



FRANCHISE DISCLOSURE DOCUMENT

FOR

7 LEAVES FRANCHISE, LLC

FRANCHISE DISCLOSURE DOCUMENT

7 LEAVES FRANCHISE, LLC
a California limited liability company

16052 BEACH BLVD, SUITE 240
HUNTINGTON BEACH, CALIFORNIA 92647
(714) 660-3165
www.7LeavesCafe.com

7 Leaves® Cafés are quick service coffee and tea-based drink Cafés that offer the public premium drinks, snacks and beverages, of distinctive quality under the name 7 Leaves®.

7 Leaves® offers both individual franchise locations as well as an area development agreement. The total investment necessary to begin operation of an individual 7 Leaves Cafe franchise ranges from \$244,000 to \$490,000 including the initial franchise fee of \$35,000 that must be paid to the franchisor, as well as additional potential fees to the franchisor including a \$10,000 payment for your grand opening advertising campaign and a \$3,000 payment for providing pre-opening assistance (if required or requested). The total initial investment for the area development agreement is \$285,000 including a \$250,000 developer fee paid to the franchisor and an initial franchise fee of \$35,000 for the first 7 Leaves Cafe to be developed in the territory.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact 7 Leaves Franchise, LLC at 16052 Beach Blvd., Suite 240, Huntington Beach, California 92647 and (714) 660-3165.

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

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

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

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's 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 C 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 7 Leaves Cafe 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 7 Leaves Cafe franchisee?	Item 20 or Exhibit G 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 that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. Registration of a franchise by a state does not constitute approval, recommendation, or endorsement by the department of law or that it has verified the information in this disclosure document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit “E” for information about the franchisor or about franchising in your state.

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 the franchisor by mediation, arbitration and/or litigation in California. Out-of-state mediation, arbitration and/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 own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Mandatory Minimum Payments.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. If so, check the “State Specific Addenda” pages for your state.

7 LEAVES FRANCHISE, LLC

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ITEM 1

THE FRANCHISOR AND ANY PARENTS PREDECESSORS AND AFFILIATES

Definitions

7 Leaves Franchise, LLC, the Franchisor, is referred to in this Disclosure Document as “we,” “us,” “our,” “Franchisor,” or “7 Leaves” in this Disclosure Document. We will refer to the person or entity that buys the franchise from 7 Leaves as “you,” “Franchisee” and “your” throughout the Disclosure Document. Additionally, any reference to “System” means the franchise system of “7 Leaves.”

Franchisor

7 Leaves Franchise, LLC is a California limited liability company, registered on July 6, 2017 with its principal business address at 16052 Beach Blvd., Suite 240, Huntington Beach, CA 92647. We have never offered franchises in any other line of business.

Our Parents, Predecessors, and Affiliates

Our Affiliate is 7 Leaves Holding, Inc., a California company headquartered at 16052 Beach Blvd., Suite 240, Huntington Beach, CA 92647. Our Affiliate owns and operates twenty-eight (28) 7 Leaves Cafés in California and has never offered franchises in this or any other lines of business. This Affiliate holds interests in the West 7 Bakery, LLC (West 7 Bakery), a California limited liability company that produces and supplies macarons for our Affiliate stores. The West 7 Bakery is an approved supplier of macarons for our franchise stores. Our Affiliate owns the Proprietary Marks (described below) that are licensed to us so that we may sublicense them to our franchisees.

There is no predecessor company to 7 Leaves Franchise, LLC. 7 Leaves Franchise, LLC does not have a parent company. Beyond 7 Leaves Holding, Inc., the Franchisor has no other affiliates that offer franchises in any line of business or providing services to franchisees of the Franchisor.

Agent for Service of Process

Our agent for service of process is Mai Ly, and her principal business address is 16052 Beach Blvd., Suite 240, Huntington Beach, CA 92647. Additional contact information for agents for service of process are found in Exhibit E.

Our Business and Franchise Offered

7 Leaves is in the business of selling franchises for retail tea and coffee Cafés under the name 7 Leaves Café, 7 Leaves, and related marks. We specialize in the preparation and sale of specialized tea and coffee beverages and food. You must sign our standard Franchise Agreement (the “Franchise Agreement”) in the form attached as Exhibit A to this Disclosure Document. The Franchise Agreement grants you the right to develop and operate a single 7 Leaves Café at an approved location. The franchised business will operate under the trade names and service marks “7 Leaves,” “7 Leaves Café” and will use other trade names, service marks, trademarks, logos, emblems and indicia of origin that we designate for use by 7 Leaves businesses (collectively, the “Proprietary Marks” or “Marks”). 7 Leaves Cafés are located in locations approved by us, such as in shopping plazas, stand-alone locations, and drive-thrus. 7 Leaves typically sell prepared beverages, including teas and coffee, as well as food and snack items, including an assortment of

complimentary toppings (menu items) for dine in, drive-thru and carry out. 7 Leaves menu items are prepared according to proprietary recipes and procedures, using high quality ingredients and raw materials, including specially produced products.

Multi-Unit Operator/Area Developer Agreement

In certain circumstances, we will offer a Multi-Unit Operator / Area Developer Agreement in the form attached as Exhibit B to this Disclosure Document (the “Multi-Unit Operator / Area Developer Agreement”) to develop multiple franchised Cafés to be located within a specifically described geographic territory. We will determine the scope of the territory before you sign the Multi-Unit Operator / Area Developer Agreement and it will be clearly stated in the Multi-Unit Operator / Area Developer Agreement. Under the Multi-Unit Operator / Area Developer Agreement, you will be required to open and operate multiple 7 Leaves Cafés (no less than three Cafés) within the territory according to a minimum performance schedule, and to sign a separate Franchise Agreement for each Café to be established under the Multi-Unit Operator / Area Developer Agreement.

The Franchise Agreement for the first Café to be developed under the Multi-Unit Operator / Area Developer Agreement will be in the form attached as Exhibit A to this Disclosure Document, and we expect that this Franchise Agreement for your first Café will be signed at the same time as the Multi-Unit Operator / Area Developer Agreement. For each additional Café developed under the Multi-Unit Operator / Area Developer Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees, but the Royalty Fee, Worldwide Creative Marketing Fee and other continuing fees will be the same as for your first Café. The total size of the territory will vary depending on local market conditions and the number of Cafés to be developed. You may not open a Café for business until you have executed a Franchise Agreement for that location and the Initial Franchise Fee is paid in full.

The person or entity signing the Multi-Unit Operator/Area Developer Agreement is referred to as the “Multi-Unit Operator / Area Developer.” The Multi-Unit Operator / Area Developer Agreement contains terms similar to the Franchise Agreement involving the “Multi-Unit Operator / Area Developer’s Principals”.

The Market and Competition

The Business targets its services to the general public. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers, such as bakeries, cafés, pastry shops, and other drink shops. The market for these types of products and services are competitive. You will also face other normal business risks that could have an adverse effect on your Business. These may include industry developments, such as pricing policies of competitors and supply and demand and economic conditions.

Laws and Regulations

You are subject to laws, and local regulations including, but not limited to, health codes, labor laws, building and safety codes, and zoning ordinances. You must investigate the existence of any laws which may apply to your business.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local

health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect Cafés to ensure that they comply with these laws and regulations.

ITEM 2

BUSINESS EXPERIENCE

CEO - Quang Nguyen

Mr. Quang Nguyen has been our CEO since July 2017 and the Executive Manager for our Affiliate, 7 Leaves Holding, Inc., since January 2012. Prior to 2012, Mr. Nguyen was a software computer programmer for Capital Group. The offices for 7 Leaves Franchise, LLC and 7 Leaves Holding, Inc. are located in Huntington Beach, California, and the offices for Capital Group are located in Irvine, California.

President - Son Nguyen

Mr. Son Nguyen has been our President since July 2017 and the Executive Manager of our Affiliate, 7 Leaves Holding, Inc., since January 2012. Prior to 2012, Mr. Nguyen was a regional manager at Bank of America. The offices for 7 Leaves Franchise, LLC and 7 Leaves Holding, Inc. are located in Huntington Beach, California, and the branch offices for Bank of America where Mr. Nguyen worked are located in Anaheim, California.

COO – Ha Nguyen

Mr. Ha Nguyen has been our COO since July 2017 and the Executive Manager for our Affiliate, 7 Leaves Holding, Inc., since January 2012. The offices for 7 Leaves Franchise, LLC and 7 Leaves Holding, Inc. are located in Huntington Beach, California.

Director of Business Development – Josh Newmaster

Josh Newmaster has been our Director of Business Development since July 2017. Mr. Newmaster was previously a Senior Structural Designer at the Fluor Corporation from 2007 through 2017. The offices for 7 Leaves Franchise are located in Huntington Beach, California, and the branch offices for Fluor Corporation where Mr. Newmaster worked are located in Aliso Viejo, California.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy filings or proceedings are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Our franchisees make an initial Franchise Fee payment of \$35,000.00 (the “Initial Fee” or the “Initial Franchise Fee”). The Initial Franchise Fee is paid in a single payment at the time the Franchise Agreement is signed, and is not refundable under any circumstances. The Initial Franchise Fee is uniformly imposed on all franchisees that purchase a 7 Leaves Café franchise.

You must complete a comprehensive franchise application. We ask for preliminary financial and biographic information, which you are required to furnish accurately and completely. We evaluate your application and decide if more discussion with you may be productive. If we accept your franchise application and we send you the notice of acceptance, you must sign the Franchise Agreement and pay the Initial Franchise Fee within 15 days. If you fail to sign the Franchise Agreement or pay the Initial Franchise Fee within 15 days, we will have no further obligation thereafter to accept your application or payment regardless of the reason for delay.

If your Café does not open within twelve months after you have signed the Franchise Agreement, you must pay to us a delayed opening fee of \$100 per day until your Café does open (the “Delayed Opening Fee”). The \$100 per day Delayed Opening Fee shall not apply to you where the delay in opening your Café is the result of damage, destruction, or injury, produced by flood, hurricane, earthquake, fire, or comparable natural events that could not be prevented through the exercise of due care by the Franchisee or its agents. If your Café is delayed for more than an additional ninety (90) days, for any reason, then we shall have the right to (i) continue charging the \$100 per day Delayed Opening Fee until your Café has opened, or (ii) terminate the Franchise Agreement without allowing further opportunity to cure the delay. This Delayed Opening Fee is not refundable.

We may require You to receive pre-opening assistance and training before the opening of your Café. In determining whether you will be required to receive pre-opening assistance and training, we will consider your level of experience operating a franchise, your experience operating a restaurant or café, the number of owners for your store and their overall business and professional experience, whether any owners at your store have previously completed training sessions for our franchise, any unexpected turnover or loss of staff hired to work at your store, and whether you currently operate any franchised stores that the Franchisor suspects to be underperforming in terms of customer service, product quality, or internal operations. If you are required to receive pre-opening assistance, you must pay a fee of \$3,000 plus out of pocket expenses that are incurred by our representative. This fee is payable in a lump sum and is not refundable.

You must spend at least \$10,000.00 on a grand opening advertising campaign to promote the opening your Franchised business. You must submit your grand opening advertising campaign for our approval 60 days before you intend to request initial training. We must approve your grand opening advertising campaign and it must be fully pre-paid before you are eligible to reserve your initial training. We reserve the right to require you to give us the \$10,000.00 for your grand opening advertising campaign and we will conduct the campaign on your behalf. If we request that you give the grand opening money to us, it is not refundable.

Multi-Unit Operator / Area Developer Agreement

When you sign the Multi-Unit Operator / Area Developer Agreement, you must pay us a development fee of \$250,000.00 (the “Development Fee”). Payment of the Development Fee secures the territory to be granted to the Area Developer, subject to all terms, conditions, limitations, restrictions, and reservations provided in the Multi-Unit Operator / Area Developer Agreement. The Development Fee is a separate fee from the Initial Franchise Fee, and You will be required to pay the entire Initial Franchise Fee for each individual franchised store that will be developed in the territory.

You must sign the Franchise Agreement for the first Café at the same time you sign the Multi-Unit Operator / Area Developer Agreement. The Development Fee shall be due immediately on signing the Multi-Unit Operator / Area Developer Agreement, and the Initial Franchise Fee for the first Café to be opened shall be due and payable at the time of signing the Franchise Agreement. Payment of all subsequent Initial Franchise Fees shall be due immediately at the time of signing the Franchise Agreement for each successive Café to be established regardless of whether a site location has been proposed or approved for the same.

The Development Fee is fully earned by us on receipt and is not refundable under any circumstances. The Development Fee is uniform for all Multi-Unit Operators / Area Developers regardless of the size of the territory to be granted or the number of stores required to be opened in the designated territory.

The Initial Franchise Fee is paid in consideration of:

1. Training;
2. Sales expenses;
3. Administrative overhead;
4. Start-up costs related to the execution of the Franchise Agreement;
5. Enforcement and protection of our trademarks and service marks;
6. Research and development relating to the products and methods used by 7 Leaves;
7. Legal fees, accounting fees and costs of compliance with federal and state franchise laws; and
8. Lost or deferred opportunity to sell franchises in the Franchise Territory to others.

ITEM 6

OTHER FEES

Name of Fee	Amount	Date Due	Remarks
Royalty	Greater of (i) 6% of Gross Sales or (ii) \$500.00	Paid weekly by automatic electronic funds transfer no later than the following Tuesday of each preceding week	See Note 2 for the definition of Gross Sales.

Advertising and Marketing	2.0% of Gross Sales	Paid weekly by automatic electronic funds transfer no later than the following Tuesday of each preceding week	<p>This fee is due and payable at the same time and in the same manner as Royalty Fee.</p> <p>We may change at any time at our discretion the amount of the Advertising and Marketing Fee on 30 days' written notice.</p> <p>These fees may be used for regional and national marketing campaigns, promotion of our brand in general, evolution and development of our marks and business identity, management of our central website and social media accounts, public relations, broadcast and live stream syndication, celebrity endorsement and testimonials, trade association endorsements and certification.</p> <p>Also see Note 2.</p>
Local Advertising	1% of Gross Sales		<p>Payable directly to advertiser.</p> <p>We will have the right to request for an accounting.</p> <p>These fees should be used for advertising and promotions that will benefit your specific store. You may select the preferred advertising medium, target a specific local audience of your choice, and sponsor local events that will complement our brand.</p>
Renewal Fee	One-half of the then-current initial franchise fee	Within 30 days of the date when you give notice of your exercise of renewal option, which must be at least twelve (12) months but not more than eighteen	Payable only when you renew the Franchise Agreement.

		(18) months before the end of the current term.	
Design Fee	\$5,000 - \$10,000	Before leasehold improvements commence.	<p>This fee is due and payable if you retain us to assist in the design layout of your Café.</p> <p>This fee is for our services in reviewing your site plan and floorplans, as well as creating and designing 3D renderings, and if needed, expenses and costs for travel and a site visit.</p> <p>\$5,000 is the fee for a review of your site plans and/or floorplans, and for us providing a completed design for your Café. Factors that may result in a higher design fee include multiple requests for additional or modified design plans, difficulties experienced due to older or outdated construction, restrictive local zoning laws or regulations, unique obstacles or circumstances in the construction or floor plans, or any need or request for us to travel to your selected site.</p>
Training Fee	Travel and lodging expenses for trainers provided by Us; amount is based on current rate and subject to change.	Before start of training.	<p>You must pay training fees for any additional training requested by you or training for Replacement Managers.</p> <p>Also see Note 3.</p>
Transfer Fee	100% of our then-current Initial Franchise Fee	Concurrently with your initial request for consent to a proposed sale, assignment or transfer of the Franchise Agreement.	<p>Payable before you transfer your franchise.</p> <p>No transfer fee is required if the transfer is to a corporation you own 100% and formed only for your purposes.</p>

			Also see Note 4.
Transfer Fee (Multi-Unit Operator/Area Developer Agreement)	100% of our then-current Initial Franchise Fee	With request for our consent to transfer	No fee is imposed for a one-time transfer to a corporate entity you form for the convenience of ownership. Also see Note 4.
Late Report Charge Fee	\$100.00 per report	On notice following your failure to submit reports by the due date of such reports.	Payable when you fail to submit any financial statements, forms, reports or records required to be provided to us under the Franchise Agreement by its due date, including your weekly Gross Sales report.
Audit	Cost of inspection or audit plus interest at the maximum rate allowable by law (estimated to be \$10,000)	On receipt of invoice.	You reimburse us for the full cost of the audit if audit discloses understatement of your Gross Sales by 2% or more.
Late Payment	Late charge equal to 5% of payment due, together with interest at 2% per month (not to exceed maximum legal rate)	On receipt of invoice.	Interest is payable on entire overdue amount beginning with the date payment is due until the payment, late charge, and interest are paid in full.
Dishonored Item Fee	\$25, plus reimbursement of charge a financial or other institution imposes on us.	On notice following a dishonor or other incompleteness of a payment instrument or debit or other payment procedure.	You reimburse the amount we are charged by our financial institution, and you pay us \$25 for a dishonored transaction to compensate our time and administrative attention to the dishonored item.
Insurance	Will vary under circumstances.	As agreed with your insurer.	You must purchase insurance coverage as required by us in the Franchise Agreement.
Indemnification	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for any claims arising from your franchise business.

			Indemnification rights and fees will be subject to state laws.
Liquidated Damages	Average monthly royalty fees owed over the most recent 12 months of operations, multiplied by the higher of two numbers, being either (i) 24 or (ii) the number of remaining months in your franchise term.	After the early termination of your franchise agreement for cause	You will pay us for the loss of anticipated royalty fees that would reasonably be expected to have been paid to us from the continued operation of your franchised store through the end of the agreed term. The availability and application of liquidated damages will be subject to state laws.
Costs and Attorneys' Fees	Will vary under circumstances.	As incurred.	If you default under a franchise or Multi-Unit Operator/Area Developer agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement.
Gift Cards and Loyalty Cards	To be determined		we reserve the right to develop a gift card and/or loyal card program for all of 7 Leaves Café Cafés. If we develop this program, you must participate in it.
POS System	\$1,000 - \$10,000		Payable to approved supplier. You must have a maintenance contract for your computer system.
Software Fee	\$1,000 - \$5,000	As incurred.	Payable to approved supplier. You must purchase software licenses for each of the required terminals.
Unapproved Products / Services Review and Approval Fee	Up to \$2,500	As needed, and following your request for approval.	You or the supplier must reimburse our costs for review, up to \$2,500.
Violation of Non-Competition Covenant	\$500 per week.	On demand, if incurred.	If you violate the covenant not to compete in your agreement with us.
Absence / Disability Management Fee	Calculated as 10% of Gross Sales, with	If incurred, payment is due weekly, on the same schedule as	This fee is only incurred in the event that you are unable to operate your store due to an

	reimbursement of all costs and expenses incurred by the Franchisor	payment for the Royalty Fee.	extended absence or due to temporary or permanent disability or incapacity.
ServSafe (or similar)	\$150 per person or the then-current market rate	As needed.	Each of your general managers, managers and other employees we designate must be ServSafe or similarly certified.
Cleaning Service	\$300-\$1000	Monthly	You must contract with a cleaning service for your Café.
Securities Issuance Fee	\$7,500	Concurrent with submitting proposed securities to us for our review.	Applies if you elect to issue securities.

Note 1. All fees, except insurance costs, are payable to us and are non-refundable. At this time, we impose fees uniformly, unless otherwise indicated. However, we reserve our right to reduce fees in individual cases in our absolute discretion.

Note 2. “Gross Sales” means all sales, money or things of value, received or receivable, directly or indirectly, by Franchisee on account of the Franchised Business, less applicable sales taxes and any documented refunds, credits and allowances given by you to customers in accordance with the Operations Manuals, but without deducting any of Franchisee’s costs and expenses. The Franchise Agreement requires payment by electronic funds transfer (“EFT”) and funds must be available in your account for withdrawal.

Note 3. We conduct Hands-On Training in Huntington Beach, California, at our Corporate Training Facility or at a participating 7 Leaves Café that is located no more than five (5) miles from our Corporate Training Facility.

Note 4. The terms concerning franchise transfer fees may be subject to state laws. See also the State Specific Addenda attached as Exhibit F to this Disclosure Document.

ITEM 7

ESTIMATED INITIAL INVESTMENT

(MULTI-UNIT OPERATOR / AREA DEVELOPER AGREEMENT)

	Amount	Method of Payment	When Due	Whether Refundable (Note 10)	To Whom Payment Is To Be Made:
Initial Fee for First Store	\$35,000.00	Lump Sum (except for Area	At the time of your execution of	No	Us

		Developers)	the Franchise Agreement		
Area Developer Fee	\$250,000.00	Lump Sum	At time of execution of Area Developer Agreement	No	Us
TOTAL (Note 1)	\$285,000.00				

Note 1. Your initial investment total may be higher if You elect to execute more than one Franchise Agreement at the time for executing the Area Developer Agreement. When executing the Area Developer Agreement, You are required to execute the Franchise Agreement for your first store. An Initial Franchise Fee is due and payable to the Franchisor immediately on the execution of a Franchise Agreement, and if you elect to execute more than one Franchise Agreement at the time for execution of the Area Developer Agreement, your total estimated initial investment will increase by an additional \$35,000.00 for each Franchise Agreement that is executed. This estimate does not include any charges, fees, or interest that might apply to your preferred method for financing this transaction, or potential administrative and service charges that may be incurred incident to execution of the agreements such as postage, copying, or notary services.

ESTIMATED INITIAL INVESTMENT

(INDIVIDUAL FRANCHISED STORE / FRANCHISE AGREEMENT)

	Amount	Method of Payment	When Due	Whether Refundable (Note 10)	To Whom Payment Is To Be Made:
Initial Fee	\$35,000.00	Lump Sum (except for Area Developers)	At the time of your execution of the Franchise Agreement	No	Us
Real Estate	(Note 1)	As Arranged	When Incurred	As Arranged	Landlord
Design Fee	\$5,000 to \$10,000 (Note 2)	Lump Sum	Before leasehold improvements commence	No	Us or Suppliers
Leasehold Improvements	\$110,000 to \$250,000.00 plus (Note 3)	As Arranged	When Incurred	No	Suppliers
Café Equipment	\$50,000 to 75,000 (Note 4)	As Arranged	When Incurred	No	Us or Supplier
POS	\$1,000 to	As Arranged	When	No	Us or Supplier

Equipment	\$10,000 (Note 5)		Incurred		
Software Fees	\$1,000 to \$5,000	As Arranged	When Incurred	No	Supplier
Initial Inventories	\$15,000 to \$45,000 (Note 6)	As Arranged	When Incurred	No	Suppliers and Franchisor
Initial Training	\$3,000 to \$5,000 (Note 7)	As Arranged	When Incurred	No	Us
Initial Opening Advertisement	\$10,000 to \$20,000	As Arranged	When Incurred	No	Us or Supplier
Pre-Opening Assistance Fee	\$3,000	As Arranged	When Incurred	No	Us
Insurance	\$1,000 to \$2,000 (Note 8)	As Arranged	When Incurred	No	Insurance Provider
Additional funds – 3-4 months	\$10,000 to \$30,000 (Note 9)	As Arranged	When Incurred		Employees, Suppliers, Utilities, State and Local Licenses and Permits, and Potential Deposits.
TOTAL (Note 11)	\$244,000 to \$490,000 plus (Does not include real estate costs)				

Note 1. If you do not own adequate Café space, you must lease or buy the land and/or building for your 7 Leaves Café. Typical locations are light industrial and commercial areas. The typical 7 Leaves Café ranges in size from 1,000 to 2,400 square feet. The terms of the lease and the amount of the monthly lease payment and security deposit will likely depend on your credit score and financial circumstances, the state, city, and the geographic location, the size, condition, and age of the premises, the amount of improvements that will be needed, the presence or absence of a drive-through, whether the location is a single building or part of a larger commercial development, your experience negotiating commercial leases, the length of the lease term, whether the proposed lease is net, double net, triple net, full service, gross or modified gross, your use of a broker in identifying sites and negotiating your lease, and the demand for the premises by other prospective tenants. Due to the wide variations in these costs across the several states, these costs cannot be reasonably estimated for the Franchisee.

Note 2. The design fee begins at \$5,000 for review of your site plans and/or floorplans, and for us providing a completed design for your Café. Factors that may result in a higher design fee include multiple requests for additional or modified design plans, difficulties experienced due to older or outdated construction, restrictive local zoning laws or regulations, unique obstacles or circumstances in the construction or floorplans, or any need or request for us to travel to your

selected site.

Note 3. The cost of your leasehold improvements will depend on size, location, material costs, labor costs, amount the landlord is willing to assume and other economic factors.

Note 4. You are required to purchase certain equipment, fixtures, furniture, and kitchen tools (“7 Leaves Equipment”), as provided in the Operations Manual from us, our designee or our approved vendor. The current list of required equipment you must purchase from us, our designee or our approved vendor is attached to the Franchise Agreement as Exhibit 4. The lower figure contemplates 7 Leaves Equipment for a 7 Leaves Café that is a quick service shop. The higher figure contemplates 7 Leaves Equipment for a 7 Leaves Café that is a full service café.

Note 5. You must purchase the POS equipment designated by 7 Leaves either from us or our approved vendor.

Note 6. Your store will need acquire some initial inventory before the store can open and serve customers. Common inventory items include food and drink ingredients, cups, lids, straws, napkins, drink trays, plastic bags, receipt paper and toner, stamp cards, disposable gloves, and cleaning supplies.

Note 7. Initial Training subjects will include drink making, customer service, store management, cash handling and reporting, company culture, store workflow, store site selection, hiring criteria and standards, store design and layout, inventory management and ordering, and methods for assessing performance of the store and employees.

Note 8. You must obtain certain types of and amounts of insurance.

Note 9. The amount of additional funds required is based on the Franchisor and its agents having opened multiple Cafés in different locations over several years, and their experiences with the need for securing local permits, licenses, and application approval, soliciting, interviewing, hiring and training employees before the store opens, and setting up accounts with local utilities, vendors and service providers, including payments of any required security deposits.

Note 10. Each payment is not refundable once the payment is made.

Note 11. Sales tax and/or any other applicable state and/or local taxes may apply to the above estimated investment.

Note 12. The franchisor and its affiliates do not provide any financing for any of the initial investment. Please refer to Item 10 for additional details.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications and Operations

We require that you establish and operate your franchised Café in compliance with your

Franchise Agreement and standards of practice (SOP) we establish. You must strictly follow our product and service specifications as set forth in the operations manual we provide to you or other written materials from us (collectively the “Manual”), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to amend the Manual from time to time. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, customer recognition, advertising support and availability to be furnished to the public in connection with 7 Leaves.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Café free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

Purchasing and Operations Requirements

You must purchase or lease and install all fixtures, furnishing, equipment, décor items, signs, and related items we require, all of which must conform to the SOP or otherwise in writing, unless you have first obtained our written consent to do otherwise. You must, at your sole cost, purchase, use, maintain, and update the point-of-sale system (“POS System”) and other computer systems that we specify for use in the operation of the Franchised Business. You may not install or permit to be installed on the Café any other fixtures, furnishing, equipment, décor items, signs, and related items without our written consent or that do not comply with our specifications.

Franchisor requires that franchisees purchase all branded products, and all products or items bearing Franchisor’s marks (“Required Purchase Items”) directly from the Franchisor, its affiliates, or a designated third-party vendor or supplier. Franchisees may purchase all other products and items from any approved vendor or supplier.

The Franchisor does not hold any interest in any supplier. The officers for the Franchisor have holdings in our affiliated company, 7 Leaves Holding, Inc., who is also an authorized supplier of branded products for our franchisees. Our franchisees are not required to purchase items from 7 Leaves Holding, Inc., and franchisees may propose alternative suppliers that are approved for these products. 7 Leaves Holding, Inc. does not sell pandan leaves to our franchisees, but receives a five percent rebate for total purchases of pandan leaves from the supplier. The total rebate received for pandan leaves purchased in the fiscal year ending December 31, 2023 was \$725.80. There are no other rebates, discounts, or benefits received by 7 Leaves Holding, Inc., as a result of supplying products to our franchisees.

Our Affiliate 7 Leaves Holding, Inc. holds interest in the West 7 Bakery, and the West 7 Bakery is an approved vendor and supplier of macarons for our franchisees. Our franchisees are not required to purchase macarons from the West 7 Bakery, and franchisees may propose another supplier and may use any supplier that is approved for this product. The prices for macarons from the West 7 Bakery are the same for our Affiliate store and for franchisees, and at this time the Franchisor and its Affiliates do not receive any form of revenue, rebates, discounts, or other benefit from this supplier as a result of the purchases made by us, our Affiliates, our franchisees, or others.

If you wish to purchase, lease or use any unapproved products or other items, or obtain them from an unapproved supplier, you must submit a written request for approval or you must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. You or the supplier must reimburse our costs related to the evaluation of the proposed product or supplier, but not more than \$2,500. We will notify you within 15 days after we complete inspection and evaluation process of our approval or disapproval of any proposed supplier. We are not required to make available to you or to any supplier our criteria for product or supplier approval that we deem confidential. We will permit you to purchase certain items from any supplier, provided that the product or supplier has met our criteria.

We estimate that required purchases are approximately 25% of the cost to establish a franchise and approximately 25% of your total operating costs thereafter.

You are required to adhere to the standards and specifications established from time to time by us with respect to Café operating procedures, advertising materials, supplies, equipment, fixtures, furnishings and other items used in the operation of your franchise. Other than the Required Purchase Items, you may purchase from any other approved vendor or supplier.

You must maintain in sufficient supply, and use and sell at all times, our proprietary products in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must not deviate from these standards and specifications by using or offering non-conforming items, or differing amounts of any items. You must sell and offer to sell only those items, products and services that we have expressly approved for sale in writing. You must not deviate from our standards and specifications without obtaining our written consent first. You must immediately stop selling or offering to sell any items, products and services we may disapprove at any time. We may modify our standards and specifications as we deem necessary, and we will provide you any changes in our standards and specifications in writing.

