of Lessor's actual losses and are not penalties.*
- 3. I understand the Right of First Refusal requirement and agree to provide Lessor notice of any Competing Offer before cancelling.*
- 4. I understand that the 50% Deposit is non-refundable under all circumstances.*
- 5. I have had a full and fair opportunity to review, ask questions about, and negotiate these terms.*
- 6. I voluntarily agree to these terms as a condition of this Lease.*

SECTION 7: MULTI-STATE ENFORCEABILITY NOTES

The following jurisdictional considerations inform the drafting of this policy:

Maryland: Liquidated damages clauses are enforceable where the amount is reasonable in relation to actual or anticipated harm and where actual damages would be uncertain or difficult to prove. Md. Code, Com. Law §2A-504; *Barrie School v. Patch*, 401 Md. 497 (2007).

New Jersey: Enforceability requires that damages are uncertain or difficult to prove and that the stipulated amount is reasonable. *Wasserman's Inc. v. Township of Middletown*, 645 A.2d 100 (N.J. 1994). N.J.S.A. 12A:2A-504.

Delaware: Applies the Restatement (Second) of Contracts §356 test: reasonable in light of anticipated or actual loss, and difficulty of proof. 6 Del. C. §2A-504.

Pennsylvania: Enforceability requires: (1) damages are uncertain; (2) the amount is a reasonable pre-estimate; (3) the clause is not a disguised penalty. *Party City Corp. v. Kmart Corp.*, No. 99-CV-4547 (E.D. Pa. 2001). 13 Pa.C.S. §2A504.

District of Columbia: Follows Restatement approach. D.C. Code §28:2A-504. Courts will not enforce amounts grossly disproportionate to reasonably anticipated damages.

SECTION 8: INTEGRATION INTO RENTAL AGREEMENT

This policy shall be incorporated by reference into all future Cleaver B LLC Stage & Audio Equipment Rental Agreements. The cancellation provisions in this policy replace Section 12 (Cancellations) and Section 18 (Early Surrender) of the current Rental Agreement and supplement Section 31 (Force Majeure). All other provisions of the Rental Agreement remain in full force and effect.

To integrate this policy, the following reference language should be added to the Lease preamble or as a separate addendum:

"This Lease incorporates by reference the Cleaver B LLC Cancellation, Liquidated Damages & Right of First Refusal Policy, Effective 2026 (the 'Cancellation Policy'), a copy of which has been provided to Lessee and is available at www.cleaverb.com. Lessee acknowledges receipt of the Cancellation Policy and agrees to be bound by its terms."

Document Revision: March 2026 — Rev. 1.0

Prepared for: Cleaver B LLC — 27 Candice Dr, Port Deposit, MD 21904