The proprietary recipes provided in our Manual are confidential and proprietary information that need to be protected for our and your benefit. Because of the importance of quality and uniformity of products and the significance of those products in the System, we do closely monitor and control the production and distribution of those products. You must follow only our proprietary recipes and methods provided in our Manual to produce the items and must purchase those Required Purchase Items solely and exclusively from us or an approved vendor or supplier.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply products, equipment, or services to some or all of the Cafés in our System. There are not currently any purchasing or distribution cooperative agreements, and the benefits of any discounts from our vendors, suppliers and distributors are available on equal terms to all of our affiliate and franchise stores. If we do establish alliances or preferred vendor programs, we may limit the number of approved suppliers, and designate suppliers that you must use for some or all products, equipment and services you must purchase or lease, and we may refuse to approve proposals from franchisees to add new products or suppliers if we believe that such approval

would not be in the best interests of the System or the franchised network of Cafés. We may negotiate purchase arrangements with suppliers for the benefit of franchisees. We do not provide any material benefit, such as the grant of the additional or renewal franchises, to franchisees for using the suppliers we designate. When determining whether to grant new or additional franchises we consider many factors.

We reserve the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, “Allowances”) offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliates, based on your purchases of products and services from those manufacturers, suppliers, and distributors. We or our affiliates will have all of your right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction, unless otherwise instructed by the manufacturer, supplier, and distributor.

Any and all marketing, advertising and/or promotional materials, signs, decorations, menus and stationery used in the Café must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. Any and all of your marketing, advertising and/or promotion through any medium must conform to the standards and requirements that we approve in advance. You must obtain our approval before you use any marketing, advertising and promotional materials and plans. Once you submit any marketing, advertising and/or promotional materials for our review shall become our property and we have right to use them at our sole discretion. You may not use any marketing or promotional materials that we have disapproved.

Location and Improvements

You must discuss the site (location) for your Café with us before you acquire the site by obtaining our approval of such site. Before you sign a lease agreement or a sales contract, you must obtain our prior approval of any contract of sale or lease for Café. If you own real property and wish to use the same to operate a Café, you must first obtain our approval for the site before you plan and/or initiate any construction and/or improvements at the site. At our request, you and your landlord must sign a Collateral Assignment of Lease with us (Attachment B to the Franchise Agreement) which permits that your lease can be assigned to us on expiration or termination of your Franchise Agreement.

You must purchase or lease and install all fixtures, signs, décor items that conform to the standards and specifications set forth in Manual or in other written materials, unless you have first obtained our prior written consent to do otherwise in writing. Although you may hire a contractor of your own choice to construct and/or improve your leased premises or your own property, you must obtain our approval in writing as to the draft of design before you initiate any construction work for your franchise. We can require that our representatives be permitted to inspect your 7 Leaves Café at any time to check if your 7 Leaves Café meets our standards for appearance. You must also place the signs of 7 Leaves and décor items at your Café in a clean and excellent condition.

Insurance

You must obtain and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, cost and liability, an insurance policy or policies protecting you, us and our respective officers, directors, partners, representatives and employees.

The policies must provide protection against any demand or claim relating to personal and bodily injury, death or property damage, or any liability arising from your operation of the Café, including, but not limited to, liquor liability, employment practices coverage and Americans with Disabilities Act. All policies must be written by an “A” rated carrier or carriers whom we determine to be acceptable, must name us as an additional insured, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement. If you will occupy premises of a 7 Leaves Café under a lease agreement, the lessor must provide to us written notice of any default by you under the lease agreement and we must have, after the expiration of the lease agreement the right to cure such default at our sole discretion and judgment, and to enter the leased premises and assume your rights under the lease.

We currently require our franchisees to have the following insurance coverages: (1) comprehensive general liability, including broad form contractual liability, employment practices coverage, broad form property damage, personal injury, facilities, completed operations, products liability, and fire legal liability in the amount of \$5,000,000; (2) all risks coverage for full repair and replacement value of all of the equipment, fixtures and supplies used in your Café with an agreed amount endorsement equal to 100% of the property’s value; (3) employer’s liability, workers’ compensation, and any other insurance that may be required by statute or rule of the state or locality in which the Café is located and operated; (4) business interruption insurance of at least 50% of your annual gross sales excluding payroll, including naming us as an additional insured and loss payee for royalties that would have been paid by you based on the Cafés Gross Sales during the preceding 12 month period; (5) any insurance coverages required by the terms of the lease for the Café premises; and (6) any other insurance coverages we may require in the future.

In addition, related to any construction, renovation or remodeling of the Café, you must maintain builders’ risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us, those of our affiliates that we specify, and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds and must include a waiver of subrogation in favor of all those parties. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you fail to obtain the insurance coverages we require we may, but are not obligated to, obtain insurance coverage on your behalf. You must reimburse the costs we incur plus a 10% administrative fee if we choose to obtain insurance coverage for you.

Stopping Sales and/or Deliveries

We can stop selling and/or delivering any or all goods and/or services to you if any payment is past due more than 14 days. This may impact your operation because our decision to stop selling and/or delivering goods does not excuse you from the obligations to comply with the Franchise Agreement and all aspects of our system, and does not modify our other remedies for your breach and/or failure to comply.

Revenues from Franchisee Purchases

At the end of the fiscal year ending December 31, 2023, the West 7 Bakery received revenues of \$183,254.95 from the sale of macarons to our franchisees. Based on current pricing from the West 7 Bakery it is expected that a Café selling macarons will spend no more than 5% toward purchases of macarons in the ordinary course of operating the Café.

At the end of the fiscal year ending December 31, 2023, 7 Leaves Holding, Inc. received revenues for purchases from our franchisees as follows: Macaron Box Sets \$2,030.00; Clothing \$622.00. Based on current pricing for these items, it is expected that a Café selling these items will spend no more than 1% toward purchases of any one of these items in the ordinary course of operating the Café.

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 FRANCHISE DISCLOSURE DOCUMENT.

Obligation	Section/Article in Agreement	Items in Franchise Disclosure Document
a. Site selection and acquisition/lease	II, Exhibit D	Items 7 & 11
b. Pre-opening purchases/leases	II	Items 7, 8 & 11
c. Site development and other pre-opening requirements	II	Items 7, 8, 11 & 12
d. Initial and ongoing training	VI	Item 5 & 11
e. Opening	VI	Item 8 & 11
f. Fees	V	Item 5, 6 & 7
g. Compliance with standards and policies/Operating Manual	XI	Item 8, 11 & 14
h. Trademarks and proprietary information	III	Item 11 & 13
i. Restrictions on products/services offered	VIII	Item 8
j. Warranty and customer service requirements	Recitals	Item 8
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	VIII	Item 8 & 11
m. Maintenance, appearance and remodeling requirements	II, IV	Item 7, 8 & 11

n. Insurance	XII	Item 6 & 8
o. Advertising	IX	Items 6, 8 & 11
p. Indemnification	XIII	Item 7
q. Owner's participation/ management/staffing	VIII, XIII	Item 15
r. Records/reports	X	None
s. Inspections/audits	X	Item 1 & 8
t. Transfer	XX	Item 6 & 17
u. Renewal	IV	Item 17
v. Post-termination obligations	XVIII	Item 17
w. Non-competition covenants	XIV	Item 15 & 17
x. Dispute resolution	XXX	Item 17

ITEM 10

FINANCING

7 Leaves does not offer direct or indirect financing. 7 Leaves does not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as disclosed, we [the franchisor] are not required to provide you with any assistance.

You will be responsible for identifying the potential sites for your Café and negotiating the terms for acquiring any such sites. We do not provide assistance with conforming the site to local ordinance and building codes, obtaining permits and licenses for construction and operation of the Café, completing construction or remodeling, or hiring and training your employees. We reserve the right to require you to use an experienced real estate broker to assist you in finding a location for your Café or to assist you with the lease negotiations.

You must obtain our approval of the site for the Café before you acquire or make binding commitments for a site to place a Café, and You must obtain our acceptance of any contract of sale or lease for the Café before you sign the contract or lease. We will provide a decision on a site within 30 days from submission for our approval. Factors we consider in approving site selection include general location, size of the shopping center, vehicle and pedestrian traffic density, the types of surrounding businesses and community features, the availability of drive thru services, the proximity to other 7 Leaves Café locations and other beverage-based cafes, as well as any unique features of the proposed site. Our approval of a proposed site does not constitute a guarantee for the success of the Café at the approved site and We do not guarantee the success of any Café at any site. If We are unable to agree on a site with You, You will not be allowed to open a Café. (Franchise Agreement, Section 7.8).

You must provide us with a copy of the fully signed lease for the approved site. You are also required to include as an exhibit to Your lease, a collateral assignment of lease in the form attached as Exhibit C to the Franchise Agreement. The time requirements for opening a Café are based on the date for signing the Franchise Agreement, and these time requirements are not extended for purposes of securing approval for a proposed Café location or for negotiating the terms for leasing or otherwise acquiring a site for the Café. (Franchise Agreement, Section 2.1 and Exhibit C).

Assistance before Opening Your 7 Leaves Café

Franchisor will provide you with the following assistance before opening your 7 Leaves Café:

1. 7 Leaves will review your plans and/or sites for your franchise and provide the design for layout of your 7 Leaves Café. This service shall be subject to our Design Fee.
2. 7 Leaves will provide advice about selecting and analyzing a site for the Café based on demographics, traffic patterns, competitive business existence, zoning, cleanliness, terms of the proposed lease, parking and proximity of the proposed site to other 7 Leaves Café and/or any other reasonable standards or criteria.
3. On written request, 7 Leaves will make available a sample program containing acceptable content for use in your grand opening, local advertising, and other marketing campaigns.
4. The length of time to open your franchise may be affected by the time it takes to select and secure your Franchised Location, permits and inspections by government agencies, and leasehold improvements. Typically, it takes approximately six to eight months to open your franchise following execution of the Franchise Agreement. If you are unable to open your store within twelve months of executing the Franchise Agreement, your franchise may be subject to a Delayed Opening Fee (See Item 5).
5. Franchisor will approve or reject the franchisee's proposed site within thirty (30) days. 7 Leaves will not unreasonably withhold our approval of your plans or site for your franchise Café. Our approval and/or assistance in terms of your plans and/or site selection do not constitute a warranty or representation in any way with respect to the property, Café and/or your franchise.
6. 7 Leaves will provide you with the specifications for all equipment, signs, furnishings and fixtures;

(Franchise Agreement, Article VII).

Operations Manual

7 Leaves will loan you a copy of our Confidential Operations Manual (the "Manual"), which contains mandatory and/or suggested specifications, standards, procedures and rules. We will also provide you with cloud-based access to such video training materials and custom forms as may be available and amended by us from time to time. The Manual, our video training materials, and custom forms are confidential and proprietary. We may modify the Manual and

any of our training and operations materials from time to time, but any such modifications will not alter your status and rights under the Franchise Agreement. The table of contents to the Manual is attached as Exhibit D to this Franchise Disclosure Document. (Franchise Agreement, Article XI and Exhibit D).

TRAINING PROGRAM			
Subject	Hours of classroom training	Hours of on-the-job training	Location
<i>Early Training</i>			
7 Leaves Culture and Values	4.0	-	Corporate Training Facility
Café Site Selection	4.0	6.0	Corporate Training Facility
<i>Hands-On Training</i>			
Interviewing, Hiring and Scheduling	6.0	6.0	Corporate Training Facility
Drink Cook	6.0	30.0	Corporate Training Facility
Drink Maker	2.0	18.0	Corporate Training Facility or Participating Cafés
Cashier	2.0	12.0	Corporate Training Facility
Marketing	2.0	-	Corporate Training Facility
Inventory & Ordering	2.0	-	Corporate Training Facility
POS Systems and Accounting Elements	2.0		Corporate Training Facility
Pal's Sudden Service	18.0	-	Pal's Sudden Service
<i>Calibration Training</i>			
Drink Cook	-	24.0	Franchisee's Café
Drink Maker	-	18.0	Franchisee's Café
Cashier	-	18.0	Franchisee's Café
TOTALS	48	132	-

All training will be provided by a franchise account manager or a district manager that has completed the franchise store manager training and having no less than 6 months of experience working with management and staff at a 7 Leaves Café.

Dalena Truong is a franchise account manager for our franchise business and a district manager responsible for the management of 5 stores owned and operated by our affiliates. Ms. Truong has worked for 7 Leaves Café since 2012 and has completed in-store training with our affiliates and Ms. Truong is familiar with all aspects of operations for a 7 Leaves Café. Ms. Truong provided

substantial assistance in the creation and development of our training programs and Ms. Truong is qualified to provide training for each of our training components including the early training, hands-on training, and on-site calibration training at our franchisee's stores.

Donald Truong is a franchise account manager for our franchise business and a district manager responsible for the management of 5 stores owned and operated by our affiliates. Mr. Truong has worked for 7 Leaves Café since 2012 and has completed in-store training with our affiliates and Mr. Truong is familiar with all aspects of operations for a 7 Leaves Café. Mr. Truong provided substantial assistance in the creation and development of our training programs and Mr. Truong is qualified to provide training for each of our training components including the early training, hands-on training, and on-site calibration training at our franchisee's stores.

Josh Newmaster is the director of business development and a franchise account manager for our franchise business and Mr. Newmaster has previously served a district manager for stores operated by our affiliates. Mr. Newmaster has worked for 7 Leaves Café since 2017 and has completed in-store training with our affiliates and Mr. Newmaster is familiar with all aspects of operations for a 7 Leaves Café. Mr. Newmaster provided substantial assistance in the creation and development of our training programs and Mr. Newmaster is qualified to provide training for each of our training components including the early training, hands-on training, and on-site calibration training at our franchisee's stores.

Susan Hong is a franchise account manager for our franchise business and a district manager responsible for the management of 4 stores owned and operated by our affiliates. Ms. Hong has worked for 7 Leaves Café since 2016 and has completed in-store training with our affiliates and Ms. Hong is familiar with all aspects of operations for a 7 Leaves Café. Ms. Hong provided substantial assistance in the creation and development of our training programs and Ms. Hong is qualified to provide training for each of our training components including the early training, hands-on training, and on-site calibration training at our franchisee's stores.

Area Developers shall be entitled to complete the training program one-time after the first Franchise Agreement that is signed. If an Area Developer would like to request additional training sessions those training sessions shall be subject to the same rates set forth and disclosed herein. If the Franchisor determines that an Area Developer requires pre-opening assistance for a subsequent store that will be opened in the Territory, then the Area Developer shall pay the pre-opening assistance fee and all out of pocket expenses incurred by Franchisor's employees. If the Franchisor discovers or determines that an Area Developer is operating a Store in a manner that is not in compliance with our standards, then the Area Developer may be required to complete additional Calibration Training and that training shall be subject to the same rate set forth and disclosed herein. (Franchise Agreement, Article VI).

You will be required to schedule and attend training for 7 Leaves Culture and Café Site Selection within thirty (30) days of signing the Franchise Agreement. You are allowed to schedule this training for as many as six (6) trainees, and each trainee will be required to execute a confidentiality agreement. The training for 7 Leaves Culture and Café Site Selection will take place at our Corporate Training Facilities in Huntington Beach, California. This training session is provided without charge, however, you are solely responsible for paying any compensation to your trainees, as well as travel, lodging, and personal accommodations.

Culture and Values, and Site Selection Workshop

7 Leaves Culture and Values and the Café Site Selection will be a one (1) day classroom training that provides insight to how Franchisor operates and manages the stores to instill the company's values. Information on how to find potential locations in the agreed territory will also be covered. This will include exercises on how to utilize the site criteria and knowing what locations may be ideal for a 7 Leaves Café.

You will be required to schedule and attend Hands-On Training at least seventy-five (75) days before the Grand Opening for Your Café. You are allowed to schedule this training for as many as two (2) trainees. The Hands-On Training will take place at our Corporate Training Facilities in Huntington Beach, California, or at participating 7 Leaves Cafés that are located no more than five (5) miles from our Corporate Training Facilities. This Hands-On Training will be offered to You one-time, without charge, however, You are solely responsible for paying any compensation to your trainees, as well as travel, lodging, and personal accommodations. If Your trainees are unable to complete Hands-On Training on schedule or if Your trainees are unable to demonstrate sufficient understanding of the training materials by the end of the training session, then You will be required to schedule a follow up training session before You can hold the Grand Opening for your Café. If You are required to schedule a follow up Hands-On Training session, there will be a non-refundable fee of \$3,000 for each individual trainee that attends this follow up training, and that fee must be paid at the time of scheduling the Hands-On Training. If You hire additional employees that You would like to complete our Hands-On Training during the term of the Franchise Agreement, there will be a non-refundable fee of \$3,000 for each trainee that must be paid to us at the time of scheduling the Hands-On Training.

(Franchise Agreement, Article VI).

Cashier Training

Training documents will be provided prior to training as study material to understand the information related to the responsibilities and tasks of a Cashier that must be memorized. Cashier training consists of (2) days of customer service training, product knowledge training, POS register training, and cleanliness and restocking training.

Drink Maker Training

Training documents will be provided prior to training as study material to understand the information related to the responsibilities and tasks of a Drink Maker that must be memorized. Drink Maker training consists of (3) days of product knowledge training including product preparation, pour levels & modifications, cleanliness and restocking.

Drink Cook Training

Training documents will be provided prior to training that will cover the recipes and product knowledge of how to cook/brew all products. You will be required to study this material prior to Hands-On training. Drink Cook training will take place at a participating cafe for four (4) days. Training will consist of one (1) day of demonstration for all products made, as well as three (3) days of hands-on training to practice preparing all products. Every training day will include testing on all recipes to reinforce information comprehension.

You will be required to schedule and attend Calibration Training at least fourteen (14) days before the Grand Opening for your Café. The Calibration Training will take place at Your Café. The Calibration Training will be offered to You one time, without charge, however, if we determine that Your Café is unable to operate in accordance with our standards by the end of the Calibration Training then we may require You to schedule an extended Calibration Training session. If You are required to schedule extended Calibration Training for Your Café, there will be a fee of \$1,500 for each day that we have to continue with Calibration Training for Your Café.

Calibration Training

Calibration Training will review the knowledge and comprehension of operational procedures that were covered during the Hands-On Training. Training will take place over a two (2) day period and include the inspection of all equipment to be set properly, products for quality assurance, and design aspects of the store buildout. Training will be conducted by Franchisor at your Café and You will supervise and be de-briefed of the results of the training after it has concluded.

We may elect to require You or Your Café management team to attend additional training, refresher training, or new training to correct, improve, or enhance the operation of the Café. This training may be mandatory, and We reserve the right to charge a reasonable fee for this training or any training provided after the opening of Your Café. A person who has successfully completed our training programs must at all times actively supervise the operations of Your 7 Leaves Café.

All aspects of training are integrated. There are no definitive starting and stopping times. The time periods allocated to the subjects listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons being trained. Prior to opening Your Café, Franchisor shall make available all such further assistance at your location as Franchisor may deem appropriate, and Franchisor shall have the right to determine the time and duration for such assistance, if any.

(Franchise Agreement, Article VI).

Computer and Point-of-Sale Systems

You must, at your sole cost, purchase, use, maintain, and update the point-of-sale system ("POS System") and other computer systems that we specify for use in the operation of the Franchised Business. You must maintain the POS System in good working order at all times, and upgrade or update the System during the term of the Franchise Agreement, as we may require. The POS System will allow us to communicate with you, and poll and review the results of your Franchised Business' operations, and we will have the right to independently access the POS system and review all available information, including without limitation, hourly sales data, consumer trends, food and labor costs, and other financial information. We may distribute the collected data on a confidential basis to our network of franchisees.

You must purchase the POS System designated by us either from us or a third-party vendor. Currently, the cost of the POS System ranges from \$1,000 to \$10,000 depending on the size, location and conditions of your 7 Leaves Café.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your System. Also, there are no optional or required maintenance/upgrade contracts for the POS System.

You must install any other hardware or software for the operation of the Franchised Business that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The cost of maintenance, repairs or updates to the computer system ranges from \$100 to \$10,000. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by 7 Leaves Cafés.

We reserve the right to have independent access to all information and data that is electronically collected by You.

(Franchise Agreement, Sections 8.3 and 10.3).

Multi-Unit Operator/Area Developer Agreement

Under the Multi-Unit Operator/Area Developer Agreement we will provide you with the following assistance:

1. We will grant You development rights to a Designated Area within which you will assume the responsibility to establish and operate an agreed-upon number of 7 Leaves Café under separate Franchise Agreements
2. We will review site survey information on sites you select for conformity to our standards and criteria for potential sites and, if the site meets our criteria, approve the site for a Café
3. We will provide you with standard specifications and layouts for building and furnishing the Café
4. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications
5. We may conduct on-site evaluations, as we deem advisable, as part of our evaluation of the site for a Restaurant
6. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Operator/Area Developers

(Franchise Agreement, Article VII and Area Developer Agreement, Article VIII).

Advertising and Promotion--Grand Opening Advertising

You must conduct a grand opening advertising campaign to promote the opening of Your Store, and You must spend \$10,000 per location for this campaign. You must send Us the proposed plans for Your Grand Opening advertising campaign at least forty-five (45) days before the planned date for Your Grand Opening. If We do not receive your grand opening advertising plan when required, We reserve the option to create a grand opening advertising plan for You that

You must then conduct, and We reserve the right to require that You pay in advance and directly to Us the \$10,000 for Your grand opening advertising campaign so that We are able to conduct the advertising campaign on Your behalf. If We exercise this right to create and conduct the Grand Opening advertising campaign for You, there shall be a non-refundable charge of \$3,000 payable to the Franchisor for administrative costs and reasonably anticipated expenses to be incurred. (Franchise Agreement, Section 8.1).

Advertising and Marketing Fund

7 Leaves may conduct marketing, promotion, or public relations campaign for the 7 Leaves System at the local and regional level as we deem appropriate. The Franchisor is not obligated to spend any amount of money on advertising in any franchisee's territory.

There is not currently any advertising council composed of franchisees. There are also no local or regional advertising cooperatives. We reserve the right to review, approve and/or reject the terms for our franchisees creating, managing, operating and dissolving any such councils or cooperatives, and we reserve the right to condition approval of any terms on the inclusion of terms proposed by Franchisor.

We reserve the right to establish and/or dissolve a Marketing Fund (the "Fund") and the Fund will be used for product research, creative costs, advertising agencies, public relations firms, flyers, radio, newspaper and television commercials and other materials that we, in our sole discretion, deem appropriate. Also, monies in the Fund may be used to cover administrative costs and overhead we may incur including salary costs of employees working for the Fund, costs of contracting with third-party advertising, market, research, and public relations service providers, or costs incident to securing any form of endorsements we may deem appropriate. You must participate in all advertising and public relations programs instituted by the Fund. See Item 6 for the amount you are required to contribute to the Fund. All franchise stores shall contribute equally to the fund. The Franchisor and Affiliates will not be required to contribute to the Fund. We oversee all advertising, promotion and marketing programs with sole discretion over the creative concepts, materials and media used in the programs, and the geographic, market and media placement and allocation thereof. We do not warrant that any particular franchisee will benefit directly or pro rate from expenditures of the Fund. We assume no fiduciary duty in administering the Fund. We are under no obligation to ensure that expenditures of the Fund are or will be proportionate or equivalent to contributions of the Advertising and Marketing Fees by 7 Leaves Cafés operating in any geographic area or that any 7 Leaves Café will benefit directly or in proportion to the amount of the Advertising and Marketing Fees it has paid. (Franchise Agreement, Sections 9.1 and 9.2).

The Fund will be accounted for separately from our other funds, however, Franchisees will not be entitled to receive or access any financial statements concerning the Fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution of all 7 Leaves Cafés to the Fund in that year, and the Fund may borrow from us or other lenders at standard commercial interest rates to cover deficits of the Fund or cause the Fund to invest any surplus for future use by the Fund. During the fiscal year ended December 31, 2023, the Marketing Fund spent 49.2% on production costs, and 50.8% on marketing technology and development.

Franchisor will review the advertising, promotion, marketing, public relations or telemarketing

programs or campaigns for your 7 Leaves Café. You may create your own advertising, marketing or public relations materials and disseminate these materials via print, radio or television, provided that the materials have been approved by us. You must provide us with all samples of promotional and marketing materials in whatever form you desire to use for our approval at least fifteen (15) days before your proposed use of the materials. You must also provide us with quarterly reports of your advertising expenditures within ten (10) days after the end of each quarter. (Franchise Agreement, Section 9.3).

All advertising, marketing, or public relations materials, including those created by our franchisees, if any, shall remain the sole and exclusive property of 7 Leaves Café, and we reserve the right to use, modify, or discontinue the use of any advertising, marketing, or public relations materials at any time.

Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The fund will not be terminated until all monies in the Fund has been spent for advertising purposes or returned to contributors on a pro rata basis. If we terminate the Fund, we have the right to reinstate it at any time and you must again contribute to the Fund. Any reinstated Fund will be maintained as described above. (Franchise Agreement, Section 9.2).

Although we may voluntarily provide additional services, no additional duties may be implied because we provide those additional services, if any. We have no implied duties or other duties not expressly stated in the Franchise Agreement.

You must conduct Local Advertising in your Designated Territory and you must spend at least 1% (one percent) of your Restaurant's Gross Sales each month to approved forms of local advertising. We must approve all advertising before you use it. You must send us a monthly update to your advertising plan before the end of every month. (Franchise Agreement, Section 9.3).

We reserve the right to require you to include certain language in your local advertising, such as "Franchises Available" and our Website address and telephone number.

Website / Intranet / Social Media

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We may establish one or more websites accessible through one or more uniform resource locators ("URLs") and, if we do, we may design and provide for the benefit of your Café a "click through" subpage at our website for the promotion of your Café. If we establish one or more websites or other modes of electronic commerce and if we provide a "click through" subpage at the website(s) for the promotion of your Café, you must routinely provide us with updated copy, photographs and news stories about your Café suitable for posting on your "click through" subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your "click through" subpage. (Franchise Agreement, Section 9.5).

Any websites or other modes of electric commerce that we establish or maintain may, in addition to advertising and promoting the products, programs or services available at 7 Leaves Café, also

be devoted in part to offering 7 Leaves Café franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Café; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates “7 Leaves” name or any name confusingly similar to the Proprietary Marks. (Franchise Agreement, Section 9.5).

You are not permitted to promote your Café or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Franchised Business’s operation, including prohibitions on your and the Franchised Business’s employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us (“social media” includes personal blogs, common social networks like Facebook, Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

ITEM 12

TERRITORY

You will not receive an exclusive territory. You will not receive any minimum or type of territory. You may face competition from outlets that we own, or from other channels of distribution or competitive brands that we control. We may establish other franchised or company owned outlets that may compete with your location. The franchised business will be for a specific location or a location to be approved by us. If no location for your 7 Leaves Café is identified on the date of the execution of the Franchise Agreement, then Franchisor and Franchisee must mutually agree, in writing, as to your specific location of the 7 Leaves Café. Until a location has been agreed to in writing, Franchisee shall enter into no binding obligation for the design, construction, outfitting, or operation of the 7 Leaves Café, and any non-binding letter of intent for any of these obligations shall be subject to Franchisor’s review and approval.

Franchisor reserves the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within any territory using the franchisor’s principal trademarks. The Franchisor reserves the right to use other channels of

distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within the franchisee's territory of products or services under trademarks different from the ones the franchisee will use under the franchise agreement. The Franchisor will not pay Franchisee for soliciting or accepting orders from inside the franchisee's territory. The Franchisee is not granted any options, rights of first refusal or similar rights to acquire additional franchises within any territory.

Neither our prior approval of a location for the 7 Leaves Café nor any information communicated to Franchisee regarding Franchisor's site selection criteria constitutes a warranty or representation of any kind, express or implied, as to the suitability of the location for Franchisee's 7 Leaves Café. Franchisor's approval of a location merely signifies that Franchisor is willing to grant a franchise for the 7 Leaves Café at that location. Franchisor shall have no liability for any loss, damages, or other liability arising from or in connection with the selection or approval of a location for Franchisee's 7 Leaves Café.

You must operate your Café at the specific location identified in your Franchise Agreement. You may not conduct business at any other site, nor relocate the Franchised Business without our written consent. In the event your franchised business premises at your original and/or initial location are rendered unusable by fire or other casualty or by the proper exercise of the power of eminent domain; if Franchisee's possession of the franchised business premise is lost without Franchisee's fault; or, in the event that, in Franchisor's judgment, the character of the location has sufficiently changed as to be detrimental to its business potential to warrant relocation, Franchisor may grant permission for the relocation of the franchised business to a site acceptable to Franchisor. Any relocation is at Franchisee's sole expense and liability.

Area Development

Under the Area Development Agreement, we grant you the right to develop the territory and operate the number of 7 Leaves Cafés specified in the Development Agreement. The territory is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality, county, or state boundaries, but may be defined as a trade area within any other clearly delineated regions or localities. The actual size of the territory will vary depending on the population density of the county or other defined territory you wish to develop. This area can be changed and modified, depending on the availability of contiguous markets, the number of stores you propose to establish, our long-range development plans, your financial and operational resources, population density, market conditions, brand exposure, and any unique circumstances associated with the proposed territory.







Except as described below, during the term of the Development Agreement, we will not grant another franchise for operation of a Café to be located within the territory. However, we reserve the right to operate a Café to be located within your Development Area.

ITEM 13

TRADEMARKS

We grant you the right to operate a Café under the name of 7 Leaves. You are also authorized to use our other current or future trademarks to operate your Café. By trademark ("Mark") 7 Leaves

means trade names, trademarks, service marks, logos, images, slogans, and branding materials used to identify your Café. Our affiliate, 7 Leaves Holding, Inc., has registered the following trademarks on the United States Patent and Trademark Office principal register:

Mark	Registration Number	Registration Date
7 LEAVES	4,780,339	July 28, 2015
7 LEAVES	4,876,791	December 29, 2015
7 LEAVES	4,876,792	December 29, 2015
	4,876,793	December 29, 2015
	4,876,794	December 29, 2015
	5,750,949	May 14, 2019
COFFEE TEA GOODNESS	5,831,905	August 13, 2019
  	5,831,917	August 13, 2019

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceeding, and no pending material litigation involving the Marks which have limited or restricted the use of the Marks in any state. All required affidavits have been filed with the United States Patent and Trademark Office.

You must follow our rules when you use the Marks. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use our registered Marks in connection with the sale of any unauthorized product or service or in a manner not authorized in writing by us.

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademark. We will take the action we think appropriate. While we are not required to defend you against a claim against your use of our trademark, we will reimburse you for your liability and reasonable costs in connection with defending our trademark. To receive reimbursement, you must have notified us immediately when you learned about the infringement or challenge.

You must modify or discontinue the use of a trademark if we modify or discontinue it. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There have been no material determinations made by the U.S. Patent and Trademark Office or the U.S. Copyright Office concerning patents or copyrights that You are permitted to use under the Franchise Agreement. You can use the proprietary information in our Confidential Operations Manual. The Manual is described in Item 11 of this Disclosure Document. Although we have not filed an application for a copyright registration for the Manuals, it claims a copyright and the information is proprietary. You must also promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action with respect to the protection of any patent, copyright, or proprietary information, and we will respond to wrongful use of this information in such manner as we deem appropriate.

You must notify us immediately when you learn about a claim of infringement of or challenge to your rights to use any patent or copyright. We shall take such action as We deem appropriate. The Franchisor shall not be required to defend You against any such claims; however, we will reimburse you for your liability and reasonable costs in connection with defending such actions. To be eligible to receive reimbursement, if any, You must have notified us immediately when You learned about the claimed infringement or challenge.

The Franchisor reserves the right to modify or discontinue the use of any patents or copyrights. You must modify or discontinue the use of any patent or trademark if we modify or discontinue it. You shall not be entitled to challenge Our decisions to modify or discontinue the patent or copyright, and You shall not have any right to compensation in the event that We modify or discontinue the subject matter covered by the patent or copyright.

You must keep confidential 7 Leaves' Manuals and any supplements or materials for your 7 Leaves Café. You must use all reasonable means to keep this proprietary information confidential and prevent any unauthorized copy, duplication, record or reproduction of this information. Your employees must sign confidentiality agreements which will require them to keep confidential, both during and after employment, all information that 7 Leaves designates as confidential and proprietary.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require that you personally supervise the Franchised Business. The business must be directly supervised "on-premises" by a manager who has completed our training program. The on-premises manager cannot have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in a corporate or partnership franchisee. You must make sure that your employees and personnel are properly trained to perform their respective duties. We may require that you obtain confidentiality and/or non-compete agreements from your on-premises manager and/or your employees. If the Franchisee is not an individual, you must personally guarantee all of the Franchisee's obligations to 7 Leaves.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell the products and services approved by Franchisor in writing. See Item 9. Franchisor has the right, without any limitation, to change the authorized goods and services sold by your 7 Leaves Café.

You must offer all products that we designate as required for all franchisees, including our signature proprietary products produced in a way specifically prescribed in our Manual. There are no restrictions on the customers to whom you can sell the products at your 7 Leaves Café. However, you may not use your 7 Leaves Café for any purposes other than the operation of 7 Leaves Café in full compliance with the Franchise Agreement and Manual, without our prior written approval. You must purchase, use and offer each of and only the types, brands and quality of products and services we designate or approve. The Franchise Agreement allows you to operate one 7 Leaves Café at the Franchised Location only, and nowhere else, except with our prior written approval.

Any variation from our mandatory requirements requires our prior written approval. To obtain our approval, you must notify us in writing at least sixty (60) days before you actually sell and/or offer to sell such additional items at your Café and you must be in substantial compliance with all material obligations under your Franchise Agreement. In addition, we may require you to comply with other requirements (such as training, marketing, insurance) before we allow you to offer such additional items.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP		
This table lists important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Franchise Disclosure Document.		
Provision	Section in Franchise and Development Agreement	Summary
a. Term of the franchise	Franchise Agreement Article IV, Area Development Agreement Article VI, VII	Franchise Agreement: 5 years Area Development Agreement: According to agreed development schedule in Article VII
b. Renewal or extension of the term	Franchise Agreement Article IV, Area Development Agreement Article V,	Franchise Agreement: Additional term of 5 years Area Development Agreement: Terms to be negotiated with right of first

	VI	refusal to developer for continued development of territory.
c. Requirements for you to renew or extend	Franchise Agreement Article IV, Area Development Agreement Article V, VI	Franchise Agreement: You have been in substantial compliance with agreement; pay the Renewal Fee; may have to remodel the Café, at your expense; and sign a Franchise Agreement in effect at the time of renewal which may contain materially different terms and conditions than the agreement you signed. Area Development Agreement: Meeting the development schedule, compliance with franchise agreement for all stores, and agreement to terms of then-existing development agreement and franchise agreement which contain terms different than in the original agreements.
d. Terminations by you	None	You may terminate for any grounds permitted by law.
e. Termination by 7 Leaves without cause	None	We may terminate for any grounds permitted by law.
f. Termination by 7 Leaves with cause	Franchise Agreement Article XVII, Area Development Agreement Article IX	Franchise Agreement: We can terminate if you breach a material provision of the Franchise Agreement. Area Development Agreement: Termination for material misrepresentations, insolvency, violations of law or regulations, failure to meet development schedule, failure to pay fees, owning or operating a competitive business, and breach of any material terms of the development agreement.
g. “Cause” defined – defaults which can be cured	Franchise Agreement Article XVII, Area Development Agreement Article IX	Franchise Agreement: Subject state law, and unless otherwise provided, you have 30 days to cure any default not listed in Section 9.01 and 9.02. Area Development Agreement: Subject to state law, and unless otherwise provided, you will have 30 days to cure a default.
h. “Cause” defined – defaults which cannot be cured	Franchise Agreement Article XVII, Area Development Agreement Article	Franchise Agreement: Bankruptcy and insolvency, abandonment, repeated default, misrepresentations, levy of execution, criminal conviction,

	IX	noncompliance with laws, nonpayment of fees over 30 days, disclosure of confidential information. Area Development Agreement: Material misrepresentations, failure to meet the development schedule, situations resulting from termination of an existing franchise agreement, insolvency, material breach of the terms of the development agreement.
i. Your obligations on termination/nonrenewal	Franchise Agreement Article XVIII, Area Development Agreement Article X	Franchise Agreement: Obligations include complete de-identification and payment of amounts due, assignment of lease for franchise store. Area Development Agreement: Cease with further development of the territory.
j. Assignment of contract by 7 Leaves	Franchise Agreement Article XX, Area Development Agreement Article XI	Franchise Agreement: No restriction on 7 Leaves' right to assign. Area Development Agreement:
k. "Transfer" by you - definition	Franchise Agreement Article XX, Area Development Agreement Article XI	Includes transfer of contract or assets or ownership change.
l. 7 Leaves' approval of transfer by franchisee	Franchise Agreement Article XX, Area Development Agreement Article XI	7 Leaves has the right to approve all transfers, our consent not to be unreasonably withheld.
m. Conditions for 7 Leaves approval of transfer	Franchise Agreement Article XX, Area Development Agreement Article XI	Transferee must qualify as a franchisee, Transferee must assume your obligations, You may not be in default, Transferee must successfully complete the mandatory training, You pay Transfer Fee, Transferee must sign a new franchise agreement on our then current terms, and subject to state law, You must release us.
n. 7 Leaves' right to first refusal to acquire your business	Franchise Agreement Article XX, Area Development Agreement Article XI	Within 30 days after your notice, we have the option to purchase the transferred interest on the same terms and conditions
o. 7 Leaves' option to	Franchise Agreement	You will give us the first right of first

purchase your business	Article XX, Area Development Agreement Article XI	purchase before soliciting offers from a third-party if you desire to sell your franchise business. We may be required by state law to purchase Your franchise assets.
p. Your death or disability	Franchise Agreement Article XX and XXI, Area Development Agreement Article XI	Franchise Agreement: Within 180 days, the executor, administrator or other personal representative may apply to continue to operate the franchise or transfer franchise interest. Area Development Agreement: We will consent to a transfer to a spouse, heirs, or the other remaining parties to the development agreement.
q. Non-competition covenants during the terms of the franchise	Franchise Agreement Article XIV, Area Development Agreement Article XII	Subject to state law, no involvement in any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement Article XIV, Area Development Agreement Article XII	Subject to state law, no interest in competing business for 3 years and within 10 mile radius of any store existing at the time of termination or expiration.
s. Modification of the agreement	Franchise Agreement Article XXXII, Area Development Agreement Article XVIII	No modifications except in writing but Manuals is subject to change
t. Integration/merger clause	Franchise Agreement Article XXXII, Area Development Agreement Article XVIII	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Franchise Agreement Article XXX, Area Development Agreement Article XIX	All disputes are subject to arbitration in State of California. Enforceability of this term is subject to state law.
v. Choice of forum	Franchise Agreement Article XXX, Area Development Agreement Article XVIII, XIX	Arbitration in State of California. Enforceability of this term is subject to state law.
w. Choice of law	Franchise Agreement Article XXIX,	Laws of State of California applies. Enforceability of this term is subject to

	Area Development Agreement Article XVIII, XIX	state law.
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ITEM 18

PUBLIC FIGURES

We currently do not use any public figures to promote our franchise, but may 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 only be given if: (1) a franchisor provides the actual records of an existing outlet you are considering to buy; 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting PRESIDENT, 7 LEAVES FRANCHISE, LLC, 16052 Beach Blvd., Suite 240, Huntington Beach, CA 92647, (714) 660-3165, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

(Table No. 1)
SYSTEMWIDE OUT SUMMARY
FOR YEARS 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	9	12	3
	2022	12	13	1
	2023	14	14	1

Company Owned	2021	23	25	2
	2022	25	28	3
	2023	25	28	3
Total Outlets	2021	32	37	5
	2022	37	41	4
	2023	39	42	3

(Table No. 2)

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS 2021 to 2023

State	Year	Number of Transfers
CA	2021	0
	2022	0
	2023	0
GA	2021	0
	2022	0
	2023	0
NV	2021	0
	2022	0
	2023	0
TX	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

(Table No. 3)

**STATUS OF FRANCHISE OUTLETS
FOR YEARS 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
CA	2021	2	2	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
GA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	0	1	0	0	0	0	1
NV	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3

TX	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	6	1	0	0	0	0	6
Totals	2021	9	3	0	0	0	0	12
	2022	12	1	0	0	0	0	13
	2023	13	1	0	0	0	0	14

(Table No. 4)
STATUS OF COMPANY OR AFFILIATE-OWNED OUTLETS
FOR YEARS 2021 to 2023

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2021	23	2	0	0	0	25
	2022	25	3	0	0	0	28
	2023	28	1	0	1	0	28
Total	2021	23	2	0	0	0	25
	2022	25	3	0	0	0	28
	2023	28	1	0	1	0	28

(Table No. 5)
PROJECTED OPENINGS
AS OF DECEMBER 31, 2023

State	Franchise Agreement Signed But Outlet Not Opened	Projected Franchised New Cafés in The Next Fiscal Year	Projected Company Owned Openings in Next Fiscal Year
Arizona	1	1	1
California	12	2	3
Georgia	2	1	0
Nevada	2	0	0
Texas	5	1	0
Virginia	1	0	0
Total	23	5	4

Franchisee Contact Information

The attached Exhibit G includes the names and contact information for our current franchisees and former franchisees. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Agreements

In some instances, current or former franchisees sign provisions restricting their ability to speak only about their experience with 7 Leaves Café. You may wish to speak with current or former

franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no such confidentiality agreements to disclose at this time.

Trademark Specific Franchisee Organizations

There are no trademark-specific franchisee organizations associated with this system.

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit C is our fiscal year-end financial statements for the years 2021, 2022, and 2023. The financial statements have been prepared using United States generally accepted accounting principles, and include the auditor's written consent for use of the financial statements in this franchise disclosure document.

ITEM 22

CONTRACTS

Exhibit A to this Franchise Disclosure Document is the Franchise Agreement.

Exhibit B to this Franchise Disclosure Document is the Area Developer Agreement.

Exhibit B to the Franchise Agreement is a Guarantee Agreement.

Exhibit C to the Franchise Agreement is a Conditional Lease Assignment Agreement.

Exhibit D to the Franchise Agreement is a Site Location Addendum.

Exhibit E to the Franchise Agreement is a Confidentiality and Non-Competition Agreement.

Exhibit F to the Franchise Agreement is an agreement permitting Transfer of the Franchise to a Corporation.

Exhibit G to the Franchise Agreement is a Telephone Number Assignment and Power of Attorney.

Exhibit H to the Franchise Agreement is an Authorization to Honor Charges Drawn and Payable to 7 Leaves Franchise, LLC, including Checks and Electronics Transfers.

Exhibit I to the Franchise Agreement is a Franchisee Compliance Certification.

ITEM 23

RECEIPT

The last page of this Franchise Disclosure Document attached as Exhibit H is a detachable Acknowledgement of Receipt.

EXHIBIT A

7 LEAVES

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

7 LEAVES CAFÉ
FRANCHISE AGREEMENT

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EXHIBITS:

“A” - LOCATION AND/OR TERRITORY

“B” - GUARANTEE AGREEMENT

“C” - CONDITIONAL LEASE ASSIGNMENT PROVISIONS

“D” - SITE LOCATION ADDENDUM

“E” - CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

“F” - TRANSFER OF FRANCHISE TO A CORPORATION

“G” - TELEPHONE NUMBER ASSIGNMENT AND POWER OF ATTORNEY

“H” - AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE

7 Leaves Franchise, LLC

“I” - FRANCHISEE COMPLIANCE CERTIFICATION

7 LEAVES CAFÉ

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, (“Agreement”) is made and entered into the day of _____, 20__, between 7 LEAVES FRANCHISE, LLC a California limited liability company whose principal address is 16052 Beach Blvd., Suite 240, Huntington Beach, California 92647 (“Franchisor”), and _____ (“Franchisee”).
residing at _____ (“Franchisee”).

RECITALS:

A. Franchisor, its subsidiaries and its affiliates, as the result of the expenditure of time, skill, effort and money, have acquired, developed and innovated a system (hereinafter, “System”) relating to the establishment and operation of the 7 LEAVES CAFÉ quick service Café/Restaurant concept featuring coffee and tea-based drinks and other related menu items using approved recipes under the trademark, trade name and trade dress of “7 LEAVES CAFÉ®” and “7 LEAVES®”. The “7 LEAVES CAFÉ®” and “7 LEAVES®” names and associated designs will hereinafter be referred to as the “Trademarks”. The 7 LEAVES CAFÉ concept is described in more detail in the 7 LEAVES CAFÉ Franchise Disclosure Document (the “FDD”)

B. Franchisor grants to persons who meet Franchisor’s qualifications and who are willing to undertake the investment and effort to establish and develop a 7 LEAVES Café, a franchise to own and operate such a coffee and tea café, offering the Products and services approved by Franchisor and utilizing Franchisor’s formats, designs, methods, specifications, standards, operating procedures and the Marks.

C. Franchisee received a copy of Franchisor’s Franchise Disclosure Document, which contains a copy of this Agreement, at least fourteen (14) calendar days before executing this Agreement.

D. Franchisee acknowledges that Franchisee has read this Agreement and the FDD and that Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards at all 7 LEAVES Cafés in order to protect and preserve the goodwill of the Marks.

E. Franchisee: (i) acknowledges that Franchisee has conducted an independent investigation of the business contemplated by this Agreement; (ii) recognizes that, like any other business, the nature of the business conducted by 7 LEAVES Cafés may evolve and change over time; (iii) acknowledges that an investment in a 7 LEAVES Café involves business risks; and (iv) recognizes that the success of the venture is largely dependent on the business abilities and efforts of Franchisee.

F. Franchisor expressly disclaims the making of, and Franchisee acknowledges that Franchisee has not received or relied on, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee: (i) acknowledges that Franchisee has not received or relied on any representations about the franchise by Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in Franchisor's FDD or to the terms and conditions contained in this Agreement; and (ii) represents to Franchisor, as an inducement to Franchisor to enter into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise.

G. Franchisee has applied for a franchise to own and operate a single 7 LEAVES Café at the premises identified in Article I below, and the application has been approved by Franchisor in reliance on all of the representations made in the application.

In consideration of the above recitals and the mutual promises and covenants made in this Agreement, Franchisor and Franchisee agree as follows:

ARTICLE I

GRANT OF FRANCHISE

1.1 Subject to the terms and conditions contained in this Agreement, Franchisor grants to Franchisee the right to own and operate a 7 LEAVES Café (the "Store") only at the premises approved by Franchisor as set forth in Exhibit A hereto (the "Location") and in accordance with the provisions of this Agreement.

1.2 If an approved location has not been selected by Franchisee at the time this Agreement is executed, Franchisee shall execute the Site Location Addendum attached as Exhibit D hereto, and abide by the site selection and development schedules provided therein.

1.3 The franchise Location and/or Territory set forth in Exhibit "A" may not be altered or changed by Franchisee without Franchisor's prior written approval. In the event there is such an approval, the new franchise location shall become the "Franchise Location" under the terms of this Agreement and Franchisee shall cease to have any rights or interest in the previously identified Location.

1.4 Franchisee acknowledges and agrees that Franchisee has no right to participate, directly or indirectly, in any activity or opportunities reserved to Franchisor or Franchisor's affiliates, and that Franchisee has no right to object to Franchisor or Franchisor's affiliates pursuing any such activity or opportunity.

1.5 Franchisor, in its sole discretion, reserves the right to approve exceptions to or deviations from the System. Franchisee acknowledges it has no right to object to variances, deviations, exceptions, or any negotiated rights granted to others, or to claim against Franchisor for failing to enforce standards of the System against other 7 LEAVES franchisees.

ARTICLE II
DEVELOPMENT AND OPENING OF THE STORE

2.1 Franchisor shall have the right, in its sole discretion, to require:

A. Franchisee to execute a Site Location Addendum in the form attached as Exhibit “D” to this Agreement;

B. Franchisee to conditionally assign such lease to Franchisor (with the consent of the lessor, if required) by conditional lease assignment provisions in the form attached as Exhibit “C” to this Agreement in order to secure performance of any and all of Franchisee’s liabilities and obligations to Franchisor; and

C. That such lease contain substantially the following provisions:

1. “Anything contained in this lease to the contrary notwithstanding, Lessor agrees that without its consent, this lease and the right, title and interest of the Lessee hereunder may be assigned by the Lessee to 7 Leaves Franchise, LLC, or its designee.”

2. “Lessee agrees that Lessor may, on the written request of 7 Leaves Franchise, LLC, disclose to 7 Leaves Franchise, LLC all reports, information or data in Lessor’s possession respecting sales made in, on or from the leased premises.”

3. “Lessor shall give written notice to 7 Leaves Franchise, LLC (concurrently with the giving of such notice to Lessee) of any default by Lessee under the lease, and 7 Leaves Franchise, LLC shall have the right, in its sole discretion, to cure any such default. Such notice shall be sent to 7 Leaves Franchise, LLC at its headquarters, or such other address as 7 Leaves Franchise, LLC may from time to time specify in writing to Lessor.”

2.2 Franchisor shall have the right to approve the terms of any sublease or lease for the premises of the Store. If Franchisor cures any default by Franchisee under such lease, the total amount of all costs and payments incurred by Franchisor in effecting such cure shall be immediately due and owing by Franchisee to Franchisor.

2.3 Franchisee’s execution of a lease or sublease for the location for Franchisee’s Store shall constitute acceptance by Franchisee of such location and site and the terms of such lease and shall constitute a waiver of any claim or rights against Franchisor relating to Franchisee’s choice of such site and location, and of the terms of such sublease or lease.

Development of Store:

2.4 Franchisor will furnish to Franchisee prototype or proto-style plans and specifications for a 7 LEAVES Café reflecting Franchisor’s requirements for dimensions, exterior design, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor.

2.5 Within one hundred eighty (180) days after obtaining possession of the premises of the Store and having been furnished with the above-described plans and specifications, Franchisee will do or cause to be done the following:

- A. Secure all financing required to fully develop the Store;
- B. Prepare, at Franchisee's expense, and submit to Franchisor for approval (which approval may be granted or withheld at Franchisor's sole discretion) any proposed modifications to Franchisor's prototype or proto-style plans and specifications, which may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, all such modifications being subject to prior notification to, and approval by, Franchisor;
- C. Obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;
- D. Construct all required improvements to the premises, purchase and install all required fixtures and equipment and decorate the premises in compliance with plans and specifications approved by Franchisor; and
- E. Purchase, in accordance with Franchisor's specifications and requirements, an opening inventory of proprietary food items, Products, ingredients and other products and supplies required for the opening of the Store.

2.6 Franchisee shall use Franchisee's best efforts to complete development and have the Store ready to open within eight (8) months after Franchisee executes this Franchise Agreement. All activities, including without limitation, (1) obtaining bids and concluding a contract with a suitable general contractor or contractors for the construction of the Store; (2) obtaining bids and concluding orders for the signs, fixtures, furnishings, equipment and operating supplies and materials; (3) making all decisions concerning the construction, furnishing, equipping and staffing of the Store; (4) maintaining a current and complete accounting of the costs of development of the Store; and (5) supervising the construction, furnishing, equipping and staffing of the Store, shall be performed by Franchisee in the time frames necessary to complete the development of the Store on schedule. All final decisions concerning the development of the Store which are discretionary and not dictated by Franchisor's written specifications shall be made by Franchisee. Within a reasonable time after the completion of development, a final accounting of all costs of development of the Store, along with copies of all contracts, lien waivers, other paid receipts and equipment warranties, shall be provided by Franchisee to Franchisor when requested. Franchisee may, at Franchisee's option, purchase or lease equipment for the Store.

2.7 Franchisee will use, in the construction and operation of the Store, only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that Franchisor has approved for Stores as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the premises of the Store only such signs, emblems, lettering, logos and display

materials that are from time to time approved in writing by Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor (which may include Franchisor and/or its affiliates), which approval may not be unreasonably withheld. If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by Franchisor, and/or any such item from any supplier which is not then approved by Franchisor, Franchisee shall first notify Franchisor in writing and shall submit to Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet Franchisor's standards or specifications.

2.8 Franchisee will not open the Store for business until:

A. Franchisor determines that the Store has been constructed and equipped in accordance with approved plans and specifications;

B. Franchisee and Franchisee's manager(s) have completed training to Franchisor's reasonable satisfaction;

C. The Initial Franchise Fee and all other amounts due to Franchisor under this Agreement and any other related agreements to which Franchisee is a party have been paid;

D. Franchisor has been furnished with copies of all insurance policies required by Article XII of this Agreement, or such other evidence of insurance coverage as Franchisor requests; and

E. Franchisee has completed all preparations for the opening of the Store, as reasonably determined by Franchisor.

2.9 Franchisee will use its best efforts to have the Store ready to open for business within eight (8) months after execution of this Franchise Agreement. Final approval by Franchisor of the opening of the Store shall be given in writing and shall be in Franchisor's reasonable discretion. Franchisee will open the Store for business within ten (10) days after receipt of such written notice from Franchisor. If Franchisee shall fail to open a store within twelve (12) months of signing the Franchise Agreement, and the Franchisor elects to continue with development of the store with the Franchisee, the Franchisee shall be required to pay to the Franchisor, a delayed opening fee equal to one hundred dollars (\$100.00) for each additional day that the store remains unopened. Franchisee shall pay this delayed opening fee to the Franchisor on a weekly-basis, and Franchisee shall, at the time for payment, provide the Franchisor with written updates on the anticipated length of the delay. If the Franchisee's store opening is subject to delays resulting in payment of a delayed opening fee for more than ninety (90) days, Franchisor shall have the option to (i) continue charging the one hundred dollars (\$100.00) delayed opening fee, until the Franchisee's store is open for business, or (ii) terminate the Franchise Agreement without allowing further opportunity to cure.

2.10 If Franchisee's lease or sublease for the premises of the Store terminates without fault of Franchisee, or if the premises are damaged, condemned or otherwise unusable, or if in the reasonable judgment of Franchisor and Franchisee there is a change in the character of the location of the Store sufficiently detrimental to its business potential to warrant its relocation, Franchisor shall grant permission to Franchisee for relocation of the Store to a location approved by Franchisor. Any relocation shall be at Franchisee's sole expense, and Franchisor shall have the right to charge Franchisee for costs and expenses incurred by Franchisor in connection with any relocation.

2.11 In the event of a relocation of the Store, Franchisee shall promptly remove from the first Store premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, menus, advertising materials, stationery supplies, forms and other articles which display any of the Marks or any distinctive features or designs associated with 7 Leaves Cafés. Furthermore, Franchisee shall, at Franchisee's expense, immediately make such changes, modifications or alterations as may be necessary to distinguish the first location clearly from its former appearance and from other 7 Leaves Cafés and to prevent any possibility of confusion of the first location with a 7 Leaves Café by the public (including, without limitation, removal of all distinctive physical and structural features identifying 7 Leaves Cafés and removal of all distinctive signs and emblems). Franchisee shall, at Franchisee's expense, make such specific additional changes as Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as Franchisor deems appropriate, Franchisee agrees that Franchisor or its designated agents may enter the premises of the first location and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that Franchisee's failure to make such alterations will cause irreparable injury to Franchisor, and consents to entry, at Franchisee's expense, of an ex-parte order by a court of competent jurisdiction authorizing Franchisor or its agents to take such action, if Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Store premises is not promptly and completely undertaken, Franchisor may then revoke its permission for relocation and declare a default under this Agreement pursuant to Article XVII below.

ARTICLE III

PROPRIETARY MARKS AND GOODWILL

3.1 When used in this Agreement, "Marks" mean the trademarks and service marks which are used to identify 7 LEAVES Cafés and to distinguish it from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by Franchisor from time to time for use in connection with the System.

3.2 Franchisee is authorized to use the Marks, goodwill and trade secrets in the operation of the Store only at the location specified in Article I. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose

except as may be authorized in writing by Franchisor. Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that Franchisee will not represent in any manner that Franchisee has acquired any ownership or equitable rights in any of Franchisor's Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

3.3 Franchisee acknowledges that Franchisor is the sole and exclusive licensee of all of the Marks, goodwill and trade secrets, and Franchisee shall not register or attempt to register the Marks or to assert any rights in them other than as specifically granted in this Agreement.

3.4 At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of Franchisee's use of Marks.

3.5 Franchisee shall only use the Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans of Franchisor, and only in the manner and to the extent specifically permitted by this Agreement or in any manuals, directives or memos (collectively referred to below as "Confidential Operations Manuals") prepared by Franchisor. Franchisee shall not use any confusingly similar Marks in connection with its franchise or any other business in which it has an interest.

3.6 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using Franchisor's Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials using the Marks shall comply with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use.

3.7 If at any time, Franchisor in its sole discretion, decides to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Marks, and shall promptly discontinue the use and display of outmoded or superseded marks, at Franchisee's expense. Franchisee waives any claim arising from or relating to any proprietary mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee will not commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

3.8 On expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using Franchisor's Marks, color combinations, designs, symbols or slogans; and Franchisee shall execute such documents and take such action as Franchisor may deem necessary or appropriate to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that Franchisee is associated with

Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect Franchisor's Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of Franchisor's Marks will result in irreparable harm to Franchisor, for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

3.9 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Marks, or any claim, demand, or suit based on or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of Franchisor's Marks. Franchisee will immediately notify Franchisor of any other claim, demand or litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee.

3.10 Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of Franchisor's Marks or that, in Franchisor's judgment, may affect the goodwill of the System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. Franchisee shall execute those documents and perform those acts, which in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as Franchisor may undertake.

3.11 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee will do business and advertise using only the Marks designated by Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to, and shall not, use the name "7 Leaves" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection.

3.12 In order to preserve the validity and integrity of Franchisor's Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspection.

3.13 Franchisee shall be required to affix the ™ or ® symbol on all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "7 Leaves" or any other of Franchisor's Marks, whether presently existing or developed in the future.

3.14 Franchisee acknowledges that it does not have any right to deny the use of Franchisor's Marks to any other franchisees. Franchisee shall execute all documents and take such action as Franchisor may request to allow Franchisor or other franchisees to have full use of the Marks.

3.15 If, during the term of this Agreement, there is a claim of prior use of any of Franchisor's Marks in the area in which Franchisee is doing business, Franchisee, at Franchisor's discretion, shall use Franchisor's Marks in such a way to avoid a continuing conflict.

3.16 Franchisor shall indemnify Franchisee against, and reimburse Franchisee for, all damages for which Franchisee is held liable in any proceeding in which Franchisee's use of any Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against Franchisee or in any such proceedings in which he is named as a party, provided that Franchisee has timely notified Franchisor of such claim or proceedings, has otherwise complied with this Agreement, and has tendered complete control of the defense of such to Franchisor. If Franchisor defends such claim, Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

3.17 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Store in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form at such conspicuous locations as Franchisor may designate in writing.

ARTICLE IV **TERM AND RENEWAL**

4.1 Except as otherwise provided in this Agreement, the initial term of this franchise (the "Initial Term") shall be for five (5) years from the date of execution of this Agreement.

4.2 Subject to the conditions specified in Section 4.3 below, Franchisee shall have the right to renew this Agreement for a period of five (5) years from the date of the expiration of the Initial Term.

4.3 Franchisee's right of renewal pursuant to Section 4.2 above shall be subject to the following conditions precedent:

A. Neither this Agreement nor the lease or sublease agreement shall have been terminated for any reason, and the lease or sublease is renewable;

B. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any sublease agreement, or any other agreement between Franchisor or any subsidiary and/or affiliated corporation, and Franchisee has substantially complied with all of the terms and conditions of such agreements during their terms;

C. Franchisee shall have served notice of its intention to exercise its right of renewal not less than twelve (12) months nor more than eighteen (18) months prior to the expiration of the Initial Term;

D. Franchisee shall have effected the improvements to Franchisee's Store and its operations required by Franchisor pursuant to Section 4.4 below;

E. Franchisee has satisfied all monetary obligations due and owing to Franchisor, any subsidiary of Franchisor and/or any affiliated corporations of Franchisor, and Franchisee has timely met these obligations throughout the term of this Agreement and any other agreement in effect between Franchisor and Franchisee, and any renewals thereof;

F. Franchisee shall execute, on renewal, Franchisor's then-current form of Franchise Agreement, which agreement shall supersede this Agreement in all respects and terms, and which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and higher advertising contribution;

G. Franchisee shall execute a general release, in a form prescribed by Franchisor, on any and all claims against Franchisor, any subsidiary of Franchisor and/or affiliated corporation of Franchisor, and their respective officers, directors, agents and employees;

H. Franchisee shall comply with Franchisor's then-current reasonable qualification and training requirements; and

I. Franchisee shall remit to Franchisor a renewal fee equal to fifty percent (50%) of the then-current Initial Franchise Fee.

4.4 Within three (3) months of the receipt of a notice to renew from Franchisee pursuant to Section 4.3 hereof, Franchisor shall complete a renewal report specifying the modifications and improvements and repairs, if any, required by Franchisor and which Franchisee must make to Franchisee's Store which must be in conformity with the then existing standards, and specifications pertaining to Franchisee's Store.

4.5 Franchisor expressly reserves the right to deny Franchisee's renewal in the event that Franchisee abandons Franchisee's Store and Franchisee ceases to operate and maintain Franchisee's Store in accordance with the terms of this Agreement.

4.6 In the event Franchisee shall continue to operate Franchisee's Store following the expiration, termination or non-renewal of this Agreement for any reason, with the express or implied consent of Franchisor, such continuation shall be construed to be an extension of the term of this Agreement only from month-to-month, terminable by either party on no more than thirty (30) days' notice to the other party and otherwise in accordance with all of the provisions of this Agreement.

ARTICLE V
INITIAL AND CONTINUING FEES PAYABLE TO FRANCHISOR

5.1 In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an Initial Franchise Fee of thirty-five thousand dollars (\$35,000.00) (the "Initial Franchise Fee"), payable on the execution of this Agreement, which sum shall be deemed fully earned by Franchisor on receipt thereof and is non-refundable, except as may be set forth in this Agreement.

5.2 In consideration of this franchise granted by this Agreement, the services to be provided by Franchisor, the right to prepare and sell the Products to the general public, and for the use of the Marks during the Initial Term and any subsequent renewals, Franchisee shall pay weekly to Franchisor, in addition to the Initial Franchise Fee, and in accordance with the schedule set forth in Section 5.4, a royalty fee equal to the greater of (i) six percent (6%) of the gross sales generated by, from, or through Franchisee's Store ("Royalty Fee"), or (ii) five hundred dollars (\$500).

5.3 For the purposes of determining the royalties to be paid, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Store (including, without limitation, income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Store), whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system and any cash shortage shall not be considered in the determination. Gross Sales shall not include the following:

A. Receipts from the operation of any public telephone installed in the Store, or products from vending machines located at the Store, except for any amount representing Franchisee's share of such revenues;

B. Sums representing sales taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Store, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Store, provided that such taxes are actually transmitted to the appropriate taxing authority;

C. Returns to shippers or manufacturers; and

D. Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Store nor having any material effect on the ongoing operation of the Store required under this Agreement.

5.3.1 Franchisor may, from time to time, authorize, in writing, certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at

any time in writing by Franchisor in its discretion. In addition to the foregoing, the following are included within the definition of “Gross Sales” described except as noted below:

(1) The full value of meals furnished to Franchisee’s employees as an incident to their employment, except that the value of any discounts extended to such employees may be credited against Gross Sales during the reporting month in which the meals were furnished for the purpose of determining the amount of Gross Sales on which the Royalty Fee is due; and

(2) All proceeds from the sale of coupons, gift certificates or vouchers; provided that at the time such coupons, gifts certificates or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the reporting month in which such coupon, gift certificate or voucher is redeemed for the purpose of determining the amount of Gross Sales on which the Royalty Fee is due.

5.4 Royalty Fees are due and payable on the Wednesday of each week (“Payment Date”), relating to the prior calendar week. Franchisee shall remit Royalty Fees, Advertising Fees and any other monies owed to Franchisor under this Agreement via electronic funds transfer or other comparable means approved by Franchisor. Franchisee shall comply with the procedures established by Franchisor and/or to perform such acts and deliver and execute the Authorization to Honor Charges Drawn By and Payable To 7 Leaves Franchise, LLC including Checks and Electronic Transfers (Exhibit “H”) and any other documents as may be necessary to assist in or accomplish such electronic method of payment.

In the event any electronic funds transfer is not honored by Franchisee’s bank for any reason, Franchisee shall be responsible for that payment, plus a service charge applied by Franchisor and the bank, if any. Franchisee shall, at all times throughout the term of this Agreement, maintain a minimum balance of Five Thousand Dollars (\$5,000.00) in Franchisee’s bank account against which such electronic funds transfers shall be drawn for the Store operated under this Agreement.

5.5 Royalty Fees or any and all other payments provided for in this Agreement not received by Franchisor within three (3) days of the Payment Date shall be subject to a late charge equal to five percent (5%) of payment due, together with interest on a daily basis at a rate equal to two percent (2%) per month, or the then highest legal rate allowed by law.

5.6 Acceptance by Franchisor of the payment of any Royalty Fee or any and all other payments provided for in this Agreement shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of Royalty Fees or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor’s rights under Article XVIII below.

5.7 Franchisee’s obligations for the full and timely payment of the Royalty Fees and all other amounts provided for in this Agreement shall be absolute, unconditional and fully earned by Franchisor, except in those instances where Franchisor is in breach under this

Agreement and has failed to cure such breach although obligated to do so. Franchisee shall not delay or withhold the payment of all or any part of the fees for any reason, put the fees in escrow, or set-off same against any and all claims or alleged claims Franchisee may allege against Franchisor.

ARTICLE VI

TRAINING AND COMMENCEMENT OF BUSINESS

6.1 During the time period prior to the opening of Franchisee's Store, but not less than two weeks prior thereto, Franchisee shall attend Franchisor's "Hands-On Training", which shall be conducted at Franchisor's headquarters in Huntington Beach, California or at another location designated by Franchisor, and complete the training program to Franchisor's satisfaction. Franchisee shall be responsible for all travel and living expenses which Franchisee and Franchisee's manager incur in connection with the Hands-On Training. Further, the Hands-On Training is for two (2) of Franchisee's employees. The Hands-On Training will be offered one-time without charge, however Franchisee is responsible for paying any compensation to trainees, as well as travel, lodging and personal accommodations. During the Hands-On Training, Franchisee shall receive instruction, training and education in the operation of the Store and indoctrination into the System. The Hands-On Training shall include, but not be limited to, instructing Franchisee in the preparation and sale of Menu Items, the Products, and quality control techniques and procedures.

If your trainees are unable to complete the Hands-On Training on schedule or if Your trainees are unable to demonstrate sufficient understanding of the training materials by the end of the training session, then You will be required to schedule a follow up training session before You can hold the Grand Opening for your Café. If You are required to schedule a follow up Hands-On Training session, there will be a non-refundable fee of \$3,000 for each individual trainee that attends this follow up training, and that fee must be paid at the time of scheduling the Hands-On Training. If You hire additional employees that You would like to complete our Hands-On Training during the term of the Franchise Agreement, there will be a non-refundable fee of \$3,000 for each trainee that must be paid to us at the time of scheduling the Hands-On Training.

6.2 Franchisee will be required to schedule and attend Calibration Training at least fourteen (14) days before the Grand Opening of the Café. The Calibration Training will take place at Your Café. The Calibration Training will be offered one-time, without charge, however, if we determine that the Café is unable to operate in accordance with our standards by the end of the Calibration Training then we may require an extended Calibration Training session. If a Franchisee is required to schedule extended Calibration Training, there will be a fee of \$1,500 for each day that we have to continue with Calibration Training at the Café.

6.3 Franchisee shall attend such periodic refresher and supplemental training programs or meetings at such locations as Franchisor may from time to time direct. Franchisor reserves the right to charge a reasonable fee for offering and providing any such training. All expenses of Franchisee incurred in connection with attendance at any such refresher or supplemental training programs or meetings shall be borne solely by Franchisee.

6.4 At all times during the term of this Agreement or any renewal thereof, Franchisee shall have a supervisor managing the operation of the Store who has successfully completed Franchisor's training program and is able to operate the Store in accordance with this Agreement and Franchisor's standards. Franchisee shall be responsible for any additional training for replacement supervisors.

ARTICLE VII

OBLIGATIONS OF FRANCHISOR

7.1 In order to assist Franchisee in constructing Franchisee's Store, Franchisor shall furnish to Franchisee a set of prototype or proto-style plans and specifications for a typical Store, including requirements for exterior and interior design, layout, equipment and sign placement and decor scheme, all as included in the System.

7.2 Franchisor shall make available to Franchisee any further assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of Franchisee's Store, which assistance shall conform to that furnished to other existing franchisees as further defined in the Confidential Operations Manual. Franchisor shall have the right to determine the time or times at which such assistance shall be available to Franchisee.

7.3 Franchisor shall make available to Franchisee a grand opening advertising program and ongoing local marketing programs for Franchisee's use.

7.4 Franchisor shall maintain an advisory relationship with Franchisee, including ongoing telephone consultation to aid in the proper and effective operation of the System, the frequency and duration of which shall be in the sole discretion of Franchisor in accordance with Confidential Operations Manual. Such operating assistance may consist of advice and guidance with respect to:

- A. Methods and operating procedures utilized by Stores;
- B. Additional food and beverage products and services authorized for sale by Stores;
- C. Selection, purchasing and preparation of food products, beverages and other approved products, materials and supplies; and
- D. The establishment and operation of administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for proper operation of Stores.

7.5 Franchisor or its designees or agents shall visit and inspect, from time to time, Franchisee's Store and evaluate the proper execution of the System, and confer with Franchisee and Franchisee's employees in order to assist in the proper business operation of Franchisee's

Store. Franchisor or its designees or agents shall have the absolute right to make inspections at such times and frequencies, during normal business hours, as Franchisor may determine. Franchisee will cooperate with Franchisor's representative in such inspections, render such assistance to them as they may reasonably request and immediately correct any failure to comply with the System and this Agreement as brought to Franchisee's attention by such representative.

7.6 Franchisor shall use its reasonable efforts to require maintenance of high and uniform standards in the execution of the System at all Stores utilizing the System, in order to protect and enhance the reputation of Franchisor and its Marks.

7.7 In order to insure that the distinguishing characteristics of the System are uniformly maintained, Franchisor may from time to time establish standards for certain proprietary food items, products, equipment, commodities and supplies to be used by Franchisee in the execution of the System and may, in conjunction therewith, develop new proprietary food items, products, programs and develop new equipment and new techniques which Franchisee shall be required to use and/or purchase in the operation of Franchisee's Store. The purchase of any new required equipment will not materially increase the economic burden of Franchisee.

7.8 Neither Franchisor's approval of a specific location for Franchisee's Store, nor any other service provided by Franchisor pursuant to this Article shall be deemed a representation, warranty or judgment by Franchisor as to the likely success of Franchisee's Store at such location or as to the relative desirability of such location in comparison to others that might have been available to Franchisee.

ARTICLE VIII

OBLIGATIONS AND DUTIES OF FRANCHISEE

8.1 Franchisee shall be required to either (i) provide Franchisor, at least sixty (60) days before the scheduled opening date for the store, with a written proposed grand opening advertising campaign for the store, including expenditures for no less than ten thousand dollars (\$10,000.00), or (ii) make a request for the Franchisor to prepare a grand opening campaign for the store. Any request for the Franchisor to prepare the grand opening advertising campaign pursuant to this Section, must be made in writing, no less than sixty (60) days prior to the scheduled opening date for the store, and such request shall be accompanied by payment of ten thousand dollars (\$10,000.00) to the Franchisor.

8.2 Franchisee or a designated and approved manager shall, during the term of this Agreement and any renewal thereof, devote full time, energy and best efforts to the management and operation of Franchisee's Store, except as otherwise approved in writing by Franchisor, including, but not limited to, keeping the Store operating and open for business at the times specified in the Confidential Operations Manuals or as required by Franchisee's lease or sublease.

8.3 At all times, Franchisee shall maintain, at Franchisee's own expense the interior and exterior of Franchisee's Store and all fixtures, furnishings, signs and equipment in the highest degree of cleanliness, orderliness, sanitation and repair, as determined by Franchisor.

Franchisee shall make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Store without the prior written consent of Franchisor, except that Franchisee shall be required to periodically renovate, refurbish and update Franchisee's Store so that it is in substantial conformity with Franchisor's then-current Store design, which renovations shall not place an excessive economic burden on Franchisee. Such equipment shall include, but not be limited to, a computerized cash register system designated by Franchisor.

8.4 From time to time, Franchisee will allow Franchisor to obtain and take samples of ingredients, products and supplies from Franchisee's Store for testing by Franchisor in order to assure that Franchisee complies with Franchisor's reasonable standards and specifications.

8.5 Franchisee will maintain a high moral and ethical standard in the operation and conduct of Franchisee's Store so as to create and maintain goodwill among the public for the name "7 LEAVES" and supervise and evaluate the performance of its staff to insure that each renders competent, efficient and quality service to the general public.

8.6 Franchisee recognizes that it is essential to the proper marketing of the Store, and to the preservation and promotion of its reputation and acceptance by the public at large, that standards of quality be maintained. As part of the consideration for this Agreement, Franchisee will at all times sell to retail customers only, or offer for sale to retail customers only, only those products and services that meet the reasonable specifications and standards from time to time approved in writing by Franchisor, as permitted under this Agreement, and as permitted under the lease or sublease. In furtherance thereof, Franchisee shall be required to purchase only from Franchisor or its designee any Trade Secret Food Products and Proprietary System Assets, comprised of certain kitchen equipment and instruments which are proprietary in nature and unique to the Store, that are specified by Franchisor from time to time.

8.7 In connection with the operation of Franchisee's Store, Franchisee is required to purchase certain packaging supplies, paper goods and other product service items for the preparation and service of the Products which bear any of the Marks ("Branded Products"). In addition to the Trade Secret Food Products, Franchisee shall be required to purchase from Franchisor, its designee or Franchisor-approved vendor any Branded Products at then-current prices established from time to time. Franchisee is also required to purchase certain types, models and brands of equipment, fixtures and furniture, which are not specified as a Proprietary System Asset, as provided in the Confidential Operations Manual ("System Items") from Franchisor, its designee or a Franchisor-approved vendor. In the event that Franchisee desires to purchase any Branded Products or System Items from sources other than Franchisor, its designee or Franchisor-approved vendor, Franchisee shall so request in writing, specifying the item or product Franchisee desires to purchase from another source not already approved by Franchisor, including samples, specifications and sufficient information on the source to enable Franchisor to determine whether the item or product meets with Franchisor's quality assurance requirements and specifications. On submission of the requested information to Franchisor, Franchisor shall conduct its evaluation, taking into consideration the product quality, delivery frequency and reliability, service standards as well as financial capability and credit of the identified supplier. Franchisor shall charge a reasonable fee to Franchisee for conducting this evaluation. Franchisor shall conduct its evaluation and advise Franchisee in writing of its decision within thirty (30)

days from the date on which Franchisor received the requested information and materials sufficient to commence its evaluation. Franchisor and Franchisee acknowledge that Franchisor has no obligation to approve any request for a new supplier, product or item, but that Franchisor shall not unreasonably withhold its approval in this process.

8.8 In connection with the operation of Franchisee's Store, Franchisee is required to purchase certain other food products, beverages and other similar products and other items offered for consumption to the retail purchaser as set forth in the Confidential Operations Manual. Franchisee's obligation under this Section 8.8 shall be satisfied so long as Franchisee purchases the stated products from sources of supply approved by Franchisor, subject to the same meeting the strict specifications of Franchisor which may be changed, modified or updated from time to time. Nothing in this Agreement shall be construed as an attempt to unreasonably limit the sources from which Franchisee may procure such food products, beverages, products and other similar items. Rather, Franchisor intends that such items conform to Franchisor's strict standards and strict specifications of consistent quality and uniformity. Nothing contained in this Agreement shall be deemed to require Franchisor to approve an inordinate number of suppliers of a given item which, in the reasonable judgment of Franchisor, would result in higher costs generally to Franchisee or prevent effective and economical supervision of suppliers by Franchisor. Requests for approval of additional suppliers of non-Trade Secret Food Products or non-Branded Products shall be in writing and shall contain such information as Franchisor may reasonably request. Franchisor shall charge a reasonable fee to Franchisee for considering requests for approval. Franchisor shall, within thirty (30) days, notify Franchisee whether or not such proposed supplier is approved. Franchisor may impose limits on the number of suppliers for any ingredient or food or beverage item used or served by the Store.

8.9 Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from Franchisor or from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME FOR ANY REMEDY OR LIABILITY IN THE EVENT OF ANY DEFECTS THEREIN.**

8.10 Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information, knowledge, recipes, food preparation methods, or know-how concerning the methods of operation of the business franchised under this Agreement which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Store. Any and all information, knowledge and know-how, and other data which Franchisor designates as confidential, shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to Franchisee's attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or

communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

8.11 Franchisee shall only sell or offer for sale such products as described in this Agreement, and Franchisee must obtain Franchisor's written approval for all contemplated menu changes and all additions to and/or deletions of items sold in Franchisee's Store.

8.12 Franchisee shall comply with all the terms, conditions, requirements, covenants and agreements set forth in this Agreement, and any renewals thereof, and supply Franchisor with such information (in addition to that otherwise provided for in this Agreement) as may be reasonably requested by Franchisor.

8.13 Franchisee shall use a standard menu and menu format as required by Franchisor. Franchisee may employ any reputable printer to reproduce Franchisee's menus using Franchisor's format and specifications. This provision shall not constitute a license of any copyright or trademark to the prospective printer of such menus. Any changes in the menu used at the Store shall be approved in writing by Franchisor prior to use. At Franchisor's discretion the standard menu format may contain advertising reference to other Stores.

8.14 Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, federal income taxes, sales taxes, unemployment taxes and all indebtedness to Franchisor incurred by Franchisee in the conduct of the business licensed by this Agreement.

8.15 Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registration.

8.16 Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, claim, suit or proceeding, and of the issuance of any order, writ, injunction, suit or proceeding, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Store.

8.17 Franchisee shall not pledge Franchisor's credit or bind Franchisor to any obligation, nor shall it hold itself out as being authorized to do so.

8.18 Franchisee shall require all personnel employed by Franchisee to wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accord with Franchisor's design and other specifications.

8.19 Franchisor and Franchisee understand and agree that the operation of the Store, maintenance of its premises and equipment, conduct and appearance of its personnel, and the preparation and sale of products therefrom are all regulated by governmental statutes and regulations. To this end, Franchisee owes an obligation to the patrons of Franchisee's Store,

Franchisor, and to Franchisee, to fully and faithfully comply with all those applicable governing authorities. If any product dispensed at Franchisee's Store evidences adulteration from the standards of Franchisor's food items, or is in violation of applicable law or regulations, or in the event the food items, premises, equipment, personnel or operation of the Store fail to be maintained in accordance with the governmental requirements referred to above, Franchisee shall immediately notify Franchisor and provide all relevant information requested by Franchisor, close Franchisee's Store, terminate selling operations at the Store, destroy all contaminated or adulterated products and eliminate the source thereof, and remedy all unsanitary conditions present, reopening for business only after Franchisor's inspection and provided that laboratory analysis from samples obtained for that purpose by Franchisor evidence a compliance with the applicable governmental requirements and with the standards of Franchisor. If Franchisee or any of Franchisee's agents or employees fails or refuses to comply with all of the above remedial measures or in the event of any repetition of any adulteration or palming off or failure of sanitation in the Store:

A. Franchisee shall pay the costs and expenses, including attorneys' fees, of both parties, incurred in enforcing the provisions of this Subsection or any provision of this Franchise Agreement in obtaining Franchisee's compliance with the Agreement. The remedies set forth in this paragraph are in addition to and not in substitution for those set forth in Article XXIII of this Franchise Agreement.

B. In furtherance of the foregoing, Franchisee must submit copies of all health, sanitation or other regulatory agency inspection reports to Franchisor immediately on receipt thereof.

8.20 Franchisor may, from time to time, conduct market research and testing to determine consumer trends and the salability of new food products and services. Franchisee will cooperate by participating in Franchisor's market research programs, test marketing new food products and services in the Store, and providing Franchisor with timely reports and other relevant information regarding such market research. In connection with any such test marketing, Franchisee shall purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell such products.

8.21 Franchisee shall be absolutely prohibited from having any vending machines, lottery games or games of chance, newspaper racks, juke boxes, gum or candy machines, games, pinball machines, pay telephones, video games, rides or other mechanical or electronic devices installed or operated at the Store.

ARTICLE IX

ADVERTISING AND PROMOTIONAL ACTIVITIES

9.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, Franchisee will contribute to a system-wide advertising and promotional fund (the "Fund") on a monthly basis during the term of this Agreement an amount Franchisor determines that will not exceed two percent (2%) of Franchisee's Gross Sales. In

addition, Franchisee shall also devote at minimum one percent (1%) of Franchisee's Gross Sales to approved forms of local advertising. Franchisee shall submit in writing to Franchisor within ten (10) days after the end of each quarter an itemization of the expenditure of one percent (1%) of Franchisee's Gross Sales on local advertising.

9.2 The Fund will be maintained and administered as follows:

9.2.1 Franchisee will contribute to the Fund monthly by electronic transfer (as specified in the Confidential Operations Manual) based on Franchisee's Gross Sales for each preceding month. During any period of business interruption, Franchisee will continue to make monthly contributions based on Franchisee's average monthly payment during the two (2) month period immediately preceding the period of business interruption.

9.2.2 Franchisor will direct all advertising and promotional programs, with the sole discretion of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. The Fund will establish and maintain an on-line presence. Franchisee agrees that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that Franchisor and its designees undertake no obligation in administering the Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contributions, or to ensure that Franchisee benefits directly or pro rata from the placement of advertising. Further, Franchisee agrees that the Fund does not constitute a trust, and that Franchisor is not a fiduciary with respect to such amounts received in the Fund. Franchisor is not obligated to expend funds for the marketing and advertising programs in excess of the Marketing Fee received from all franchisees.

9.2.3 Franchisee agrees that the Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective customers to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Fund will be maintained in a separate account from Franchisor's general funds and will not be used to defray Franchisor's general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the Fund, including but not limited to, the cost of providing accounting, collection, bookkeeping, reporting and legal services, and salary costs of employees working for the Fund.

9.2.4 If Franchisor spends less than the total of all contributions to the Fund during any fiscal year, it has the right to retain those contributions for use in subsequent years. If Franchisor spends more than the contributions accumulated in the Fund during any fiscal year, it will have the right to receive from the Fund reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

9.2.5 An unaudited summary report on the operation of the Fund will be prepared annually and will be made available to Franchisee on request ninety (90) to one hundred twenty (120) days after fiscal year end.

9.2.6 Although the Fund is intended to be of perpetual duration, Franchisor retains the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a prorated basis.

9.2.7 Franchisee authorizes Franchisor to collect, for remission to the Fund, any advertising or promotional monies or credits offered by any supplier based on Franchisee's purchases. Any advertising or promotional monies or credits Franchisor collects from any supplier based on Franchisee's purchases will not be credited toward Franchisee's required contribution to the Fund.

9.2.8 Franchisor may establish an advertising council of franchisees. If established, the council will advise Franchisor on advertising policies, and Franchisees will elect the members of the council. The council will be advisory and have no operational or decision-making power. The council will operate under its own bylaws, but Franchisor will have the right to change or dissolve the council.

9.3 Franchisee must submit to Franchisor, for its approval, all materials to be used for local advertising, unless they have been approved before or they consist only of materials Franchisor provided. All materials containing the Marks must include the designation trademark TM, registered trademark [®], service mark SM, copyright [©], or any other designation Franchisor specifies. If Franchisee does not receive written or oral disapproval of any materials submitted within ten (10) days from the date Franchisor receives the materials, the materials are deemed approved. Franchisor may require Franchisee to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. Franchisor must make this requirement in writing, and Franchisee will have five (5) days after receipt of Franchisor's notice to withdraw and/or discontinue use of the materials or advertising. Franchisee must include in any significant display advertisements, and in marketing materials for the Store, in conformance with standards in the Confidential Operations Manual, a notice that the Store is individually owned and operated. Subject to any legal restrictions, Franchisee also must display or make available, in the reception area of the Store, marketing materials intended for general customers that Franchisor may provide to Franchisee from time to time.

9.4 Franchisee acknowledges and agrees that Franchisor will own all rights to and interest in each telephone number and telephone directory listing used by Franchisee that is associated in any manner with Franchisee's Store and/or with any Mark ("Telephone Listing"). Franchisee acknowledges and agrees that all goodwill arising from or in connection with the use of each Telephone Listing will inure to Franchisor's benefit. Promptly after the expiration, termination, repurchase or transfer of the franchise, and at Franchisee's own expense, Franchisee will notify all telephone companies with whom Franchisee has any Telephone Listing and direct them to transfer the Telephone Listing to Franchisor or to any person(s) Franchisor designates, and Franchisee will execute any and all documents necessary to complete these transfer(s). On

the execution of this Agreement, Franchisee will sign a telephone transfer consent and authorization, in a form substantially similar to Exhibit G, granting Franchisor the authority to change, transfer or terminate Franchisee's Telephone Listing(s) on Franchisee's behalf. Franchisor will use this authorization only if Franchisee does not comply fully with this Section 9.5 after the expiration, termination, repurchase or transfer of the franchise.

9.5 Franchisee shall not maintain a website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Store without Franchisor's prior written approval, which Franchisor may withhold for any reason or for no reason. Franchisee will submit to Franchisor for approval before use, true and correct printouts of all website pages Franchisee proposes to use in Franchisee's website in connection with the Store. Franchisee understands and agrees that Franchisor's right of approval of all such web materials is necessitated by the fact that such web materials will include and be inextricably linked with Franchisor's Marks. Franchisee may only use material which Franchisor has approved. Franchisee's website shall conform to all of Franchisor's website requirements, whether set forth in the Confidential Operations Manuals or otherwise. Franchisee agrees to provide all hyperlinks or other links that Franchisor requires. If Franchisor grants approval for a website, Franchisee may not use any of the Marks at the site except as Franchisor expressly permits. Franchisee may not post any of Franchisor's proprietary, confidential or copyrighted material or information on Franchisee's website without Franchisor's prior written consent. If Franchisee wishes to modify the approved site, all proposed modifications must also receive Franchisor's prior written approval. Franchisee explicitly understands that Franchisee may not post on Franchisee's website any material which any third-party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third-party may claim intellectual property ownership interests). Franchisee will list on Franchisee's website any website maintained by Franchisor, and any other information Franchisor requires in the manner Franchisor dictates. Franchisee agrees to obtain Franchisor's prior written approval for any internet domain name and/or home page address. The requirement for Franchisor's prior written approval set forth in this Section will apply to all activities on the internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more email addresses and may conduct individual email communication without Franchisor's prior approval as provided above if Franchisee proposes to send advertising to multiple addresses via email.

ARTICLE X

REPORTS TO FRANCHISOR

10.1 Franchisee shall keep full, complete and accurate books and accounts in accordance with generally accepted accounting principles and in accordance with the System, and Franchisee shall submit to Franchisor:

A. Concurrently with the payment of the Royalty Fees, on a form supplied or approved by Franchisor, a signed and verified statement of Gross Sales in cash, credit and/or other charges, and when Franchisee is tied into the computerized cash register system such reports shall be transmitted electronically;

B. Within sixty (60) days after the close of each calendar year, an annual profit and loss statement for the Store for such year and a balance sheet for the Store as of the end of such calendar year, reviewed by an independent certified public accountant. Franchisor may randomly select a franchisee or franchisees who will be required to have an audited financial statement prepared by a certified public accountant selected by the Franchisee, but who shall be acceptable to Franchisor, which opinion may be qualified only to the extent reasonably acceptable to Franchisor;

C. Promptly when prepared, a copy of all of Franchisee's Federal, State and Local tax returns of any kind or nature; and a certificate from Franchisee's accountant that all Social Security payments, taxes and fees required to be paid by Franchisee have been paid, and that there is no reason to believe that Franchisee's corporate status, if Franchisee is a corporation, has been impaired; and

D. Such other periodic forms and reports as may be reasonably prescribed by Franchisor.

10.2 Franchisee shall preserve, for a period of not less than three (3) years, all accounting records and supporting documents relating to Franchisee's business under this Agreement.

10.3 Franchisee shall record, in a manner approved and designated by Franchisor at the time of receipt, all sales of all products sold by Franchisee from Franchisee's Store in a computerized cash register of a type designated by Franchisor, or on any other machine or recording device recommended or approved in advance by Franchisor.

10.4 In order to determine whether Franchisee is complying with this Agreement, Franchisor or its designated agents shall have the right, at any time during reasonable business hours, to examine, at its expense, the books, records, cash control devices, income tax returns, bank statements, sales records of the Store, and the books and records of any corporation or partnership which owns the franchise. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection or audit should reveal that Gross Sales and/or payments have been understated in any report to Franchisor by more than two percent (2%), then Franchisee shall, on fifteen (15) days' notice, pay to Franchisor the amount understated on demand, and in addition reimburse Franchisor for any and all costs and expenses connected with the inspection or audit (including without limitation, reasonable accounting and attorneys' fees, travel expenses, room and board and compensation of employees or agents of Franchisor). The foregoing remedies shall be in addition to any other remedies Franchisor may have hereunder or under applicable law.

ARTICLE XI
CONFIDENTIAL OPERATIONS MANUAL

11.1 Franchisor shall lend to Franchisee a confidential operations manual published by Franchisor (the “Confidential Operations Manual”) which shall include, in part, the business procedures, technical advice and rules and regulations for operating the business.

11.2 Franchisee acknowledges and agrees that:

A. The Confidential Operations Manual is, and shall remain, the property of Franchisor throughout the term of this Agreement, any renewal hereof and thereafter;

B. The Confidential Operations Manual contains confidential information which Franchisee will protect as a trade secret, and its loss will cause substantial damage to Franchisor and other franchisees, although the amount of such loss would be incalculable with any degree of accuracy;

C. Franchisee shall not reprint or reproduce any portion of the Confidential Operations Manual for any reason; and

D. On termination of this Agreement for any reason, Franchisee will immediately return the Confidential Operations Manual to Franchisor.

11.3 Franchisor may reasonably add to or otherwise modify the Confidential Operations Manual, from time to time, whenever it considers such additions or modifications desirable to improve or maintain the standards of the System and its efficient operation, or to protect or maintain the goodwill associated with the “7 LEAVES” name and Marks or to meet competition, provided such additions or modifications are system-wide in nature and do not substantially increase Franchisee’s economic burden.

ARTICLE XII
INSURANCE

12.1 Franchisee, at its sole cost and expense, shall obtain and place with an insurer rated “AAA” in Best’s Directory who is authorized to do business in the state in which Franchisee’s Store is located, and to keep in full force and effect during the terms of this Agreement, insurance coverage on an “occurrence basis” naming Franchisor, its officers, directors and shareholders and any supplier of Products, and any designated primary and secondary lessor as co-insured’s (such insurance policies referred to below collectively as “Insurance”) as follows:

A. Broad Form Comprehensive General Liability with limits of no less than two million dollars (\$2,000,000) in case of damage or injury to one or more persons, including indemnification coverage and property damage insurance of five hundred thousand dollars (\$500,000), both of which shall be considered primary policies;

B. All risk coverage on all personal property covering Franchisee's Store and premises and contents thereof, including, without limitation, all supplies, inventory, fixtures, and equipment and business interruption in amounts not less than is sufficient to meet the co-insurance requirements of Franchisee's policies, and which business interruption insurance covers at least six (6) months of rent, royalties and advertising fees, and contain a replacement value endorsement in an amount not less than ninety percent (90%) of the replacement value thereof, and any loss shall be payable to Franchisor and Franchisee as their interests may appear;

C. Worker's Compensation and Disability Insurance as may be required by law; and

D. Any other insurance coverage as required by the State, Federal or local municipality in which the franchised premises are located.

12.2 The insurance shall cover the acts or omissions of each and every one of the persons who perform services of any nature at Franchisee's Store, and shall protect against all acts of any persons who patronize the Store and shall contain a waiver of subrogation against Franchisor.

12.3 Prior to the opening of Franchisee's Store, Franchisee will deliver to Franchisor certificates of the Insurance, together with the copies of the actual policies issued, and will promptly pay all premiums thereon as and when the same become due. All policies shall provide that they are non-cancelable as to Franchisor unless Franchisor receives at least thirty (30) days' prior written notice of cancellation. Franchisor shall have the right, but shall not be obligated, to pay premiums due and unpaid by Franchisee or else to obtain substitute coverage in the case of cancellation. Any cost thereof to Franchisor shall be added to the Royalty Fees otherwise payable to Franchisor under this Agreement, provided, however, that same shall be due and payable to Franchisor by Franchisee within five (5) days of demand therefor.

12.4 Franchisor reserves the right to demand that Franchisee obtain Insurance from time to time which is different in coverage, risks, amount or otherwise from the foregoing in order to protect fully the parties having insurable interests in Franchisee's Store, provided such Insurance is reasonably common in the area for similar operations.

12.5 Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date on which Franchisee notifies Franchisee's insurance carrier.

ARTICLE XIII

RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

13.1 The relationship between Franchisor and Franchisee is strictly that of a franchisor and franchisee, and Franchisee shall be deemed to be an independent contractor. This Agreement does not create a fiduciary relationship between Franchisor and Franchisee, joint venture,

partnership, or agency, and any act or omission of either party shall not bind or obligate the other except as expressly set forth in this Agreement.

13.2 Franchisee recognizes that Franchisor has entered into this Agreement in reliance on and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the Store, and that the amount of profit or loss resulting from the operation of the Store will be directly and solely attributable to the performance of Franchisee.

13.3 Except as expressly granted in this Agreement, Franchisee recognizes that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in Franchisor's names, Marks, trade secrets, methods, procedures or techniques developed by Franchisor and used in the System. Further, except as specifically set forth in Article I above, nothing contained in this Agreement shall be construed as limiting Franchisor's right, title or interest in the "7 LEAVES" name, Marks, trade secrets, methods, procedures and techniques which are a part of the System or Franchisor's sole and exclusive right to register trade secrets, methods, procedures and techniques.

13.4 In all public records and prominently displayed in Franchisee's Store and in Franchisee's relationship with third parties, as well as on letterheads and business forms, Franchisee shall indicate clearly the independent ownership of Franchisee's Store, and that the operations of same are separate and distinct from the operation of Franchisor's business. Franchisor shall have the absolute right to approve and/or supply any sign displays containing the foregoing.

13.5 Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Store or its assets, or on Franchisor in connection with sales made, services performed or business conducted by Franchisee.

13.6 Franchisee shall indemnify and hold Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with Franchisee's ownership or operation of the Store, which is due to Franchisee's negligence, breach of contract or other civil wrongs, unless such loss, liability or damage is solely due to the negligence of Franchisor (or any of its affiliates, i.e., any company controlling, controlled by, or under common control with Franchisor) in producing, handling or storing the proprietary food items sold to Franchisee (provided Franchisor shall have established that Franchisee inspected such proprietary food items in accordance with the procedures set forth in the Confidential Operations Manual and could not have reasonably discovered the adulteration or other defect in such proprietary food items which was the case of such loss, liability or damage). Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an

affiliate of Franchisor in connection with handling or storing the Products shall not be attributable to or constitute negligence of Franchisor.

13.7 Franchisor shall indemnify and hold Franchisee harmless against, and to reimburse Franchisee for, any loss, liability or damage (actual or consequential) and all reasonable costs and expenses of defending any claim brought against Franchisee or any action in which Franchisee is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which Franchisee may suffer, sustain or incur solely by reason of, arising from or in connection with the negligence of Franchisor (or any of its affiliates, i.e., any company controlling, controlled by or under common control with Franchisor) in producing, handling or storing the Products (provided Franchisee shall have established that Franchisee inspected such Products in accordance with the procedures set forth in the Confidential Operations Manual and could not have reasonably discovered the adulteration or other defect in such Products which was the cause of such loss, liability or damage). Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an affiliate of Franchisor in connection with handling or storing proprietary food items shall not be attributable to or constitute negligence of Franchisor.

ARTICLE XIV **COVENANTS NOT TO COMPETE**

14.1 During the term of this Agreement, or any extension thereof, neither Franchisee, nor any partner, if Franchisee is a partnership, nor any shareholder, if Franchisee is a corporation, shall either directly or indirectly for himself or herself or on behalf of, or in conjunction with any other person, persons, partnership, association or corporation, own, maintain, engage in, participate or have any interest in the operation of any enterprise which is the same or substantially similar to the 7 LEAVES Café franchise, or any other business which distributes, produces or sells the Menu Items (where the cumulative sales of such Menu Items comprise at least 50% of total sales of such business), provided, however, that this prohibition should not apply to the ownership by Franchisee of additional 7 LEAVES Cafés.

14.2 For a period of three (3) years following termination, expiration, or non-renewal of this Agreement, except where the termination occurs due to the fault or action of Franchisor and not due to default of Franchisee or any partner, if Franchisee is a partnership, or any shareholder, if Franchisee is a corporation, Franchisee shall not, except with respect to the ownership or operation by Franchisee of additional Stores:

A. Engage, employ or compensate or seek to employ any person who is at that time engaged, operating or employed by Franchisor or Franchisor's affiliates, or to otherwise directly or indirectly induce such persons to leave such employment;

B. Either directly or indirectly for himself or on the behalf of, or in conjunction with, any other person, persons, partnership, association or corporation, own, maintain, engage in, participate in, or have any interest in the operation of any enterprise which directly or indirectly competes with or is the same or substantially similar to the franchise

covered by this Agreement, or which distributes, produces or sells the Products within the “Minimum Area of Competition”. The “Minimum Area of Competition” shall be deemed to be that area which is within a radius of ten (10) miles from Franchisee’s Store, or any other Store in operation on the effective date of termination or expiration, whether franchised or company-owned.

14.3 If Franchisee fails or refuses to comply with any covenants of this Article, even if such failure or refusal is based on a claim that the laws of any particular jurisdiction excuse such non-compliance, or make the provisions unenforceable in whole or in part, and provided that the jurisdiction in which Franchisee’s Store is located permits, Franchisee separately covenants and agrees that while this Agreement is in effect and for three (3) years after its termination, except where termination occurs due to the fault or action of Franchisor and not due to default of Franchisee, Franchisor shall have the right to require that all sales made in the operation of any business which directly or indirectly competes with: (a) Franchisor; (b) a café or beverage shop; or (c) the System; or (d) which distributes, produces or sells any of the Products (i) anywhere, if this Agreement is then in effect, or (ii) within the Minimum Area of Competition, if this Agreement has been terminated, shall be reported to Franchisor. In addition to any other rights or remedies available to the Franchisor herein, the Franchisee agrees to pay Franchisor on demand, and for the entirety of any period of prohibited competition, the weekly fee of seven hundred dollars (\$700) at the times and in the manner specified in Article V above, all without being deemed to revive, modify or expand this Agreement. The covenants of this Article shall survive the termination or expiration of this Agreement.

14.4 Franchisee shall not, during the term of this Agreement or after its termination, expiration, or non-renewal, communicate or divulge to any other person, persons, partnership or corporation, any information or knowledge concerning the methods of operation used in an coffee, tea or beverage franchise, nor shall Franchisee disclose or divulge, in whole or in part, any trade secrets of Franchisor or its affiliated companies or subsidiaries.

14.5 The covenants contained in Sections 14.2, 14.3 and 14.4 above shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed with the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated and made a part of this Article. A reviewing court shall be entitled to reform the terms of this Article to avoid a finding of invalidity or the unlawful application of these terms, and any reformation of these covenants shall be enforceable as though originally written into this Agreement and without affecting the validity or enforceability of any other provision or terms of this Agreement.

14.6 Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are necessary to protect the legitimate business interests of Franchisor and the reasonable expectations of other franchisees and area developers in the System, and that in the event of a breach of covenants contained in this paragraph, the full extent of damage to Franchisor would be extremely difficult to ascertain. Franchisee represents that each member,

owner, officer, and shareholder of record, have individually and collectively reviewed and discussed these terms, and that each has had adequate opportunity to consider potential consequences of this specific restriction on competition for the duration of the term of the agreement and lasting an additional three (3) years after termination or non-renewal, and notwithstanding these potential consequences, the Franchisee for itself and on behalf of each individual member, owner, officer, and shareholder of record, agrees that these restrictions on competition are reasonable, desired by the Franchisee, and will not impose an undue burden in the ability to pursue other business or employment opportunities inside or outside the areas to be covered by these restrictions. In addition to the liquidated damages payable to Franchisor as provided below for the breach of any or all of the above covenants, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any of those covenants, together with reasonable attorneys' fees and costs.

14.7 Covenants contained in this Article shall be construed as severable and independent and shall be interpreted and applied consistent with the requirements of reasonableness and equity. Any judicial reformation of these covenants consistent with this interpretation shall be enforceable as though contained in this Agreement and shall not affect any other provisions or terms of this Agreement.

ARTICLE XV **MODIFICATION OF THE SYSTEM**

Franchisee understands and agrees that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends, other market place variables and the needs of customers, and to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those programs and services which Franchisee's Store is authorized to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, provided, however, that those changes do not materially and unreasonably increase Franchisee's obligations under this Agreement.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

Except as provided in this Agreement, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications

contemplated hereby. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

ARTICLE XVI **FRANCHISEE**

The term “Franchisee” shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law, and shall be deemed to include not only the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement, but shall also include partners of the entity in the event the entity is a partnership, and all shareholders, officers and directors of the entity in the event the entity is a corporation. By execution of this Agreement, all partners, shareholders, officers and directors of the entity acknowledge and accept, jointly and severally, the duties and obligations imposed upon each of them, individually, by the terms of this Agreement.

ARTICLE XVII **TERMINATION**

17.1 Subject to Section 17.2 and 17.3, and such further limitations as may be required by state law, Franchisor may terminate this Agreement on the occurrence of any of the following events of default:

- A. Failure by Franchisee to make complete and timely payment of any and all fees and billings due Franchisor or any of its subsidiary or affiliated corporations;
- B. Failure to comply with the reporting or record keeping requirements of this Agreement, and/or the under-reporting of Gross Sales by two percent (2%) or more;
- C. The misstatement by Franchisee of any material fact, or failure to disclose or the understatement of any material fact in any report furnished to Franchisor pursuant to this Agreement or the Confidential Operations Manual, whether or not such misstatement or failure to disclose or understatement is intentional;
- D. A breach by Franchisee of any provision of this Agreement, any material provision of the Confidential Operations Manual, or any other agreement between Franchisor and Franchisee or any of its subsidiary or affiliated corporations;
- E. Failure by Franchisee to make good faith efforts to carry out the provisions of this Agreement;

F. Franchisee's engaging in any conduct or practice that, in the reasonable opinion of Franchisor, is detrimental or harmful to the good name, goodwill or reputation of Franchisor or its products or other franchisees or the public;

G. Franchisee's engaging in any conduct or practice that is a fraud on consumers, or is an unfair, unethical, or deceptive trade, act or practice;

H. Any pledge or attempted pledge of Franchisor's credit by Franchisee, or an attempt by Franchisee to bind Franchisor to any obligation;

I. Failure by Franchisee to participate in the advertising, promotional, or marketing activities, services, and programs that are established by Franchisor or Franchisor's Advertising Fund;

J. Unauthorized or improper use by Franchisee of Franchisor's Marks;

K. Misuse or unauthorized disclosure by Franchisee of the Confidential Operations Manual, information or materials;

L. Failure to use or sell any of the proprietary food items to the exclusion of those of any competitors and the failure to perform all of the services required by Franchisor, including but not limited to the forwarding of copies of all health or sanitation or other regulatory agency reports to Franchisor immediately on receipt thereof;

M. Failure to open Franchisee's Store at the location designated by Franchisee within the time specified in the lease or sublease;

N. Except as otherwise provided herein, failure by Franchisee to purchase Franchisee's entire requirement of any of the proprietary food items either from Franchisor or from sources of supply designated by Franchisor and to sell the same to the consuming public using Franchisee's best efforts;

O. Failure to correct any local, state or municipal health or sanitation law or code violation within twenty-four (24) hours after being cited for such violation; or

P. Sale of any proprietary food items to other than the retail customer (ultimate consumer), without Franchisor's prior consent.

17.2 To terminate Franchisee for default of this Agreement pursuant to Section 17.1 above, Franchisor shall first provide Franchisee with written notice of termination, which notice shall specify the reason for and the Effective Date of Termination. This Agreement shall terminate on the date specified in the notice, which shall not be less than thirty (30) days from the date of the notice (or such longer period as provided by state law), unless:

A. Franchisee cures the default or reason for termination during the notice period;

B. Franchisee has in good faith initiated a cure of the default or reason for termination within the notice period, and such default or reason cannot be completely cured during the notice period because of factors reasonably beyond the exclusive control of Franchisee, in which event Franchisor, by notice, shall permit Franchisee a reasonable opportunity, in light of such factors, to effect a complete cure; or

C. The provisions of Subsection 17.2(A) and (B) notwithstanding, this Agreement shall nonetheless terminate if (i) the default or reason for termination has been set forth in two (2) prior notices of termination within any prior twelve (12) month period; or (ii) two (2) or more health code violations have been committed within any prior twelve (12) month period; or (iii) Franchisee is terminated as a result of under-reporting Gross Sales by two percent (2%) or more.

17.3 Except as expressly provided for by state law, on written notice to Franchisee, Franchisor may, without right to cure, immediately terminate this Agreement if any of the following events of default occur:

A. Any action by Franchisee, any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors or stockholders, if Franchisee is a corporation, which results in:

- (i) An affirmative act of insolvency;
- (ii) An assignment for the benefit of creditors; or
- (iii) The filing of a petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to, debtors, except with respect to any relief permitted under the Federal Bankruptcy Code.

B. The filing of any involuntary petition under any bankruptcy statute against Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock, or the appointment of any receiver or trustee to take possession of property of Franchisee, any of its partners, or any of its stockholders owning at least twenty-five (25%) percent of any class of stock of Franchisee;

C. Failure by Franchisee to satisfy fully a civil judgment obtained against Franchisee for a period of more than thirty (30) days after all rights of appeal have been exhausted, or execution of such a judgment, execution of a lien, or foreclosure by a secured party or mortgage against Franchisee's property, which judgment, execution of a lien, or foreclosure by a secured party or mortgage would have an adverse or detrimental effect on Franchisee's franchised operation;

D. Conviction of Franchisee, or any partner of Franchisee, or any officer, director, or stockholder owning at least twenty-five (25%) percent of any class of stock of

Franchisee, or the manager of Franchisee's franchise, of any crime which in the opinion of Franchisor would adversely affect the goodwill or interest of Franchisee or Franchisee's Store;

E. The uncured default by Franchisee under any lease or sublease of Franchisee's Store which could possibly result in the loss by Franchisee of the right to possess for any reason whatsoever;

F. A final judgment or the unappealed decision of a court, regulatory officer, agency, or quasi-regulatory agency that results in the temporary or permanent suspensions or revocation of any permits or licenses, possession of which is a prerequisite to the operation of Franchisee's business or is required under applicable law;

G. The direct or indirect assignment, transfer, sale or encumbrance by Franchisee of this Agreement or franchise or any of Franchisee's rights or privileges contrary to this Agreement, or any attempt by Franchisee to sell, assign, transfer or encumber the Store contrary to the terms of this Agreement;

H. Failure by Franchisee to remain open for business as required by this Agreement or as may be required by the Confidential Operating Manual, as may be limited by local law or the prime landlord, or the abandonment or vacating by Franchisee of Franchisee's Store for three (3) or more consecutive days (or for such other period as would be grounds for termination of Franchisee's sublease); or

I. Dissolution, judicial or otherwise, or liquidation of Franchisee, if Franchisee is a corporation or partnership.

ARTICLE XVIII
RIGHTS AND DUTIES OF THE PARTIES
ON EXPIRATION OR TERMINATION

18.1 For the purpose of this Agreement, the "Effective Date of Termination" shall be the date indicated in any notice of termination sent pursuant to Section 17.2 or 17.3 of this Agreement or the day after the Initial Term, as set forth in Section 4.1 of this Agreement.

18.2 On the Effective Date of Termination, Franchisee shall no longer be an authorized franchisee, and Franchisee shall pay all sums of money due Franchisor or any of its subsidiary or affiliated corporations within fifteen (15) days of the Effective Date of Termination, unless Franchisor gives written notice of an extension of this period.

18.3 On the Effective Date of Termination, Franchisee shall discontinue the use of all Marks owned by or associated with Franchisor and all similar names and marks, or any other designation or mark associating Franchisee with the System. If Franchisee is a corporation or partnership and, notwithstanding the prohibition of utilizing the "7 LEAVES" name in its corporate or partnership name, has used the "7 LEAVES" name or any names, marks or designations that associate Franchisee with Franchisor in its corporate or partnership name, Franchisee shall, within fifteen (15) days of the Effective Date of Termination, take all necessary

steps to eliminate “7 LEAVES” from its corporate or partnership name, at Franchisee’s own cost and expense.

18.4 On the Effective Date of Termination, Franchisee shall cease displaying and using all signs, stationery, letterheads, forms, manuals, printed matter, advertising, and other material containing the Marks, “7 LEAVES” or any other names, marks, or designations that associate Franchisee with the System.

18.5 After the Effective Date of Termination, Franchisee shall not take any action indicating or implying that Franchisee is an authorized franchisee.

18.6 Franchisee shall maintain all financial records and reports required pursuant to this Agreement or the Confidential Operations Manual for a period of not less than three (3) years after the Effective Date of Termination. Franchisee shall permit Franchisor to make final inspection of Franchisee’s financial records, books, tax returns, and other accounting records at any time in the three (3) year period following the Effective Date of Termination.

18.7 On the Effective Date of Termination, Franchisee shall, pursuant to the lease or sublease or conditional lease assignment and upon demand of Franchisor, vacate and surrender the Store premises in accordance with the terms and conditions under the terms of the lease, sublease and/or conditional lease assignment.

18.8 On the Effective Date of Termination, Franchisee shall cease all use of telephone numbers used by Franchisee while conducting business as a “7 LEAVES” franchise and shall promptly execute such documents or take such steps necessary to remove Franchisee’s listing as a “7 LEAVES” franchise from the “Yellow Pages”, all other telephone directories, and all other trade or other business directories.

18.9 Within fifteen (15) days from the Effective Date of Termination of this Agreement, Franchisee shall immediately turn over to Franchisor all manuals, including the Confidential Operations Manual, records, files, instructions, recipes, menus, correspondence, any and all materials relating to the operation of the Franchised Business in Franchisee’s possession, and all copies of such written materials (all of which are acknowledged to be Franchisor’s property), and shall retain no copy or record of any of the foregoing, except only Franchisee’s copy of this Agreement, and of any correspondence between the parties, and any other documents which Franchisee reasonably needs for compliance with any provision of law and the records described in Section 18.6 above.

18.10 If Franchisor notifies Franchisee of its intent to do so within ten (10) days after the Effective Date of Termination, Franchisor shall have the right (but not the duty) to purchase any or all of the signs, advertising material, supplies, equipment and any items bearing Franchisor’s Marks at Franchisee’s cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, each party shall designate an independent qualified appraiser, and their joint determination shall be binding on both parties. If these appraisers are unable to agree on a fair market value, they will designate a third, approved appraiser whose determination shall be binding on both parties. If Franchisor elects to exercise

its option to purchase, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment therefor.

18.11 If you operate the Restaurant under a lease for the Restaurant premises with a third party or, with respect to any lease for equipment used in the operation of the Franchised Business, then you shall, at our option, assign to us any interest which you have in any lease or sublease for the premises of the Restaurant or any equipment related thereto. We may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event we do not elect to exercise our option to acquire the lease or sublease for the Restaurant premises or do not have such option, you shall make such modifications or alterations to the Restaurant premises as are necessary to distinguish the appearance of the Restaurant from that of other Restaurants operating under the System and shall make such specific additional changes as we may reasonably request. If you fail or refuse to comply with the requirements of this Section 18.11, we shall have the right to enter on the premises of the Franchised Business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at your expense, which expense you agree to pay on demand. Notwithstanding the provisions of this Section 18.11 to the contrary, in the event the lease is assigned to us, we hereby indemnify and hold harmless you and any guarantors under said lease, for any breach by us or our successors or assigns from any liability arising out of the lease for the Restaurant premises from and after the date of the assignment of lease.

18.12 We shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from you any or all of the furnishings, equipment (including any electronic cash register or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Restaurant, at fair market value. We shall be purchasing your assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If we elect to exercise any option to purchase herein provided, we shall have the right to set off (i) all fees for any such independent appraiser due from you, (ii) all amounts due from you to us and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash.

In addition to the options described above and if you own the Restaurant premises, then we shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Restaurant premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at fair market value. We shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If you do not own the land on which the Restaurant is operated and we exercise our option for an assignment of the lease, we may exercise this option for the purpose of purchasing the building if owned by you and related assets as described above. If the parties

cannot agree on fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined in accordance with appraisal procedure described above.

With respect to the options described in Sections 18.11 and 18.12, you shall deliver to us in a form satisfactory to us, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which we deem necessary in order to perfect our title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, you have not obtained all of these certificates and other documents, we may, in our sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents

The time for closing of the purchase and sale of the properties described in Sections 18.12 shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date we receive and obtain all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 18.11 shall be a date no later than ten (10) days after our exercise of the option thereunder unless we are exercising our options under either Section 18.11 or 18.12, in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at our corporate offices or at such other location as the parties may agree.

18.13 Notwithstanding anything to the contrary contained in Sections 18.11 and 18.12, if you operate the Restaurant from a premises that is subleased to you by us, on termination (or expiration if you do not renew) of this Agreement, we shall have the right to take immediate possession of all or a portion of the assets of the Restaurant, including any or all of the furnishings, equipment (including any point of sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Restaurant. We shall have a lien against all such assets in the amount of any amounts due to us under this Agreement or any other agreement. We shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to you (or to any lender of yours who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to us by you at the time of termination. If the lien on the assets from your lender has priority over any lien of ours, and the amount of the lien is in excess of the appraised value of such assets, we shall have the right to deal directly with your lienholder, and to pay any amounts due to you directly to the lienholder. You agree to provide all further assurances, and to execute all documents required by us or by law to lawfully effect such transfer, and to perfect our security interest. We shall have the right to take such action without the execution of any further documents by you if you fail or refuse to comply with these further assurances.

18.14 No right or remedy conferred on or reserved to Franchisor in this Agreement is exclusive of any other right or remedy contained in this Agreement, or provided or permitted by law or equity, but each shall be cumulative of every other right or remedy.

18.15 If we terminate this Agreement with cause, you must pay us liquidated damages equal to the average value of the Royalty Fees you paid or owed (per month) to us during the

twelve (12) months before the termination multiplied by (i) twenty-four (24), being the number of months in two (2) full years, or (ii) the number of months remaining during the term of this Agreement, whichever is higher. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default.

18.16 Nothing contained in this Agreement shall be deemed to relieve Franchisee of any obligations or responsibilities or liabilities incurred by Franchisee during the term of this Agreement or any renewal term, or Franchisee's lease or sublease and which obligations, responsibilities or liabilities shall survive the termination, expiration or non-renewal of this Agreement, Franchisee's lease or sublease.

ARTICLE XIX

COMMENCEMENT AND HOURS OF OPERATIONS

Franchisee recognizes that continuous and daily availability of any of the proprietary food items and Products to the public is essential to the adequate promotion of Franchisee's Store, and that any failure to provide such availability affects Franchisor both locally and nationally. Franchisee shall make Franchisee or Franchisee's trained manager personally available to provide the Products to the consuming public at a minimum of ten (10) hours per day, seven (7) days per week, or as required by any lease or sublease if different, except where prohibited or otherwise regulated by a governmental authority, including any state or local licensing authority, and shall otherwise conduct the business in accordance with generally accepted business standards. These requirements may be changed by Franchisor from time to time and on reasonable notice to Franchisee and may differ from one franchisee to another, based on the specific characteristics of a particular location.

ARTICLE XX

TRANSFERABILITY OF INTEREST

20.1 Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee, and that neither this Agreement nor the franchise granted shall be assignable or transferable by Franchisee, nor may the same be mortgaged, pledged or encumbered by him without the express prior written consent of Franchisor. Any purported assignment, mortgage, pledge or encumbrance of any rights under this Agreement or the franchise, without the prior written consent of Franchisor, shall be null and void. The

issuance or transfer of any stock (including by way of any public stock offering) or partnership interest(s) in Franchisee, or its merger, a consolidation or dissolution, if Franchisee is a corporation or a partnership, shall be deemed an assignment of this Agreement and the franchise.

20.2 If Franchisee is an individual, Franchisor hereby consents, on thirty (30) days' prior written notice, to the assignment by Franchisee of all of Franchisee's rights and benefits under this Agreement to a corporation of which Franchisee owns at least a majority of the voting and equity stock, provided that:

A. Such corporation is newly organized and its activities and corporate purposes are confined exclusively to acting as a store franchised under this Agreement;

B. Such corporation and all of its stockholders execute a Transfer of Franchise to a Corporation form, or such other form as shall be provided or approved by Franchisor, in which they jointly and severally assume all of the past and future obligations of Franchisee under this Agreement, to the same extent as if they had originally executed this Agreement as Franchisee;

C. Franchisee or Franchisee's designated manager actively manages such corporation and continues to devote Franchisee's best efforts and full and exclusive time to the day-to-day operation and development of the franchise and the business of the Store and Franchisee shall remain personally liable in all respects under this Agreement, including but not limited to payment for the purchase of any of the Products, jointly and severally with such corporation and any and all other stockholders thereof; and

D. All stock certificates of such corporation bear a legend substantially in the following form, which shall be printed legibly and conspicuously on the front of each such stock certificate:

"The transfer of this stock certificate is subject to the terms and conditions of a certain Franchise Agreement entered into with 7 Leaves Franchise, LLC dated _____, 20__".

20.3 If Franchisee, any stockholder or partner of a corporate or partnership Franchisee, or any legal heir or legatee of any deceased Franchisee, or of any deceased stockholder or partner of any corporate or partnership Franchisee, desires to effect any sale or assignment of any partnership interest, stock or other interest in this Agreement, or of Franchisor's rights and benefits under this Agreement, including, without limitation, the franchise granted by this Agreement, and/or the ownership or sublease for the Store franchised by this Agreement, Franchisee or such other authorized person or party shall give Franchisor written notice of all of the terms of any such bona fide offer within fifteen (15) days after receipt of such offer, and providing Franchisor with all other documents and data required prior to Franchisor approving the sale. Franchisor shall have the right of first refusal, for a period of fifteen (15) days after receipt of such notice, to notify Franchisee or such other authorized person or party of Franchisee's desire to exercise such option under the same terms and conditions as the bona fide

offer. If Franchisor fails to exercise such option in the time period allotted, then Franchisee shall be free to contract with the person who made such bona fide offer solely on the same terms and conditions, subject to Franchisee's compliance with all of the other terms and provisions of this Agreement. In the event the terms of such bona fide offer change at any time, then at the time of any change, Franchisee must re-offer the franchise to Franchisor for an additional fifteen (15) day period.

20.4 In addition to all of the other conditions set forth in Sections 20.2 and 20.3 above that pertain to the right of Franchisee to assign, transfer or sell the license created hereunder, Franchisee agrees that any and all rights of assignment, transfer or sale by Franchisee of this franchise and the its rights are conditioned on compliance with each of the following:

A. Any such assignment, transfer, or sale shall be subject to the approval by Franchisor of such assignee, and of the moral and credit background of such assignee and any and all stockholders or partners of assignee, which approval shall not be unreasonably withheld;

B. The assignee, transferee, or purchaser, and all stockholders or partners thereof, if same is a corporation or partnership, shall at Franchisor's option either personally assume in writing all of the obligations of Franchisee, disclosed or undisclosed including all obligations under this Agreement, or execute the then-current Franchise Agreement, in the form used by Franchisor, except that the Royalty Fee and Advertising Fee under the then-current Franchise Agreement shall not be greater than that provided by Article V and IX above for the remainder of what would have been the initial term of this Agreement. However, Franchisor shall have the right to reasonably increase the Royalty Fee and the Advertising Fee, in conformity with the System, during any renewals of the Agreement;

C. Franchisee, such assignee, transferee or purchaser and any and all stockholders or partners thereof, shall execute a general release in favor of Franchisor, its officers, directors, and employees, of any and all claims and causes of action that they may have against Franchisor or its subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance under this Agreement by Franchisor;

D. All prior obligations and debts of Franchisee or corporate assignee of Franchisee owed to Franchisor under or in connection with this Agreement shall be paid concurrently with such assignment;

E. Franchisee must not be in default under this Agreement or any renewals of this Agreement or of any lease or sublease agreement to which Franchisee is a party;

F. Assignee, transferee or purchaser shall not be in the same business as Franchisor either as a franchisor, licensor, independent operator or franchisee of any chain or network which is similar in nature or in competition with Franchisor except that the assignee, transferee or purchaser may be an existing franchisee of Franchisor;

G. Prior to the effective date of the assignment, transfer or sale, the assignee, transferee, or purchaser must satisfactorily complete Franchisor's training program required of all new franchisees;

H. Assignee, transferee, or purchaser shall, prior to any such assignment, pay to Franchisor a non-refundable transfer fee equal to one hundred percent (100%) of the then-current Initial Franchise Fee, to reimburse Franchisor for its legal and accounting fees, credit investigation, training expenses, and other charges and expenses in connection with such assignment, transfer or sale; and

I. Franchisee shall enter into an agreement with Franchisor agreeing to subordinate such assignee's, transferee's or purchaser's obligations to Franchisor, including, without limitation, any Royalty Fees and Advertising Fees, and any obligations of such assignee, transferee or purchaser to make installment payments of the purchase price to Franchisee.

20.5 Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor in this Agreement and Franchisee receives a statement from both Franchisor and its transferee to that effect. On such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and System and/or the loss of association with or identification of 7 Leaves Franchise, LLC as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

Franchisee acknowledges and agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business, regardless of the location of that chain's or business's facilities, and to operate, franchise or license those businesses and/or facilities as 7 LEAVES Cafés operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which Franchisee acknowledges may be near to any of Franchisee's locations.

If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the "7 LEAVES" business or to offer or sell any products or services to Franchisee.

20.6 In addition to the requirements of this Article, Franchisee must, within fifteen (15) days of receipt of an offer to buy, give Franchisor additional written notice whenever Franchisee has received an offer from a third party to buy Franchisee's business franchised under this Agreement. Franchisee must also give Franchisor written notice simultaneously with any offer to sell Franchisee's Store made by, for, or on behalf of Franchisee. The purpose of this subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure law or rules. Franchisee will indemnify and hold Franchisor harmless for Franchisee's failure to comply with this subsection.

20.7 Franchisor's consent to an assignment of any interest subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the assignee, transferee or purchaser.

20.8 If, subject to the restrictions and conditions of transfer contained in this Article, Franchisee shall attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliates of Franchisee, Franchisee, recognizing that the written information used with respect thereto may reflect on Franchisor, will submit any such written information to Franchisor prior to its inclusion in any registration statement, prospectus or similar offering circular or memorandum and will obtain the written consent of Franchisor to the method of financing prior to any offering or sale of such securities. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee in an amount equal to seven thousand five hundred dollars (\$7,500) in order to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The written consent of Franchisor pursuant to this Section 20.8 shall not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering. No information respecting Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by Franchisor, in writing, pursuant to the written request of Franchisee, in which Franchisee states the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or any of its affiliates or any of their businesses in such offering literature or prospectus, such literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for any offering.

The prospectus or other literature utilized in any such offering shall contain the following language in bold-face type on the first textual page thereof:

“NEITHER 7 Leaves Franchise, LLC NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH HEREIN, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER 7 Leaves Franchise, LLC NOR ANY OF ITS AFFILIATES

**ENDORSES OR MAKES ANY RECOMMENDATION WITH
RESPECT TO THE INVESTMENT CONTEMPLATED BY
THIS OFFERING.”**

Franchisee and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including, without limitation, reasonable attorneys’ fees) incurred in the defense of such claims, demands or liabilities, arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

ARTICLE XXI
DEATH OR INCAPACITY OF FRANCHISEE

21.1 In the event of the death or permanent incapacity or disability of Franchisee, i.e., Franchisee is unable to operate the Store as an individual franchisee, or any partner of a Franchisee which is a partnership, or any shareholder owning fifty percent (50%) or more of the capital stock of a Franchisee which is a corporation, Franchisor shall consent to a transfer of that Franchisee’s interest to Franchisee’s heirs, beneficiaries or family designees (referred to in this Article as “Transferee”) without payment of a transfer fee, subject to the following conditions:

A. Transferee must complete, and be approved through, Franchisor’s standard franchise selection process, including satisfactorily demonstrating to Franchisor that Transferee meets the financial character and managerial criteria as Franchisor shall then be applying in considering applications for new franchisees;

B. Transferee shall agree, in writing, to personally assume liability for and to perform all the terms and conditions of this Agreement to the same extent as the original Franchisee; and

C. If Transferee is not approved, Franchisee or Franchisee’s legal representative shall use that person’s best efforts to sell the Store to a party acceptable to Franchisor within twelve (12) months from the date of Franchisee’s death or permanent incapacity or disability and Franchisor shall have the option, but not the obligation, to operate and/or manage the Store for the account of Franchisee’s estate until the deceased or incapacitated Franchisee’s interest is transferred to another party acceptable to Franchisor. Should Franchisor elect to operate and/or manage the franchised Store, Franchisor shall make a complete accounting and shall forward fifty percent (50%) of the net income for the operation of the Store to Franchisee’s estate. If the conveyance of the Store to a party acceptable to Franchisor has not taken place within the twelve (12) month period, Franchisor shall have the option, but not the duty, to purchase the Store and its equipment at the fair market value thereof as determined by independent qualified appraisers selected by Franchisor and the estate. In the event that these appraisers cannot agree on a fair market value, a third appraiser shall be selected by the other two

appraisers and that appraiser's determination shall be binding on both parties. However, if Franchisor chooses not to repurchase the Store, then it may elect to terminate this Agreement, in which event the business franchised under this Agreement will automatically revert back to Franchisor, with Franchisor being obligated to purchase the equipment and trade fixtures at their book value, as set forth in the last certified financial statement of Franchisee.

ARTICLE XXII

OPERATION IN THE EVENT OF ABSENCE OR DISABILITY

In order to prevent any interruption of the Store operations which would cause harm to the Store, thereby depreciating its value, if Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Store, Franchisee authorizes Franchisor, who may, at its option, operate the Store for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Store during such period of operation by Franchisor shall be kept in a separate account, the expenses of the Store, including reasonable compensation and expenses for Franchisor's representative, shall be charged to that account. The Franchisee, for any period where Franchisor is in control of store operations, shall be required to pay to the Franchisor, weekly and on the same schedule as payment for the Royalty Fee, a management fee equal to ten percent (10%) of the Gross Revenues and with reimbursement for all costs and expenses incurred by the Franchisor as a result of needing to assume control of the store operations, and such costs and expenses shall include reimbursement for all wages, salary, or other reasonable compensation that is paid to one or more of Franchisor's employees or agents incident to operating the Franchisee's store. If, as provided in this Article, Franchisor temporarily operates the Store for Franchisee, Franchisee will indemnify and hold harmless Franchisor and any representative of Franchisor who may act under this Agreement, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

ARTICLE XXIII

INJUNCTIVE RELIEF

23.1 If Franchisee is in default, except for default with respect to monies required to be paid by Franchisee to Franchisor, under any provisions of this Agreement, Franchisor shall be entitled to seek a permanent injunction and any preliminary or temporary equitable relief in order to restrain the violation of this Agreement by Franchisee or any person acting for Franchisee or in Franchisee's behalf. Franchisor shall be entitled to its reasonable attorneys' fees and courts costs in connection with taking such action or in connection with any other remedy sought by Franchisor, provided Franchisor is the prevailing party. This remedy shall be cumulative to any other remedy available to Franchisor.

23.2 Franchisee agrees that it is impossible to measure in money the damages which Franchisor will sustain in the event of Franchisee's breach of this Agreement and, therefore, in the event Franchisor institutes injunctive proceedings under this Article, Franchisee waives the defense that Franchisor has an adequate remedy at law.

ARTICLE XXIV
RISK OF OPERATIONS

FRANCHISEE RECOGNIZES THAT THERE ARE MANY UNCERTAINTIES AND RISKS OF THIS BUSINESS, AND, THEREFORE, FRANCHISEE AGREES AND ACKNOWLEDGES THAT, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, NO REPRESENTATIONS, WARRANTIES, GUARANTEES OR AGREEMENTS HAVE BEEN MADE TO FRANCHISEE, EITHER BY FRANCHISOR OR BY ANYONE ACTING ON ITS BEHALF OR PURPORTING TO REPRESENT IT, INCLUDING, BUT NOT LIMITED TO, THE PROSPECTS FOR SUCCESSFUL OPERATIONS, THE LEVEL OF BUSINESS OR PROFITS THAT FRANCHISEE MIGHT REASONABLY EXPECT, OR THE DESIRABILITY, PROFITABILITY OR EXPECTED CUSTOMER VOLUME OF THE STORE. FRANCHISEE HEREBY ACKNOWLEDGES THAT ALL SUCH FACTORS ARE NECESSARILY DEPENDENT ON VARIABLES WHICH ARE BEYOND FRANCHISOR'S CONTROL, INCLUDING, WITHOUT LIMITATION, THE ABILITY, MOTIVATION, AMOUNT AND QUALITY OF EFFORT EXPENDED BY FRANCHISEE. FRANCHISEE RELEASES FRANCHISOR, ITS SUBSIDIARY OR AFFILIATED CORPORATIONS, OFFICERS, DIRECTORS, AFFILIATES AND EMPLOYEES FROM ANY CLAIMS, SUITS AND LIABILITY RELATING TO THE OPERATION OF FRANCHISEE'S STORE INCLUDING, BUT NOT LIMITED TO, THE RESULTS OF ITS OPERATIONS, EXCEPT TO THE EXTENT THAT THE SAME IS PREDICATED ON THE BREACH OF A SPECIFIC WRITTEN OBLIGATION OF FRANCHISOR CONTAINED IN THIS AGREEMENT.

ARTICLE XXV
OTHER OBLIGATIONS

Nothing contained in this Agreement shall inhibit or limit the unrestricted right of Franchisor to enter into or engage in any business or in the sale itself, or the licensing to others for the sale, of the proprietary food items other than the limitations imposed on Franchisor by Article I above; Franchisee shall have no rights, benefits or entitlement with respect thereto.

ARTICLE XXVI
FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limitation, the generality of the foregoing acts or omission of other party, acts of civil or military authority, strikes, lockouts, embargoes, insurrections or acts of God, inability of Franchisor to purchase, deliver and/or manufacture of any of the proprietary food items, provided that inability of a party to obtain funds shall be deemed to be a cause within the control of such party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay.

ARTICLE XXVII
WAIVER OF VIOLATION OR DEFAULT

Waiver by Franchisor or Franchisee of any violation or default hereunder shall not alter or impair either party's right with respect to any subsequent violation or default, nor shall any delay or omission on the part of either party to exercise any right arising from such violation of default alter or impair such party's rights as to the same or any future violation or default. An acceptance by Franchisor of any payment from Franchisee after the date on which such payment is due shall not operate as a waiver of Franchisee's default or violation hereunder, nor alter or impair Franchisor's rights with respect to such violation or default.

ARTICLE XXVIII
NOTICE AND TIME

28.1 All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or by fax transmission, or one (1) business day after being sent by overnight commercial courier service for next business day delivery, or five (5) days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Notice to Franchisor shall be addressed to:

Notices to Franchisor:

7 Leaves Franchise, LLC
16052 Beach Blvd Suite 240
Huntington Beach, CA 92647
Attention: President

Notice to Franchisee shall be addressed to:

Either party may designate another address at any time by written notice to the other. Additionally, all payments and reports, required to be made, by Franchisee under this Agreement shall be given to Franchisor at the above address, except that regular reports may be sent by regular mail.

28.2 Time is of the essence in this Agreement with respect to each and every provision in which time is a factor. Whenever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event. For any period of five (5) or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, any period longer than five (5) days shall be

measured by calendar days, except that if the last day of any such period is not a business day, the period shall automatically be extended to the next business day.

ARTICLE XXIX

APPLICABLE LAW AND VENUE

29.1 This Agreement takes effect upon its acceptance and execution by Franchisor in California, and shall be interpreted and construed under the laws of California, which laws shall prevail in the event of any conflict of law. If, and to the extent that a federal law or another state's substantive laws shall mandate application of such law, notwithstanding the inclusion of this Section and the clear intentions of the parties to this Agreement, then the parties expressly intend that application of such substantive laws, to the greatest extent permitted by law, remain subject to application of the California Evidence Code, including all California state-recognized privileges, exceptions, exemptions, waivers, and defenses.

29.2 No right or remedy conferred on or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

29.3 Nothing contained in this Agreement shall bar Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

29.4 Franchisee acknowledges that Franchisee has and will continue to develop a substantial and continuing relationship with Franchisor at its principal offices in the State of California, where Franchisor's decision-making authority is vested and franchise operations are conducted and supervised. Therefore, the parties irrevocably agree and consent that in any action or proceeding brought by either party to this Agreement, each will submit to the exclusive jurisdiction and venue of any local, state or federal court located in Orange County, California.

29.5 The parties agree to waive, now and forever, any and all rights either may have under the federal RICO statute.

29.6 The parties waive to the fullest extent permitted by law, any right or claim to any punitive or exemplary damages against the other, and agree that in the event of a dispute between them, each shall be limited to the recovery of any actual damages sustained by it. The parties irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

29.7 In the event Franchisor employs legal counsel or incurs other expenses to enforce any obligation of Franchisee under this Agreement, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed on Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees and all other expenses incurred in enforcing such

obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

29.8 Franchisee agrees that they will not, on grounds of the alleged non-performance by Franchisor of any of its obligations under this Agreement, withhold payment of any Royalty Fee, advertising contributions or any other amounts due to Franchisor.

ARTICLE XXX **ARBITRATION**

30.1 IF ANY PARTY IS REQUIRED TO EMPLOY LEGAL COUNSEL OR TO INCUR OTHER REASONABLE EXPENSES TO ENFORCE ANY OBLIGATION OF ANOTHER PARTY, OR TO DEFEND AGAINST ANY CLAIM, DEMAND, ACTION, OR PROCEEDING BY REASON OF ANOTHER PARTY'S FAILURE TO PERFORM ANY OBLIGATION IMPOSED ON SUCH PARTY BY THIS AGREEMENT, AND PROVIDED THAT LEGAL ACTION IS FILED BY OR AGAINST THE FIRST PARTY AND SUCH ACTION OR ITS SETTLEMENT ESTABLISHES THE OTHER PARTY'S DEFAULT, THEN THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY THE AMOUNT OF ALL REASONABLE ATTORNEYS' FEES OF SUCH COUNSEL AND ALL OTHER EXPENSES REASONABLY INCURRED IN ENFORCING SUCH OBLIGATION OR IN DEFENDING AGAINST SUCH CLAIM, DEMAND, ACTION, OR PROCEEDING, WHETHER INCURRED PRIOR TO OR IN PREPARATION FOR OR CONTEMPLATION OF THE FILING OF SUCH ACTION OR THEREAFTER. NOTHING CONTAINED IN THIS PARAGRAPH SHALL RELATE TO ARBITRATION PROCEEDINGS PURSUANT TO THIS AGREEMENT.

30.2 EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, THE PARTIES AGREE THAT ALL CONTRACT DISPUTES THAT CANNOT BE AMICABLY SETTLED BETWEEN THEM SHALL BE DETERMINED SOLELY AND EXCLUSIVELY BY ARBITRATION UNDER THE FEDERAL ARBITRATION ACT, AS AMENDED, AND IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF. ARBITRATION SHALL TAKE PLACE IN ORANGE COUNTY, CALIFORNIA.

30.3 EACH PARTY SHALL SELECT ONE (1) ARBITRATOR (WHO SHALL NOT BE COUNSEL FOR THE PARTY), AND THE TWO (2) SO DESIGNATED SHALL SELECT A THIRD ARBITRATOR. IF EITHER PARTY SHALL FAIL TO DESIGNATE AN ARBITRATOR WITHIN SEVEN (7) DAYS AFTER ARBITRATION IS REQUESTED, OR IF THE TWO ARBITRATORS SHALL FAIL TO SELECT A THIRD ARBITRATOR WITHIN FOURTEEN (14) DAYS AFTER ARBITRATION IS REQUESTED, THEN AN ARBITRATOR SHALL BE SELECTED BY THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THERETO ON APPLICATION OF EITHER PARTY. JUDGMENT ON ANY AWARD OF THE MAJORITY OF THE ARBITRATORS SHALL BE BINDING AND SHALL BE ENTERED IN A COURT OF COMPETENT JURISDICTION. THE AWARD OF THE ARBITRATORS MAY GRANT ANY RELIEF WHICH MIGHT BE GRANTED BY A COURT OF GENERAL JURISDICTION,

INCLUDING, WITHOUT LIMITATION, BY REASON OF ENUMERATION, AWARD OF DAMAGES (BUT EXCLUDING INJUNCTIVE RELIEF), AND MAY, IN THE DISCRETION OF THE ARBITRATORS, ASSESS, IN ADDITION, THE COSTS OF ARBITRATION, INCLUDING THE REASONABLE FEES OF THE ARBITRATORS AND REASONABLE ATTORNEYS' FEES, AGAINST EITHER OR BOTH PARTIES, IN PROPORTIONS AS THE ARBITRATORS SHALL DETERMINE.

30.4 NOTHING CONTAINED IN THIS AGREEMENT SHALL BAR EITHER PARTY FROM SEEKING AND OBTAINING TEMPORARY AND PERMANENT INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION CONSISTENT WITH THIS ARTICLE XXX IN ACCORDANCE WITH APPLICABLE LAW AGAINST THREATENED CONDUCT THAT WILL, IN SUCH PARTY'S DISCRETION, CAUSE SUCH PARTY LOSS OR DAMAGE.

30.5 THE PARTIES INTEND THAT ANY ARBITRATION BETWEEN FRANCHISEE AND FRANCHISOR REGARDING A CLAIM OF FRANCHISEE SHALL BE OF FRANCHISEE'S INDIVIDUAL CLAIM, AND THAT NO SUCH CLAIM SUBJECT TO ARBITRATION SHALL BE ARBITRATED ON A CLASS-WIDE BASIS.

30.6 FRANCHISEE SHALL NOT ASSERT ANY CLAIM OR CAUSE OF ACTION AGAINST FRANCHISOR, ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES OR AFFILIATES AFTER ONE (1) YEAR FOLLOWING THE EVENT GIVING RISE TO SUCH CLAIM OR CAUSE OF ACTION.

ARTICLE XXXI **ACKNOWLEDGMENTS**

31.1 FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS, AND THAT FRANCHISEE'S SUCCESS WILL BE LARGELY DEPENDENT ON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

31.2 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING ITS EXHIBITS; THAT FRANCHISOR HAS FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO FRANCHISEE'S SATISFACTION; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF FRANCHISEE'S OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

31.3 FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS RECEIVED A COMPLETE COPY OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENTS, THIS AGREEMENT, THE EXHIBITS REFERRED TO IN THIS AGREEMENT, AND ANY OTHER AGREEMENTS RELATING HERETO, IF ANY, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

31.4 FRANCHISEE ACKNOWLEDGES AND IS AWARE OF THE FACT THAT SOME FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS IN RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

ARTICLE XXXII **ENTIRE AGREEMENT**

This Agreement, together with the Area Development Agreement, if applicable, and any other Franchise Agreements thereunder, constitutes the entire agreement between Franchisor and Franchisee with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between Franchisor and Franchisee in connection with its subject matter. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. In the event of any conflict between the terms of this Agreement and the terms of the Area Development Agreement, if applicable, or any other Franchise Agreement, the terms of this Agreement shall prevail. No officer, employee or other servant or agent of Franchisor or Franchisee is authorized to make any representation, warranty or other promise not contained in this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding on Franchisor or Franchisee unless in writing and signed by Franchisor and Franchisee.

ARTICLE XXXIII **JOINT AND SEVERAL OBLIGATION**

If Franchisee consists of more than one (1) person, their liability under this Agreement shall be deemed to be joint and several.

ARTICLE XXXIV **SECURITY INTEREST**

Franchisee grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Store, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to

Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are set forth in Article XXVIII of this Agreement. If Franchisee is in good standing, Franchisor will, on request, execute subordinations of its security interest to suppliers, lenders and/or lessors furnishing equipment or financing for the Store.

ARTICLE XXXV
COUNTERPART; PARAGRAPH HEADINGS; PRONOUNS

This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. The paragraph headings in this Agreement are for convenience only, and shall not be deemed to alter or affect any of its provisions. Each pronoun used in this Agreement shall be deemed to include the other number of genders.

ARTICLE XXXVI
SEVERABILITY AND CONSTRUCTION

36.1 Each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, that shall not impair the operation of, or affect the remaining portions, parts, terms or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties, and the invalid sections, parts, terms or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that the finding of illegality adversely affects the basic consideration of this Agreement, Franchisor and Franchisee may terminate this Agreement.

36.2 Anything to the contrary in this Agreement notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer on any person or legal entity, other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

36.3 Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law, which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

36.4 All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision.

36.5 This Agreement shall be executed in two or more counterparts, and each copy so executed shall be deemed a duplicate original.

The parties have executed this Franchise Agreement on the date first written above.

FRANCHISOR

FRANCHISEE

By: _____

By: _____

7 Leaves Franchise, LLC
FRANCHISE AGREEMENT
EXHIBIT “A”
LOCATION AND/OR TERRITORY

Franchisee’s Location and/or Territory shall be as follows:

FRANCHISOR

By: _____

FRANCHISEE

By: _____
Franchisee

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "B"

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT ("Guarantee") entered into this ____ day of _____, 20__, by and between 7 Leaves Franchise, LLC, a California corporation ("Secured Party" or "Franchisor") and each of the undersigned persons and their spouses (each a "Guarantor"), being all of the shareholders or members, partners, principals or other owners or controlling persons, as applicable, of the "Franchisee" or "Debtor" (as hereafter defined).

RECITALS

WHEREAS, Franchisee, ("Franchisee" or "Debtor") has entered into a Franchise Agreement dated _____, 20__ (collectively, the "Franchise Agreement") with the Secured Party;

WHEREAS, Guarantor holds ____% of ownership interest in the Franchisee or other beneficial owner or controlling person, as applicable, in Debtor, or a spouse of such person, and will benefit from the Franchise Agreement;

WHEREAS, the Secured Party is willing to enter the Franchise Agreement with Debtor only if Guarantor agrees to guarantee the full, prompt, complete and faithful performance of all the terms, covenants, conditions and obligation(s) on Debtor's part to be performed under the Franchise Agreement, and all other agreements and instruments ancillary to such agreements, and including any amendments or renewals thereof (the "Documents");

NOW, THEREFORE, in order to induce the Secured Party to enter the Franchise Agreement and the Documents with Debtor and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Guarantor hereby jointly and severally agrees to be bound by the Documents and jointly and severally covenants and agrees with the Secured Party as follows:

ARTICLE I
GUARANTEE

1.1 Guarantor unconditionally guarantees the full, prompt, complete and faithful performance, payment, observance and fulfillment by Debtor of all of the terms, covenants and conditions and any obligation(s) under the Documents when due and any and all fees, royalties and other sums that may become due to the Secured Party from Debtor under the Documents ("Obligation(s)"). Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and legal expenses) incurred by the Secured Party in endeavoring to collect the Obligation(s), or any part thereof, or in securing the performance thereof, or in enforcing this Guarantee.

1.2 Guarantor hereby covenants and agrees unconditionally that in the event Debtor fails to make any payment due under the Obligations on the due date as set forth in the Documents, or an event of default occurs, as defined in the Documents (“Event of Default”), within ten (10) days of the receipt of written notice from or on behalf of the Secured Party to the effect that there exists such an Event of Default and of the amount or nature of the Obligation(s) which Debtor has failed to pay or perform, Guarantor will pay the entire unpaid amount thereof to the Secured Party at its office set forth on the signature page attached hereto. In the event that the Guarantor should fail or decline to pay any sums properly due to the Secured Party hereunder within ten (10) days following the Secured Party's request for the payment of any such sums, then said sums shall bear interest at annual interest rate equal to twelve percent (12%). Further, if Guarantor shall fail to pay any amount or perform any Obligation(s) properly due to the Secured Party hereunder, the Secured Party may institute and pursue any action or proceeding to judgment or final decree and may enforce any such judgment or final decree against Guarantor and collect, in the manner provided by law, out of Guarantor's property, wherever situated, the monies adjudged or decreed to be payable.

1.3 This Guarantee shall not be limited to any particular period of time, but rather shall continue absolutely, unconditionally and irrevocably until all the terms, covenants and conditions of the Documents have been fully and completely performed by Debtor or otherwise discharged and/or released by the Secured Party, and Guarantor shall not be released from any duty, obligation or liability hereunder so long as there is any claim of the Secured Party against Debtor arising out of the Documents which have not been performed, settled or discharged in full.

ARTICLE II

REMEDIES AND RIGHTS OF SECURED PARTY

2.1 The Secured Party shall give Guarantor notice in writing of an Event of Default or any event which might mature into an Event of Default known to Secured Party (but neither failure to give, nor defect in, any notice shall extinguish or in any way affect the Obligation(s) of Guarantor hereunder). Neither demand on, nor the pursuit of any remedies against, Debtor or any other guarantor of the Obligation(s) (“Obligor”) shall be required as a condition precedent to, or neither the dependency nor the prior termination of any action, suit or proceeding against the Debtor or any Obligor (whether for the same or a different remedy) shall bar or prejudice the making of a demand on Guarantor by the Secured Party and the commencement against Guarantor after such demand of, any action, suit or proceeding, at law or in equity, for the specific performance of any covenant or agreement contained in the Documents or for the enforcement of any other appropriate legal or equitable remedy.

2.2 Guarantor's liability hereunder is primary, direct and immediate. Guarantor agrees that neither:

(i) The exercise or the failure to exercise by the Secured Party of any rights or remedies conferred on it under the Documents, hereunder or existing at law or otherwise, or against any collateral;

(ii) The recovery of a judgment against Debtor or Obligor;

(iii) The commencement of an action at law or the recovery of a judgment at law against Debtor or any Obligor and the enforcement thereof through levy or execution or otherwise;

(iv) The taking or institution or any other action or proceeding against Debtor or any Obligor; nor

(v) The delay in taking, pursuing or exercising any of the foregoing actions, rights, powers or remedies (even though requested by Guarantor) by the Secured Party

shall not extinguish or affect the Obligation(s) of Guarantor hereunder, but Guarantor shall be and remain liable for and until all Obligation(s) shall have been fully paid notwithstanding the previous discharge (total or partial) from further liability of Debtor or any Obligor or the existence of any bar (total, partial or temporary) to the pursuit by Guarantor of any right or claim to be subrogated to the right or claims of the Secured Party resulting from any action or failure or omission to act or delay in acting by the Secured Party, or anyone entitled to act in its place.

2.3 In case any of the Guarantor shall become insolvent or admit in writing his, her or its inability to pay his, her or its debts as they mature, or apply for, consent to or acquiesce in the appointment of a trustee, receiver, liquidator, assignee, sequestrator or other similar official for either Guarantor, or any of his, her or its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver, liquidator, assignee, sequestrator or other similar official is appointed for Guarantor, or for a substantial part of his, her or its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy, admiralty or insolvency law or at common law or in equity is instituted by or against Guarantor, or remains for 60 days undismissed, then if any such event shall occur at a time when any of the Obligation(s) may not be then due and payable, Guarantor will pay to the Secured Party forthwith the whole unpaid amount under the Documents and Documents plus any other sums due under the Documents and other Documents, irrespective of whether any demand shall have been made on Guarantor, Debtor or any Obligor by intervention in or initiation of judicial proceedings relative to Guarantor, his, her or its creditors or his, her or its property. The Secured Party may file and prove a claim or claims for the whole unpaid amount or any portion thereof and for any other sums due under the Documents and other Documents and file such other papers or documents as may be necessary or advisable in order to have such claim allowed in such judicial proceedings and to collect and receive any monies or other property payable or deliverable on any such claim, and to distribute the same; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Secured Party.

2.4 The benefits, remedies and rights provided or intended to be provided hereby for the Secured Party are in addition to and without prejudice to any rights, benefits, remedies or security to which the Secured Party might otherwise be entitled.

2.5 Notwithstanding anything mentioned herein to the contrary, the Secured Party, from time to time, without notice to Guarantor, may take all or any of the following actions without in any manner affecting or impairing the liability of Guarantor hereunder:

(i) Obtain a security interest in any property to secure any of the Obligation(s) hereunder;

(ii) Retain or obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Obligation(s);

(iii) Extend the time for payment of the Documents or any installment thereof for any period;

(iv) Release or compromise any liability of Guarantor hereunder or any liability of any nature of any other party or parties with respect to the Obligation(s);

(v) Resort to Guarantor for payment of any Obligation(s), whether or not the Secured Party shall proceed against any other party primarily or secondarily liable on any of the Obligation(s); or

(vi) Agree to any amendments, modification or alteration of the Documents and exercise its rights to consent to any action or non-action of Debtor which may violate the covenants and agreements contained in the Documents with or without consideration, on such terms and conditions as may be acceptable to it.

2.6 Guarantor agrees that if at any time all or any part of any payment theretofore applied by the Secured Party to any of the Obligation(s) is or must be rescinded or returned by the Secured Party for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Debtor) such Obligation(s), for purposes of this Guarantee, to the extent that such payment is or must be rescinded or returned, shall be deemed to have continued in existence, notwithstanding such application by the Secured Party, and this Guarantee shall continue to be effective or be reinstated, as the case may be, as to such Obligation(s), all as though such application by the Secured Party had not been made.

ARTICLE III **GUARANTOR'S WARRANTIES**

3.1 Guarantor represents and warrants to the Secured Party that:

(i) This Guarantee has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of Guarantor enforceable against him, her or it in accordance with its terms;

(ii) There is no action, litigation or other proceeding pending or threatened against Guarantor, before any court, arbitrator or administrative agency which may have a materially adverse effect on the assets, businesses, or financial condition of Guarantor, or which would prevent, hinder or jeopardize his, her or its performance under this Guarantee;

(iii) Guarantor is fully familiar with all of the covenants, terms and conditions of the Documents and the Documents;

(iv) The Guarantor is not party to any contract, agreement, indenture or instrument or subject to any restriction which might materially adversely affect his, her or its financial condition which would in any way jeopardize the ability of Guarantor to perform hereunder; and

(v) The Financial Statement of Debtor attached hereto as Exhibit "1" is correct in all material respects and accurately represents the financial condition of Debtor as of the dates specified therein.

ARTICLE IV **MISCELLANEOUS PROVISIONS**

4.1 All the covenants, stipulations, promises and agreements contained in this Guarantee by or on behalf of Guarantor are for the benefit of the Secured Party, its successors or assigns and shall bind Guarantor and his, her or its heirs, executors, personal representative, successors and assigns.

4.2 Any notice or demand which by any provision of this Guarantee is required or permitted to be given by Secured Party to Guarantor shall be deemed to have been sufficiently given for all purposes if given by first-class mail, postage prepaid, to Guarantor at the address set forth after his, her or its signature below (until another address is filed by Guarantor with Secured Party for such purposes).

4.3 The Secured Party, without notice of any kind, may sell, assign or transfer the Documents, and in such event each and every immediate and successive assignee or transferee thereof may be given the right by the Secured Party to enforce this Guarantee in full, by suit or otherwise, for its own benefit. Guarantor hereby agrees for the benefit of any such assignee or transferee that his, her or its Obligation(s) hereunder shall not be subject to any reduction, abatement, defense, set-off, counterclaim or recoupment for any reason whatsoever.

4.4 Guarantor hereby expressly waives:

- (i) Notice of the acceptance by the Secured Party of this Guarantee;
- (ii) Notice of the existence, creation or non-payment of all or any of the Obligation(s);
- (iii) Presentment, demand, notice or dishonor, protest and all other notices whatsoever; and
- (iv) All diligence in collection or protection of or realization on the Obligation(s) or any thereof hereunder, or any security for or guarantee of any of the foregoing.

4.5 No delay on the part of the Secured Party in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Secured Party of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guarantee be

binding on the Secured Party except as expressly set forth in writing, duly signed and delivered on behalf of the Secured Party.

4.6 This Guarantee shall in all respects be governed by and construed and enforced in accordance with the laws of the State of California and the parties hereto submit to the non-exclusive jurisdiction of the courts of Orange County, California and all courts competent to hear appeals therefrom.

4.7 Any provision of this Guarantee that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and no such prohibition or unenforceability shall invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have executed this Guarantee as of the date first written above.

“SECURED PARTY”

By: _____

“GUARANTORS”

Name:
Address:

Name:
Address:

Name:
Address:

“SPOUSE”

Name:

Name:

Name:

[Attach Debtor’s financial statements as Exhibit “I” to this Guarantee Agreement]

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "C"

CONDITIONAL LEASE ASSIGNMENT PROVISIONS

The clauses referred to in Article 2.1 of the attached Franchise Agreement are as follows:

(i) The premises being leased hereunder shall be used solely for the operation of a 7 Leaves Café.

(ii) Lessor has examined Franchisor's standard design concepts and specifications and consents to Lessee's use of same and of Franchisor's Marks and such signage as Franchisor may prescribe for the Store.

(iii) Lessee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

(iv) Lessor shall furnish Franchisor a copy of the executed lease, including all attachments thereto and related agreements, if any, within five (5) business days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

(v) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that if the Franchise Agreement dated the ____ day of _____, 20__ between the Lessee and Franchisor expires or is terminated for any reason whatsoever, the Lessee's rights hereunder shall, at the option of Franchisor, be transferred and assigned to Franchisor. Said option may be exercised by Franchisor giving the Lessor a notice in writing within thirty (30) days following the expiration or termination of the said Franchise Agreement, such notice to specify, inter alia, the date of such expiration or termination. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Lessee's right hereunder to Franchisor and the assumption by Franchisor of the covenants herein required to be observed or performed by the Lessee.

(vi) In the event Franchisor elects not to exercise the above option, Lessor shall permit Franchisor to enter the premises in order to make any modification necessary to protect Franchisor's Marks.

(vii) The Lessor shall give written notice to Franchisor (concurrently with the giving of such notice to the Lessee) of any default by the Lessee under the Lease, and Franchisor shall have, after the expiration of the period during which the Lessee may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default, providing that if such default arises by reason of the bankruptcy or insolvency of the Lessee or the appointment of a receiver over the Lessee's assets or part thereof, Franchisor shall have the right to assume this

Lease on payment of any arrears of rental to such date. In the event of any such assumption, the Lessee shall cease to have any further rights hereunder.

(viii) The Lessor acknowledges that the said Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the premises hereby demised and to operate the Store for the account of the Lessee for a period as set forth in the said Franchise Agreement. The Lessor further acknowledges that such entry by Franchisor shall not constitute an assignment of this Lease, nor a subletting of the premises hereby demised.

(ix) The Lessor acknowledges that Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses and agrees that such execution by Franchisor shall in no way be construed so as to obligate Franchisor for the performance of any of the terms, conditions, obligations and covenants contained herein, except as specifically set forth in clause (i).

The foregoing provisions shall be incorporated into Franchisee's lease or sublease agreement.

FRANCHISOR

By:_____

FRANCHISEE

By:_____

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "D"

SITE LOCATION ADDENDUM

7 Leaves Franchise, LLC ("Franchisor") and Franchisee ("Franchisee") have on this date, _____, 20__, entered into a certain Franchise Agreement, ("Franchise Agreement") and desire to supplement its terms as set out below. The parties agree as follows:

A. Site Selection

Franchisee shall acquire, by lease or purchase, at Franchisee's sole expense and subject to Franchisor's approval, as provided in the Franchise Agreement, and as more specifically set forth herein, a location for the franchised business.

B. Guidelines and Evaluation

In connection with Franchisee's selection of a site for the franchised business, Franchisor shall furnish to Franchisee the following:

1. Counseling and assistance on site selection guidelines as Franchisor may deem advisable.

2. Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a market feasibility study for such site prepared by Franchisee pursuant to Paragraph C. hereof. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request), Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals, following Franchisee's approval in advance of same.

C. Site Approval

Prior to the acquisition by lease or purchase of any proposed location for the franchised business, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the proposed location and such other information or materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee agrees that it must submit such information and material for the proposed location to Franchisor for its approval no later than ninety (90) days after the execution of the Franchise Agreement. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, at its sole discretion, the proposed location as the location for the franchised business. The proposed location shall not be deemed approved unless written notice of approval is given to Franchisee by Franchisor.

D. Lease Provisions

The lease for the premises of the franchised business shall be submitted to Franchisor for its written approval prior to execution by Franchisee and the Lessor, and shall contain the following terms and conditions:

1. That the premises shall be used only for the operation of the franchised business.
2. That the landlord has examined Franchisor's standard design concepts and consents to Franchisee's use of such Proprietary Marks and signage as Franchisor may prescribe for the franchised business.
3. That the landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and premises, at the same time that such letters and notices are sent to Franchisee.
4. That Franchisee may not sublease or assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.
5. That Franchisor shall have the right to enter the premises to make any modification necessary to protect Franchisor's Proprietary Marks or to cure any default under the lease or under this Agreement.
6. That Franchisor shall have the option to assume Franchisee's occupancy rights, and the right to assign or sublease for all or any part of the remaining term, on Franchisee's default or termination under such lease or under this Agreement.
7. That Franchisor shall be furnished a copy of the executed lease, ten (10) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

E. Relocation

On Franchisor's approval of a location for the franchised business, or on execution of this Agreement, whichever occurs earlier, the street address of the approved location of the franchised business shall be recorded in the attached Exhibit "A" to this Agreement. Franchisee shall not relocate the franchised business without the express prior written consent of Franchisor.

F. Construction

Franchisee shall commence construction or leasehold improvements ("Construction") of the franchise business within one hundred twenty (120) days after Franchisee executes this addendum, executes a lease, or obtains the right to possession of the premises, whichever occurs latest. Franchisee shall provide written notice to Franchisor of the date Construction of the franchised business commences within thirty (30) days after commencement. Franchisee shall maintain continuous Construction of the franchised business premises and shall complete

Construction, including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all furnishings, fixtures, equipment, and signs, in accordance with the approved plans and specifications at Franchisee's expense, within three (3) months after commencement (exclusive of the time lost by reason of strikes, lockouts, fire and other casualties and acts of God). Each week during the Construction period, Franchisee and Franchisee's architect or general contractor shall certify in writing to Franchisor that all work is proceeding substantially on schedule, and in accordance with the approved plans and specifications and all applicable laws, regulations ordinances and restrictive covenants. Franchisee further agrees that Franchisor and its agents shall have the right to inspect the Construction at all reasonable times.

G. Permits and Approvals

Before or on completion of Construction, Franchisee shall obtain, and shall furnish to Franchisor copies of, all necessary permits, approvals, and certificates required for occupancy of the premises and operation of the franchised business. Franchisee shall obtain Franchisor's approval for opening and shall open the franchised business within four (4) months after the date of commencement of Construction.

H. Time of Essence

Franchisee and Franchisor agree that time is of the essence in Franchisee's performance of its obligations hereunder. Any failure by Franchisee to meet the time limits imposed under this Addendum shall constitute a default under Section 17.1 of the Franchise Agreement, for which Franchisor may terminate this Agreement on notice to Franchisee.

I. Effect of Franchise Agreement

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

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

FRANCHISOR

FRANCHISEE

By: _____

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT “E”

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is made by and between 7 Leaves Franchise, LLC, a California limited liability company (the “Franchisor”), and _____ (the “Franchisee”).

WHEREAS, Franchisor has developed an established business and is engaged in the development, marketing and sale to franchisees of an efficient and distinctive system of training employees, preparing, serving, merchandising, and selling products typically sold in a 7 LEAVES Café, served by a distinctively uniformed staff, and well trained, in distinctively designed, furnished, decorated and equipped stores under the name 7 LEAVES; and

WHEREAS, Franchisor has developed and uses the name “7 LEAVES” and associated service marks, trademarks, designs, and symbols in the design and appearance of its stores (collectively referred to as the “Marks”), identifying the goodwill which Franchisor has developed in connection with the operation of 7 LEAVES Cafés by Franchisor and its franchisees (all of which is hereinafter referred to as the “System”); and

WHEREAS, Franchisor desires to preserve the Marks and the System, and has plans, where profitable, to increase the number of 7 LEAVES Cafés within the United States and elsewhere; and

WHEREAS, Franchisee desires to be a 7 LEAVES Café franchisee; and

WHEREAS, _____, Franchisee’s Employee, has been hired by Franchisee to run the day-to-day activities of Franchisee’s store and such Employee must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

In consideration of the mutual promises and conditions herein, the Parties agree as follows:

1. Purpose of Agreement. Franchisor is placing Franchisee in a position of trust and confidence in the development, marketing, sale and expansion of the System. As a precondition of the grant of the right to own and operate a 7 LEAVES Café, Franchisor desires to receive from Franchisee (i) an agreement not to disclose certain information relating to Franchisor’s business, (ii) an agreement not to compete against Franchisor for a certain period of time in a defined territory, and (iii) an agreement concerning the ownership of certain items and information. This Agreement sets forth the terms of their agreements and mutual understanding.

2. Franchisor Ownership of Materials. All information, ideas, research, methods, techniques, specifications, guidelines, secret recipes, manuals, procedures, systems, improvements, notes, data, tapes, reference items, financial information, literature, files, supplier

lists, notebooks, calendars, sketches, drawings, memoranda, records and copyrighted and other materials, including Franchisor's Confidential Operating Manual, and the goodwill associated with them, which in any way relate to Franchisor's past, present or potential business or which were prepared or received by Franchisee as a franchisee of Franchisor and a participant in the System (collectively referred to as "Confidential Information") are the exclusive property of Franchisor. Franchisee agrees to deliver to Franchisor all copies of such materials including Franchisee's own personal work papers, which are in Franchisee's possession or under Franchisee's potential control at the request of Franchisor or, in the absence of such a request, upon the termination of this Franchise Agreement. Concurrent with the return of materials described herein, Franchisee shall delete, remove, destroy, and completely expunge all electronically stored versions of files, if any, containing, describing, or referencing Confidential Information or other Trade Secrets belonging to Franchisor, including without limitation any files stored on a personal or business device, in the cloud, in email or messaging inboxes or archives, in any online accounts, or on any electronic or digital storage devices or backups.

3. Confidential Information. Franchisee acknowledges that Franchisor's Confidential Information is a valuable and unique asset which Franchisee holds in trust for Franchisor's sole benefit. Franchisee agrees that Franchisee shall not, at any time during and for a period of fifty (50) years after Franchisee ceases to be a franchisee of Franchisor or a participant in the System, use for itself or for others, or disclose to any person, corporation or other entity for any reason, any of Franchisor's Confidential Information, without the prior written consent of Franchisor.

4. Trade Secrets. Franchisee acknowledges that Franchisor's Confidential Information and its methods and techniques of operation, and food preparation, merchandising, recipes, specifications, its financial condition, customer service, marketing and pricing strategies, as well as the information compiled and developed regarding improvements or enhancements to the System, including the Confidential Operating Manual, are uniquely valuable to Franchisor and have been developed through considerable expense and effort, and thus are not usually ascertainable by a competitor without considerable investment of effort and expense (the "Trade Secrets").

In light of the need to protect and preserve the confidentiality of these Trade Secrets and in consideration of Franchisee's continued right to own and operate a 7 LEAVES Café, Franchisee agrees, at all times while a Franchisee and for as long as Franchisor remains in business anywhere in the world, to respect the confidentiality of Franchisor's Trade Secrets, to use them solely for the benefit of Franchisor's business, and to refrain from disclosing or making available the Trade Secrets to any third-party without the prior written consent of Franchisor. Franchisee further agrees to take all reasonable security measures to ensure that Franchisee's employees comply with this Agreement and such other security measures as are reasonably requested by Franchisor to prevent accidental disclosure.

5. Assignment of Inventions. All ideas, improvements, processes, names, menu items, and enhancements to the System or which relate to or are useful to Franchisor's business which Franchisee, alone or with others, may invent, discover, make or conceive ("Inventions") are the exclusive property of Franchisor, and Franchisee shall promptly and fully disclose them to Franchisor. At any time, at Franchisor's request and expense, Franchisee shall, without further compensation: (i) promptly record such Inventions with Franchisor; (ii) execute any assignments

and other documents Franchisor deems desirable to protect its rights in the Inventions; and
(iii) assist Franchisor in enforcing its rights with respect to these Inventions.

6. Restrictions on Unfair Competition. It is recognized by Franchisee that as the natural result of Franchisee's participation in the System, Franchisee will gain access to Franchisor's Trade Secrets and Confidential Information, and will gain the trust, confidence and respect of Franchisor's landlords, customers and suppliers. Franchisee acknowledges that Franchisor has a legitimate need to protect itself against unfair competition by its franchisees and their employees. Therefore, in consideration for Franchisee's participation in the System, Franchisee agrees that while it is a Franchisee and for three (3) years after termination of the Franchise Agreement, regardless of the circumstances giving rise to the termination, or after Franchisee ceases to be a participant in the System, and within the Area of Minimum Competition as defined in Article XIV of the Franchise Agreement, Franchisee shall not:

(a) Have or acquire an interest in a similar business to that offered or developed by Franchisor which provides the same or substantially similar products as those sold, distributed, manufactured or furnished by Franchisor during the term of the Franchise Agreement. For purposes of this Agreement, "similar business" means a retail food service café or restaurant that sells the same or substantially similar products as Menu Items, as such term is defined in the Franchise Agreement, where the cumulative sales of such products comprise at least 50% of total sales of such business;

(b) Engage, directly or indirectly, on Franchisee's own behalf, or on behalf of any other person, firm, partnership or corporation, in providing, assisting, instructing or supervising the marketing, distribution or sale of the Products of any similar business to those offered and provided or manufactured by Franchisor as of the termination of this Agreement;

(c) Compete, directly or indirectly, with Franchisor in the offering, distribution or sale of products similar to the Products offered or provided or manufactured by Franchisor as of the termination of this Agreement. Prohibited competition under this subsection (c) may include, but is not limited to, the solicitation of, attempted solicitation, or other contacts with franchisees, landlords, suppliers and customers of Franchisor for the purpose of offering, providing or delivering Products or services similar to those offered and provided by Franchisor to the public; or the request, suggestion or advice to Franchisees, landlords, suppliers or customers, either directly or indirectly, to withdraw, curtail, limit or cancel their business with Franchisor; or to disclose, directly or indirectly, to any other person the names and addresses of franchisees, landlords, suppliers and customers of Franchisor; or the terms and conditions of Franchisor's contracts with suppliers of these Products;

(d) Hire or engage, or attempt to hire or engage, directly or indirectly, any individual who is an employee of Franchisor at the time of such solicitation, whether such actions are taken on behalf of Franchisee or on behalf of another entity; or

(e) Otherwise take direct actions to disrupt the operations of Franchisor or interfere with Franchisor's performance of its contracts with third parties.

7. Enforcement.

(a) Injunction. Franchisee understands and agrees that Franchisor will suffer irreparable harm if Franchisee breaches any of Franchisee's obligations under this Agreement, and that monetary damages shall be inadequate to compensate Franchisor for any such violation. Accordingly, Franchisee agrees that in the event Franchisee violates or threatens to violate any of the provisions of this Agreement, Franchisor, in addition to all other remedies or damages which it may have, shall be entitled to seek an injunction to prevent or to restrain any such violation by Franchisee or by any or all of Franchisee's directors, stockholders, officers, partners, employees, agents or any other person directly or indirectly acting for, on behalf of or with Franchisee. Franchisee consents to the seeking of the injunction as being a reasonable measure to protect Franchisor's rights.

(b) Jurisdiction. Franchisee agrees that any lawsuit brought by Franchisor to enforce its rights under this Agreement shall be brought in the appropriate court located in the State of California, County of Orange, and Franchisee agrees and consents to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof in a state court, regardless of Franchisee's residency at the time such suit is filed. Any lawsuit brought against Franchisor or its officers, directors or agents arising out of this Agreement, or any alleged breach thereof, must be brought within one (1) year of the event giving rise to the cause of action. The failure to commence such action by or on behalf of Franchisee within this time period shall serve to bar any rights Franchisee may have against Franchisor or its officers, directors and agents.

(c) Costs. Franchisee further agrees that if Franchisee acts in any manner which causes Franchisor to seek any form of judicial relief or remedy against Franchisee, and the court determines Franchisee has or is violating any of the provisions of this Agreement, Franchisor, in addition to its other remedies, shall be entitled to recover from Franchisee all costs incurred in such action, including as an element of costs to recovered, not damages, the recovery of all attorneys' fees.

8. Reasonableness of Restrictions; Severability. Franchisee represents each member, owner, officer, and shareholder of record, have individually and collectively reviewed and discussed these terms, and that each has had adequate opportunity to carefully consider the potential consequences of a restraint on competition during the term of the Franchise Agreement, and for a period of three (3) years in a defined territory after the termination or non-renewal of the Franchise Agreement, and notwithstanding these potential consequences, the Franchisee for itself and on behalf of each individual member, owner, officer, and shareholder of record, agrees that these restrictions are reasonable, desired by the Franchisee, and will not impose an undue burden in pursuing other business or employment opportunities inside or outside of the Minimum Area of Competition.

9. Miscellaneous.

(a) All agreements and covenants contained herein are to be construed as independent and severable. If any terms shall be held invalid, in whole or in part, by any court of competent jurisdiction for any reason, then Franchisee agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum

necessary to protect Franchisor's legitimate business needs as permitted by applicable law and public policy. In so doing, Franchisee agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid. Further, Franchisee agrees that any breach or alleged breach by Franchisor of any obligation owed by Franchisor under this Agreement shall not have any effect on the validity or enforceability of the provisions of this Agreement.

(b) This Agreement was entered into and shall be governed by the laws of the State of California.

(c) No delay or failure by Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

(d) In the event that any provision of this Agreement, or a portion thereof, shall be held to be invalid or unenforceable, this ruling shall not affect in any manner the validity of the remaining provisions.

(e) The rights and obligations of Franchisor under this Agreement shall inure to the benefit of and shall be binding on the parties hereto, as well as the affiliates of Franchisor and any future successors and assigns of Franchisor.

(f) No modification of this Agreement shall be valid unless it is in writing and signed by both Franchisee and an authorized representative of Franchisor. This Agreement contains the entire agreement between the parties and is expressly intended by Franchisee and Franchisor to supersede and replace any prior agreements on these issues between the parties.

(g) The Employee, if any, hereby executes this Agreement to evidence his/her or their consent to be bound by each and every provision.

[space intentionally left blank; proceed to signature page]

IN WITNESS WHEREOF, Franchisor and Franchisee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20__.

FRANCHISOR

By:_____

FRANCHISEE:

By:_____
(Franchisee)

By:_____
(Employee)

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "F"

TRANSFER OF FRANCHISE TO A CORPORATION

The undersigned, as Franchisee of the Store under a Franchise Agreement executed on the date set forth below between Franchisee and 7 Leaves Franchise, LLC, as Franchisor, granting Franchisee a franchise to operate at the location set forth below, and the other undersigned shareholders or members of the Corporation, who together with Franchisee constitute all of the Shareholders of the Corporation, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation in accordance with the provisions of Article XX of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other Shareholders of the Corporation intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article XIV thereof, to the same extent as if each of them were Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation without the prior written approval of Franchisor and agree that all stock certificates representing shares in the Corporation shall bear the following legend:

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between Franchisee and 7 Leaves Franchise, LLC".

3. Franchisee or his designee shall devote his best efforts to the day-to-day operation and development of the Store.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and 7 Leaves Franchise, LLC to the same extent as if it were named as Franchisee herein.

[space intentionally left blank; proceed to signature page]

Date of Franchise Agreement: _____

Location of Store: _____

Name of Corporation

Name: _____

Title: _____

In consideration of the execution of the above Agreement, 7 Leaves Franchise, LLC hereby consents to the above referred to assignment on this ____ day of _____, 20__.

7 Leaves Franchise, LLC

By:_____

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "G"

TELEPHONE NUMBER ASSIGNMENT AGREEMENT
AND POWER OF ATTORNEY

FOR VALUE RECEIVED, the undersigned ("Franchisee") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective on the date of termination of the Franchise Agreement described below to 7 Leaves Franchise, LLC on the following terms:

1. This assignment is made under the terms of 7 Leaves Café Franchise Agreement dated _____, 20__ authorizing Franchisee to do business as "7 Leaves" or "7 Leaves Café" (the "Store") between Franchisor and Franchisee, which in part pertains to the telephone and listing and numbers Franchisee uses in the operation of the Store covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but on termination or expiration of the Franchise Agreement, Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are: (to be determined) and all telephone numbers on the rotary series and all telephone numbers Franchisee uses in the Store in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor and Franchisor's authorized agents to act as their attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the telephone numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with the rights and licenses granted herein, and including the right for Franchisee to use, market, and promote a telephone number associated with this 7 Leaves Café as an available outlet for sales of Menu Item and for the purpose of taking and accepting phone orders for Menu Items to be sold to customers. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by Franchisee's later incapacity. This power is created to provide a benefit to the Franchisee and secure performance of a duty to the Franchisor.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below. Persons signing this Agreement must check the appropriate space and sign in the appropriate place provided.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the _____ day of _____, 20__

Franchisee

By:_____

FRANCHISOR:

Signed and accepted as of the _____ day of _____, 20__

7 Leaves Franchise, LLC

By:_____

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "H"

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
7 Leaves Franchise, LLC, INCLUDING CHECKS AND ELECTRONIC TRANSFERS**

The Depositor hereby authorizes and requests _____ (the "Bank") to initiate debit and credit entries to Depositor's account indicated below drawn by and payable to the order of 7 Leaves Franchise, LLC (the "Company") in checks drawn on such account payable to the Company or by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount on presentation.

Depositor agrees that the Bank's rights with respect to each such charge shall be the same as if it were a check drawn by the Bank and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever.

Bank Name: _____

Bank Address: _____

Transit/ABA Number: _____

Account Number: _____

This authority is to remain in full force and effect until the Company has received written notification from the Depositor of its termination in such time and in such manner to afford the Company and Bank a responsible opportunity to act on such request.

Store Address: _____

Name of Depositor: _____ (Please print Franchisee name)

Date Signed: _____

Signature of Depositor

Signature of Depositor
(if more than one Depositor)

**PLEASE ATTACH ONE VOIDED BLANK CHECK FOR PURPOSES OF SETTING UP
BANK AND TRANSIT NUMBERS.**

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN THE STATE OF CA DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

7 Leaves Franchise, LLC

FRANCHISE AGREEMENT

EXHIBIT "I"

FRANCHISEE COMPLIANCE CERTIFICATION

As you know, 7 Leaves Franchise, LLC (the Franchisor) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a 7 Leaves Café. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of Franchisor, or employees or authorized representatives of Franchisor's sales agents, that have not been authorized or that may be untrue, inaccurate or misleading.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing 7 Leaves Franchise, LLC from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and all related agreements attached to it?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and all related agreements provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (FDD) that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Have you discussed the benefits and risks of establishing and operating a 7 Leaves Café with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your 7 Leaves Café will depend in large part on your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has any employee or sales agent of Franchisor made any statement or promise concerning the revenues, project cost, profits or operating costs of a 7 Leaves Café operated by the Franchisor or its Franchisees that is contrary to the information contained in the FDD?

Yes _____ No _____

11. Has any employee or sales agent of Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to the information contained in the FDD?

Yes _____ No _____

12. Has any employee or sales agent of Franchisor made any statement or promise concerning the total amount of revenue the 7 Leaves Café will generate that is contrary to the information contained in the FDD?

Yes _____ No _____

13. Has any employee or sales agent of Franchisor made any statement or promise regarding the costs you may incur in operating the 7 Leaves Café that is contrary to or different from, the information contained in the FDD?

Yes _____ No _____

14. Has any employee or sales agent of Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a 7 Leaves Café?

Yes _____ No _____

15. Has any employee or sales agent of Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

16. Have you entered into any binding agreement with Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

If you have answered Yes to any one of questions 10-17, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you answered No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addenda (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

I understand that the Franchisor is relying on my truthful responses to these questions and by signing this Questionnaire I represent that I have responded truthfully to all of the above questions.

FRANCHISEE APPLICANT

DATE:

EXHIBIT B

7 LEAVES

AREA DEVELOPMENT AGREEMENT



AREA DEVELOPMENT AGREEMENT

7 LEAVES CAFÉ

AREA DEVELOPMENT AGREEMENT

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7 LEAVES CAFE

AREA DEVELOPER AGREEMENT

This Area Developer Agreement (the "Agreement"), made as of this ____ day of _____, 20__ (the "Effective Date"), by and between 7 LEAVES FRANCHISE, LLC, located at 16052 Beach Blvd., Suite 240, Huntington Beach, California 92647 (hereinafter, the "Franchisor") and _____ having a principal place of business at _____ (hereinafter referred to as the "Area Developer").

RECITALS:

WHEREAS, Franchisor, its subsidiaries and its affiliates, as the result of the expenditure of time, skill, effort and money, have acquired, developed and innovated a system (hereinafter, "System") relating to the establishment and operation of the 7 Leaves Cafe quick service Café/Restaurant concept featuring coffee and tea-based drinks and other related menu items using approved recipes under the trademark, trade name and trade dress of "7 LEAVES CAFE®" and "7 LEAVES®". The "7 LEAVES CAFE®" and "7 LEAVES®". names and associated designs will hereinafter be referred to as the "Trademarks". The 7 Leaves Cafe concept is described in more detail in the 7 Leaves Cafe Franchise Disclosure Document (the "FDD"); and

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings, proprietary products and ingredients, proprietary recipes and special menu items, uniform standards, specifications, and procedures for operations, quality and uniformity of products and services offered, procedures for inventory, management and financial control, training and assistance, and advertising and promotional programs, all of which may be changed, improved, and further developed by the Franchisor from time to time;

WHEREAS, the Franchisor and Franchisor's affiliates continue to develop, use, and control the use of the Trademarks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service;

WHEREAS, pursuant to this Agreement, Area Developer agrees to provide certain development services for Franchisor in the Territory, including, but not limited to, opening and operating _____ (____) new 7 Leaves Cafe locations in the Territory; and

WHEREAS, Franchisor is willing to provide the Area Developer a defined territory to develop and operate multiple stores under the System, subject to the terms, restrictions, and other conditions set forth herein, and such territory being more specifically defined as: _____ (hereinafter the "Territory");

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party stated herein, hereby agree as follows:

ARTICLE I
GRANT OF LIMITED LICENSE FOR AREA DEVELOPMENT RIGHTS

1.1 The Franchisor grants to the Area Developer, pursuant to the terms and conditions of this Area Development Agreement, the right to establish and operate _____ (____) franchised Café/Restaurants (the "Development Rights"), and to use the System solely in connection therewith at specific locations to be designated in separate Franchise Agreements executed and pursuant to the schedule established in this Agreement (hereinafter, the "Minimum Performance Schedule"). Each Café/Restaurant to be developed under this Agreement shall be located in the Territory defined herein.

1.2 Each Café/Restaurant for which a Development Right is granted hereunder shall be established and operated pursuant to the terms of our Franchise Agreement in its then-current form, and subject to such other terms and limitations as are otherwise provided herein.

1.3 Except as otherwise provided in this Agreement, the Franchisor shall not franchise anyone other than the Area Developer to establish, a Café/Restaurant in the Territory during the term of this Agreement, provided you are not in default hereunder. However, nothing in this Agreement shall be construed as limiting Franchisor's rights to engage in any of the following activities:

- A. Developing and/or operating a Franchisor or affiliate-owned store, subject to any rights of first refusal as may be reserved to the Area Developer;
- B. Selling or permitting others to sell gift card or any menu items sold at 7 Leaves Café, or prepackaged items used to prepare any food or drink items sold at 7 Leaves Café, under the Marks or other names, to restaurants, cafés, convenience stores, grocery stores, specialty food or beverage stores, department stores, or other commercial or retail outlets selling items in the Territory or targeting consumers in the Territory;
- C. Selling or permitting others to sell gift cards or any menu items sold at 7 Leaves Cafés, or operating (or granting others the right to operate) a 7 Leaves Café in areas such as airports, rail, bus or other travel terminals, stadiums, sporting, or entertainment complexes, fairs, carnivals, or festivals, amusement parks, public parks, theaters, military bases, hospitals or health care facilities, college campuses or other educational facilities, government buildings, and other high density or specialized access locations entirely or partially in the Territory;
- D. Selling or permitting others to sell gift cards or any menu items sold at 7 Leaves Café, or prepackaged items used to prepare any food items sold at 7 Leaves Cafés, under the Marks or other names, from mobile units or carts, trailers, kiosks, booths, vending machines, or from other mobile or stationary devices which occupy less than 250 square feet and established or operating entirely or partially in the Territory;

- E. Advertising and promoting the sale of, and selling gift cards or any menu items sold at 7 Leaves Cafés through the internet or by using any other means of digital or electronic communication, or by mail order, catalog sales, or comparable methods that solicit orders and business from customers situated in the Territory without requiring the customer's physical presence in a 7 Leaves Café to complete the transaction.

1.4 This Agreement is not a Franchise Agreement and does not grant to the Area Developer any right to use the Trademarks or System.

1.5 The Area Developer shall have no right under this Agreement to franchise others under the Trademarks or System.

1.6 Area Developer acknowledges that any and all 7 Leaves Café locations already open in the Territory as of the Effective Date of this Agreement or any 7 Leaves Café locations later opened by Franchisor or Franchisor's Affiliates are in no way covered by or made a part of this Agreement. All entities related to Franchisor through common ownership, and each of their officers, directors, employees, and agents, may engage in any and every activity, within or outside the Territory, which is not expressly prohibited by this Agreement. Except for the restrictions provided in this Article, this Agreement shall not limit Franchisor's right to use and to license the Trademarks or the System, or to engage in or license any other type of business activity, whether similar or different in kind from this franchise, the Trademarks, or the System.

ARTICLE II

DEVELOPMENT FEE

2.1 Area Developer agrees to pay Franchisor the sum of two hundred fifty thousand dollars (\$250,000.00) (the "Area Developer Fee") as consideration for the right to develop the designated Territory. The Area Developer Fee shall be fully earned by Franchisor on execution of this Agreement, shall be nonrefundable, and shall be for administrative and other expenses incurred by the Franchisor and for potential development opportunities lost or deferred as a result of binding the Franchisor to the terms, conditions, and Development Rights granted herein.

Area Developer shall execute a Franchise Agreement for the first store to be developed in the Territory at the same time as executing this Area Developer Agreement, and the full Initial Franchise Fee for the first store shall be due on execution of the Franchise Agreement.

In the event that Area Developer fails to meet the Minimum Performance Schedule set forth in Section 7.2, Area Developer shall be required at the end of that year to pay to Franchisor the Initial Franchise Fees for each remaining individual store that would have been opened had the Area Developer met the Minimum Performance Schedule for store development for that annual performance term. Franchisor may allow, but shall not be required to allow the Area Developer to continue with development of the Territory, notwithstanding the failure to perform in accordance with the Minimum Development Schedule.

Nothing in this Section shall limit Franchisor's rights or remedies in the event of a default or breach of this Agreement, or any Franchise Agreements that are executed by the Area Developer incident to obligations to develop the designated Territory. If the Franchisor elects to terminate this Agreement for the failure to perform in accordance with the Minimum Development Schedule, then all Initial Franchise Fees owed and not paid, shall become immediately due, without regard to whether the Area Developer has executed a corresponding Franchise Agreement for the stores that would or should have been opened pursuant to the Minimum Development Schedule. In the event Franchisor allows the Area Developer to continue with development of the Territory, notwithstanding a default or breach for failure to perform in accordance with the Minimum Performance Schedule, the Initial Franchise Fees paid to Franchisor under this Section, if any, for stores that would and should have been opened in the applicable period shall be credited towards payment of the Initial Franchise Fee for the next stores that are actually developed and opened, and the Area Developer shall be credited such amounts as were collected and are otherwise appropriate to avoid the payment and collection of more than one Initial Franchise Fee being paid to the Franchisor for any individual store. If the Franchisor allows the Area Developer to continue with development of the Territory, the Area Developer shall be required to bring the cumulative number of developed stores current with the annual totals required by the Minimum Performance Schedule no later than the close of the following year's Minimum Performance Schedule.

ARTICLE III

SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 The Area Developer shall assume all responsibility and expense for locating potential sites for Café/Restaurant and shall submit to the Franchisor for evaluation and approval, in the form specified by the Franchisor, a description of the site, the terms of the lease or purchase, a market feasibility study for the site (when requested by the Franchisor) and such other information and materials as the Franchisor may reasonably require, together with a letter of intent or other evidence satisfactory to the Franchisor which confirms the Area Developer's favorable prospects for obtaining the site. The Franchisor shall have thirty (30) days after receipt of such information and materials to approve or disapprove the site in Franchisor's sole discretion. If the site is approved by the Franchisor, the Area Developer will then be presented with the Franchise Agreement for execution.

3.2 Recognizing that time is of the essence, the Area Developer agrees to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Minimum Performance Schedule in a timely manner. The Area Developer's failure to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement. The Area Developer shall not make arrangements to open a Café/Restaurant for business unless and until there is a fully executed Franchise Agreement in place for such Café/Restaurant and the applicable Initial Franchise Fee is paid in full.

3.3 The Area Developer shall exercise each Development Right granted herein only after executing a Franchise Agreement for an approved location in the Territory. The Franchise Agreement for the first Development Rights exercised hereunder has been executed contemporaneously with this Area Development Agreement. The Franchise Agreement for each

additional Development Right exercised hereunder shall be the then-current Franchise Agreement, except that the Royalty and Advertising/Marketing Fees shall not increase and shall be the same as stated in the first Franchise Agreement executed by the Area Developer, subject to any non-material changes therein which are required to be made by changes in any applicable law, regulation, or ordinance as may be in effect from time to time. If the Area Developer does not provide an executed Franchise Agreement and pay the Initial Franchise Fee to the Franchisor, the Area Developer shall have no rights to develop, open, or operate a Café/Restaurant at any location, notwithstanding any oral or written approval by the Franchisor for a proposed Café/Restaurant location in the Territory.

3.4 The Area Developer acknowledges that the approval of a particular site for a Café/Restaurant by the Franchisor shall not be deemed to be an assurance or guaranty that the Café/Restaurant will operate successfully or at a profit from the approved site.

3.5 The Area Developer shall be required to execute a Franchise Agreement and all Exhibits or addenda attached thereto, and at all times shall own and hold a minimum of fifty-one percent (51%) of the issued and outstanding stock for each Café/Restaurant. In no event shall the Area Developer relinquish or transfer control over an entity operating any Café/Restaurant to be developed.

ARTICLE IV

DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Provided the Area Developer is in full compliance with (i) all the terms and conditions of this Agreement, including without limitation the Minimum Performance Schedule set forth in Section 7.2, and (ii) all obligations under each Franchise Agreement executed pursuant to this Area Developer Agreement, then during the Term of this Agreement the Franchisor will not allow development or operation of Café/Restaurant within the Territory, except the franchises that are granted to the Area Developer pursuant to this Agreement, and subject to all development rights reserved to the Franchisor, the activities expressly stated in Section 1.2, and such further exceptions as may be expressly provided for in this Agreement.

4.2 On the termination or expiration of this Agreement, the Franchisor and Franchisor's affiliates shall have the right, without restriction, to develop and operate Café/Restaurants in the Territory, and to grant Development Rights to others for the development and operation Café/Restaurants in the Territory.

4.3 Except as expressly limited herein, the Franchisor and Franchisor's affiliates retain all rights with respect to the System, the Trademarks and the sale of any goods and services, anywhere in the world, including, without limitation, the right (a) to produce, offer, and sell and to grant others the right to produce, offer and sell the products offered at Café/Restaurants and any other goods displaying the Trademarks or other trade and service marks through alternative distribution channels, as described below, both within and outside the Territory, and under any terms and conditions the Franchisor deems appropriate ("alternative distribution channels" include, but are not limited to, the Internet, catalog sales, grocery store sales, Café/Restaurants, club and customer membership reward programsCafé/Restaurant,

telemarketing or other marketing methods), (b) to operate and to grant others the right to operate Café/Restaurants located outside the Territory under any terms and conditions the Franchisor deems appropriate and regardless of proximity to the Area Developer's Café/Restaurant, and (c) to acquire and operate a business operating one or more food service businesses located or operating in the Territory.

ARTICLE V **RENEWAL**

5.1 This Agreement shall not be subject to renewal, however, if the Area Developer wishes to purchase a new Territory and continue to develop Café/Restaurants or to purchase additional rights in the Territory, the Franchisor will, in good faith, negotiate a new Area Development Agreement.

ARTICLE VI **TERM AND RIGHT OF FIRST REFUSAL**

6.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the date the last Café/Restaurant is opened pursuant to the Minimum Performance Schedule.

6.2 If, following completion of the Minimum Performance Schedule, the Franchisor determines that it is desirable to operate one or more additional Café/Restaurants in the Territory, and provided the Area Developer has timely complied with the Minimum Performance Schedule and is then in compliance with all terms and conditions of all Franchise Agreements, the Area Developer shall have a right of first refusal to obtain the Development Rights to such additional Café/Restaurant(s) on such reasonable terms and conditions as are then determined by the Franchisor including, but not limited to, the imposition of the then-current Initial Franchise Fee on execution of the then-current Franchise Agreement. In such case, the Franchisor shall provide the Area Developer with notice in writing of the terms and conditions for the acquisition of the Development Rights for such additional Café/Restaurants. Area Developer must respond to the Franchisor in writing within thirty (30) days of the receipt of such notice and clearly indicating whether the Area Developer wishes to acquire the Development Rights being offered. If the Area Developer does not exercise this right of first refusal, the Franchisor may, following expiration of the thirty (30) day period, grant the Development Rights to such additional Café/Restaurant(s) to any other person or persons on the same terms and conditions or Franchisor may elect to develop and construct such additional Café/Restaurant(s).

6.3 If during the Term, Franchisor determines that it is desirable to develop and operate one or more additional Café/Restaurants in the Territory, and if the Area Developer is in compliance with all terms and conditions of all Franchise Agreements, the Area Developer shall have a right of first refusal to develop such additional Café/Restaurant(s). In such case, Franchisor shall provide the Area Developer with notice of the terms and conditions for acquiring the location proposed by Franchisor. The Area Developer must notify the Franchisor in writing within thirty (30) days of receipt of such notice, and clearly indicating whether the Area Developer wishes to acquire the Development Rights for the proposed Café/Restaurant. If the

Area Developer does not exercise this right of first refusal, the Franchisor may, following expiration of the thirty (30) day period, develop such additional Café/Restaurants in the Territory.

ARTICLE VII

AREA DEVELOPER OBLIGATIONS

7.1 The Area Developer acknowledges and agrees that (a) except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Café/Restaurants in the Territory and to submit the same to the Franchisor for approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license for any rights to use the System, the Trademarks or to develop, open, or operate any Café/Restaurant within the Territory. Area Developer shall only have rights to participate in the System, and to develop, open, and operate a Café/Restaurant on execution of a Franchise Agreement, and only in accordance with the terms of that Franchise Agreement; (b) the Development Rights granted hereunder are personal to the Area Developer and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Article XI herein; (c) except as provided in Article VI, the Development Rights granted herein are non-exclusive, and Franchisor retains the right, in their sole discretion to (i) continue to construct and operate other Café/Restaurants and to use the System and the Marks at any location inside or outside of the Territory, and to license/franchise others to develop, open, and operate a Café/Restaurant outside the Territory; (ii) develop, use, license, and grant rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Trademarks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as the Franchisor may deem advisable and without granting the Area Developer any rights therein; and (iii) develop, merchandise, sell and license others to sell any of the franchise products, proprietary or otherwise, presently existing or to be developed in the future, to the public through alternative distribution channels outside or inside of the Territory, and to use the Trademarks in connection therewith; (d) the Area Developer shall have sole responsibility for the performance of all obligations arising out of the operation of the Café/Restaurant pursuant to this Agreement and any Franchise Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation; (e) in all public records, in Area Developer's relationship with others, and in any documents, Area Developer shall clearly denote the independent ownership of the Café/Restaurant and clearly indicating that the operations of the Café/Restaurant is separate and distinct from the operations of Franchisor; (f) Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor and the Area Developer shall limit disclosure and restrict access to information or materials to employees or agents that must reasonably have access to such materials and information in connection with their employment by the Area Developer. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person; (g) Area Developer shall comply with all requirements of federal, state and local laws, rules and regulations; (h) you shall at no time have the right to sub-franchise any of the Development Rights granted herein, or to grant others any rights to use the System or the Trademarks; and (i) no Café/Restaurant shall be

developed or opened unless and until a Franchise Agreement for such Café/Restaurant has been executed and the Initial Franchise Fee for such Café/Restaurant has been paid to the Franchisor.

7.2 During the Term of this Agreement, and during the Term for each individual Franchise Agreement to be executed incident to the Minimum Performance Schedule set forth herein, the Area Developer shall make best efforts and diligently pursue timely development of the Territory. Franchisor would not agree to grant Development Rights in this Territory without a clear commitment to develop the Territory on the Minimum Performance Schedule set forth herein, and in recognition of the materiality of this term to the Agreement (i) Area Developer expressly agrees to maintain strict adherence with the Minimum Performance Schedule, including development of a cumulative total of stores to be developed each year over the Term of this Agreement and (ii) Area Developer acknowledges that the failure to strictly adhere to the Minimum Performance Schedule will result in Area Developer paying an Initial Franchise Fee for stores that have not yet been developed or opened, and may further result in termination of the Development Rights granted hereunder, without reimbursement of the Area Developer Fee or any Initial Franchise Fees paid to Franchisor. The Minimum Performance Schedule for this Territory shall be as follows:

1st year	_____ () 7 Leaves Café/Restaurants (_____ () cumulative total of Café/Restaurants in the Territory)
2nd year	_____ () 7 Leaves Café/Restaurants (_____ () cumulative total of Café/Restaurants in the Territory)
3rd year	_____ () 7 Leaves Café/Restaurants (_____ () cumulative total of Café/Restaurants in the Territory)
4th year	_____ () 7 Leaves Café/Restaurants (_____ () cumulative total of Café/Restaurants in the Territory)
5th year	_____ () 7 Leaves Café/Restaurants (_____ () cumulative total of Café/Restaurants in the Territory)

Each year of the Minimum Performance Schedule shall be scheduled as commencing with the Effective Date of this Agreement.

7.3. Except as otherwise provided herein, if the Area Developer should fail to perform in accordance with the Minimum Performance Schedule as set forth in Section 7.2 herein, this Agreement shall be terminated as of the end of the applicable year following written notice from Franchisor to Area Developer. On such written notice to the Area Developer, Franchisor shall have the absolute and unqualified right to continue with development of the Territory, or to grant such Development Rights to a different area developer.

ARTICLE VIII

FRANCHISOR SERVICES

Franchisor shall, at Franchisor's expense, provide the following services: (a) Review of a proposed site selection for conformity to Franchisor's standards and criteria for selection and acquisition of sites on receipt of the Area Developer's written request for approval thereof; (b) Provide standard specifications and layouts for the interior and exterior design, improvements, equipment, furnishings, decor and signs that are identified with the Café/Restaurant and as Franchisor shall make available to all area developers and franchisees from time to time; (c) Review of a proposed site plan and final build-out plans and specifications for conformity to the construction standards and specifications of the System, on receipt of the Area Developer's written request for approval thereof; (d) Conduct on-site evaluations, as Franchisor shall deem advisable, and as part of evaluation of the site for a Café/Restaurant; and (e) Provide such other resources and assistance as may hereafter be developed and offered to other area developers for the System, if any.

ARTICLE IX

DEFAULT AND TERMINATION

The occurrence of any of the following events of default shall constitute good cause for Franchisor, at Franchisor's option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement on notice to Area Developer without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law: (a) If Area Developer shall, in any respect, fail to meet the Minimum Performance Schedule; (b) If Area Developer shall purport to effect any assignment other than in accordance with Article XI hereof; (c) Except as provided in Article XI hereof, if Area Developer attempts to sell, assign, transfer or encumber this Agreement prior to the time that at least fifty percent (50%) of the Café/Restaurant to be constructed and opened for business in accordance with the Minimum Performance Schedule are, in fact, open or under construction; (d) If Area Developer makes, or has made, any material misrepresentation to us in connection with obtaining this Area Development Agreement, any site approval hereunder, or any Franchise Agreement; (e) If Area Developer defaults in the performance of any obligation under any Franchise Agreement, provided such default results in the termination of the Franchise Agreement; (f) If Area Developer suffers a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Café/Restaurant, and permits the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and Area Developer promptly resorts to courts or forums of appropriate jurisdiction to contest such violation or legality; (g) If Area Developer or any person owning or holding a twenty-five percent (25%) or more interest in the Area Developer is convicted or agree to a plea in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year; (h) If Area Developer, or any partners, if you are a partnership, or any officers, directors, shareholders, or members, if the Area Developer is a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors, if a petition in bankruptcy is filed by the Area Developer or such a petition is filed against and not opposed by the Area Developer, if the Area Developer is adjudicated a bankrupt or insolvent, if a bill in equity or other proceeding for the appointment of a receiver or other custodian for the Area Developer's business or assets is filed and consented to by the Area Developer, if a receiver or other custodian (permanent or

temporary) of the Area Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, if proceedings for a composition with creditors under any state or federal law should be instituted by or against the Area Developer, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed), if the Area Developer is dissolved, if execution is levied against the Area Developer's business or property, if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against the Area Developer and not dismissed within thirty (30) days, or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable (i) If the Area Developer, or any shareholder, member, partner, or principal, if Area Developer is an entity, or any affiliates cease to operate all of the Café/Restaurants opened pursuant to the terms of this Agreement; (j) On occurrence of any of the events stated in this Article, and if a period for cure is permitted, then following the Area Developer's failure to cure or remedy the event, Franchisor may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement, with such termination effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) to the Area Developer; (k) If the Area Developer shall use the System or Trademarks, or any other names, marks, systems, insignia, or symbols belonging to, or licensed to the Franchisor, except pursuant to, and in accordance with, a valid and effective Franchise Agreement; (l) If the Area Developer, or persons controlling, controlled by or under common control with the Area Developer, shall have any interest, direct or indirect, in the ownership or operation of any food service business engaged in the sale of similar products or menu items within the Territory or in any food service business which looks like, copies or imitates the Café/Restaurant or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement; (m) If the Area Developer shall fail to remit any payments pursuant to Article II or Article III when the same are due; (n) If the Area Developer shall begin work on any Café/Restaurant at any site unless all conditions stated in Article III have been met (o) If the Area Developer fails to obtain Franchisor's advance written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement (p) If the Area Developer defaults in the performance of any other obligation under this Agreement; and (q) If the Area Developer opens any Café/Restaurant for business before a Franchise Agreement for that Café/Restaurant has been executed and the Initial Franchise Fee has been paid.

ARTICLE X

OBLIGATIONS FOLLOWING TERMINATION

On termination of this Agreement becoming effective for any reason, or on expiration of the Term hereof, the Area Developer agrees as follows: (a) To cease immediately any attempts to select sites on which to establish Café/Restaurants; (b) To immediately cease with any further representations that the Area Developer is an area developer for Franchisor or to do anything which would indicate a continued or ongoing relationship between the Area Developer and the Franchisor. No right or remedy herein conferred reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

ARTICLE XI

TRANSFER OF INTEREST

11.1 The rights granted pursuant to this Agreement shall be personal to the Area Developer, who shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest granted hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without Franchisor's prior written consent. Area Developer agrees that this Agreement shall not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The attempted assignment or transfer of the Agreement, the Development Rights, or any other interest granted hereunder, except in accordance with this Article shall constitute a material breach of this Agreement.

11.2 If the Area Developer is a corporate entity or prefers to conduct business in a corporate capacity, said corporate entity or assignment to a corporate entity (which may include a corporation, limited liability company or partnership) must receive the Franchisor's prior written approval and the Area Developer agrees to comply with the provisions hereinafter specified, including without limitation, personal guarantees by one or more equity owners of all of the obligations of said corporate entity or assignee corporate entity. The corporate entity or assignee corporate entity shall not engage in any business activities other than those directly related to the operation of the Café/Restaurant(s) pursuant to the terms and conditions of the Franchise Agreements, and all assets related to the operation of the Café/Restaurant(s) shall be held by the corporate entity or assignee corporate entity. There shall be no transfer fee charged to the Area Developer for a one (1) time assignment to a corporate entity.

11.3 If the Area Developer is a corporation or if the rights hereunder are assigned to a corporate entity, the Area Developer shall be the legal and beneficial owner of not less than fifty-one percent (51%) of the outstanding equity of the corporate entity and shall act as the corporate entity's principal officer. The assignment to a corporate entity will not relieve the Area Developer of personal liability to us for performance of any of the obligations under this Agreement. Any subsequent transfer of voting rights of the equity of the corporate entity or assignee entity, and any transfer or issuance of equity of the corporate entity or assignee entity shall be subject to Franchisor's prior written approval. Franchisor shall not unreasonably restrict the issuance or transfer of equity, provided that the Area Developer complies with the provisions of this Article, and provided that in no event shall any equity of such corporate entity or assignee corporate entity be sold, transferred or assigned to a business competitor of Franchisor. The articles of organization and governing documents (including by-laws, operating agreement or partnership agreement) of the corporate entity or assignee entity shall reflect that the issuance and transfer of equity is restricted, and all certificates shall bear the following legend, which shall be printed legibly and conspicuously on each certificate:

"The transfer of this certificate is subject to the terms and conditions of an Area Development Agreement and related Franchise Agreements with 7 LEAVES FRANCHISE, LLC dated _____. The terms and conditions of the Area Developer Agreement and related Franchise Agreements shall be controlling over any contrary terms in the governing documents for this company. Acceptance of this certificate constitutes acknowledgment of these transfer restrictions, and agreement to be bound by the same."

11.4 The corporate entity or assignee entity's records shall indicate that a stop transfer order shall be in effect prevent the transfer of any equity, except for those transfers expressly permitted by this Article. In addition to the foregoing, the equity of such entity or assignee entity shall not be publicly sold or traded.

11.5 In the event of death, disability or permanent incapacity of the Area Developer, the Franchisor shall consent to the transfer of all of the interest in this Agreement to the Area Developer's spouse, heirs or relatives, by blood or marriage, or if this Agreement was originally executed by more than one party, then to the remaining parties who originally executed this Agreement, whether such transfer is made by the Area Developer's last will and testament or by operation of law, provided that the requirements of this Article have been met. In the event that the Area Developer's heirs do not obtain the Franchisor's consent as prescribed herein, the personal representative shall have a reasonable time to dispose of the interests hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

11.6 The Area Developer represents that they are entering into this Area Development Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. The Area Developer agrees that, except as expressly provided for in this Article, any attempt to assign this Agreement, prior to the time that at least fifty percent (50%) of the Café/Restaurant(s) to be constructed hereunder are opened or under construction shall be deemed to be an event of default.

11.7 If the Area Developer receives and desires to accept an unsolicited and bona fide written offer from an unaffiliated third party, to purchase the Development Rights or to acquire Area Developer as an entity, Franchisor shall have the option to purchase the Development Rights or to acquire the corporate entity on the same terms and conditions offered to the Area Developer. Franchisor shall exercise this option, if at all, within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of the written offer. Franchisor may require the Area Developer to deliver certified financial statements as of the end of the most recent fiscal year and such other information about the business and operations as may be needed, in Franchisor's discretion, to evaluate the offer being made and the desirability of exercising this option. If Franchisor expressly declines to exercise this option, or does not exercise this option in writing within thirty (30) days of receipt of the offer, the Area Developer may sell, assign and transfer the business on the same terms and conditions as presented to the Franchisor. Any material change in the terms of the offer prior to closing of the sale, assignment, or transfer pursuant to this Section shall constitute a new offer, and in such event, the Area Developer must again provide the Franchisor with written notice of the revised offer, and Franchisor shall again have thirty (30) days to evaluate, and if desired, exercise the option to purchase the Development Rights or acquire the corporate entity on the same terms as revised. Franchisor shall not be responsible for expenses or costs associated with compliance with this Section, including any delays in closing a purchase or acquisition as a result of compliance with the notice requirements in this Section. If the Franchisor elects not to exercise this option, the Area Developer, the individuals comprising the corporate entity, and any persons that have executed a personal guarantee incident to execution of this Agreement shall remain liable as personal guarantors unless and until the Franchisor

executes a written release for such personal guarantees.

11.8 The Area Developer acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Trademarks, as well as the Franchisor's reputation and image, and are for the protection of the Franchisor, the Area Developer, and other multi-unit operators and franchisees. Any assignment or transfer permitted by this Article shall not be effective until Franchisor receives a completely executed copy of all transfer documents, and Franchisor consents in writing thereto.

11.9 Except as provided in this Article, Franchisor agrees not to unreasonably withhold consent to a sale, assignment or transfer. Consent to a sale, assignment, or transfer that would otherwise be permitted or permissible, shall be refused unless: (a) All of the Area Developer's obligations under this Agreement, and all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee; (b) All ascertained or liquidated debts of the Area Developer to the Franchisor or Franchisor's affiliated or subsidiary corporations are paid; (c) The Area Developer is not in default hereunder; (d) The Franchisor is reasonably satisfied that the transferee meets all of the Franchisor's requirements for new multi-unit operators, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations; (e) Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, an Area Development Agreement, Franchise Agreements for all Café/Restaurant(s) open or under construction hereunder, and such other then-current ancillary agreements being required by Franchisor of new multi-unit operators on the date of transfer; (f) The Area Developer executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, and Franchisor's officers, directors, employees and principal stockholders of any and all claims and causes of action that the Area Developer may have against Franchisor or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by the Franchisor; (g) The Area Developer or the transferee pay to Franchisor a transfer fee equal to the then-current Initial Franchise Fee to cover reasonable costs in effecting the transfer; (h) On the death or mental incapacity of any person with an interest of more than fifty percent (50%) in this Agreement or in the Area Developer, the executor, administrator or personal representative of such person shall transfer this interest to a third party approved by Franchisor within twelve (12) months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer, however, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 11.1, the personal representative of the deceased shall have a reasonable time, not to exceed twelve (12) months from the date said personal representative is appointed, to dispose of the deceased's interest in the Area Developer or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Performance Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, Franchisor shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Performance Schedule, on ninety (90) days' notice to the personal representative, or the Franchisor shall have the right to

re-purchase the same at the same price being sought by the personal representative; (i) Consent to a transfer of any interest in the Area Developer or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims the Franchisor may have against the transferring party, nor shall it be deemed a waiver of any right to demand exact compliance with all terms of this Agreement by the transferee.

11.10 The Franchisor shall have the right to assign this Agreement and all attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the Franchisor's obligations (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing Franchisor's obligations, and (ii) the assignee shall expressly assume and agree to perform such obligations. The Area Developer expressly agrees that Franchisor may sell all assets, all rights to the Trademarks or to the System outright to any third party, may go public, may engage in a private placement of some or all securities, may merge, acquire other corporations, or be acquired by another corporation, may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, and, with regard to any or all of the above sales, assignments and dispositions, the Area Developer expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Trademarks (or any variation thereof) and/or the loss of association with or identification of "7 LEAVES FRANCHISE, LLC" as Franchisor. Nothing contained in this Agreement shall require the Franchisor to remain in the same business or to offer the same products and services, whether or not bearing the Trademarks, in the event that Franchisor exercises the transfer rights provided in this Article.

ARTICLE XII **COVENANTS**

12.1 The Area Developer specifically acknowledges that, pursuant to this Agreement, they will receive valuable training and confidential information, including, without limitation, secret recipes, information regarding the marketing methods and techniques of Franchisor and the System. The Area Developer, and all persons or entities holding and interest in, or under the common control of the Area Developer, its affiliates, and its subsidiaries, covenants that during the Term of this Agreement, and for the duration of any non-competition agreement, except as otherwise approved in writing by the Franchisor, that they shall not, directly or indirectly: (a) Divert or attempt to divert any business or client of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor, the Trademarks, and the System; (b) Employ or seek to employ any person who is at the time employed by the Franchisor, or otherwise directly or indirectly induce or seek to induce such persons to leave such employment; (c) Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any food service business other than the Franchised Business (including any business operated by the Area Developer prior to executing this Agreement), which business is of a character and concept similar to the Café/Restaurant, including a food and drink service business which offers and sells the same or substantially similar food and drink products or menu items (a "Competitive Business").

12.2 The Area Developer covenants that, except as otherwise approved in writing by the Franchisor, the Area Developer shall not, for a continuous and uninterrupted period commencing on the expiration or termination of this Agreement, or on transfer, assignment, or withdrawal from the System, and continuing for three (3) years thereafter (and, in case of any violation of this covenant, for three (3) years after the violation ceases), either directly or indirectly, for the Area Developer, or through, on behalf of or in conjunction with any person, persons, partnership, company, or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within a ten (10) mile radius of any 7 Leaves Café in the System.

12.3 The terms of this Article shall not apply to or prohibit the direct or indirect ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation that is registered under the Securities Exchange Act of 1934, as amended.

12.4 Each of the foregoing covenants shall be independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having jurisdiction in any un-appealed final decision to which the Franchisor is a party, the Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement. A reviewing court shall be entitled to reform the terms of this Article to avoid a finding of invalidity, and any reformation of these covenants shall be enforceable as though originally written into this Agreement and without affecting the validity or enforceability of any other provision or terms to this Agreement.

12.5 Area Developer acknowledges that the Franchisor shall have the right, in Franchisor's sole discretion, to reduce the scope of any covenant stated in this Article without advance notice to, and without first requesting or obtaining consent from the Area Developer, such changes being effective immediately on Area Developer's receipt of written notice of the same. The Area Developer shall comply with any covenant as modified, and such covenant shall be enforceable notwithstanding the express terms of this Article.

12.6 The Area Developer expressly agrees that during the Term of this Agreement, the existence of any claims the Area Developer may have against the Franchisor or its affiliates, shall not constitute a defense or excuse for non-performance of the obligations herein, and such claims shall not be asserted as a defense to the Franchisor's enforcement of the covenants in this Article, whether or not such claims arise out of this Agreement, or any Franchise Agreement, and regardless of the nature or characterization of such claims.

12.7 The Area Developer acknowledges that any failure to comply with the requirements of this Article would cause irreparable injury to the Franchisor for which no adequate remedy at law may be available, and the Area Developer hereby consents to the Franchisor seeking immediate injunctive relief prohibiting any conduct in violation of the terms of this Article. The Franchisor may further pursue any other legal or equitable rights and remedies which may be available under this Agreement, by statute, or otherwise.

12.8 At the Franchisor's request, the Area Developer shall require and obtain the execution of covenants similar to those described in this Article (including covenants applicable on the termination of a person's relationship with the Area Developer) from any or all of the following persons: (a) All Café/Restaurant managers employed by the Area Developer who have received training in the System; (b) All officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of the Area Developer and of any entity directly or indirectly controlling the Area Developer, if the Area Developer is a corporation or limited liability company; and (c) The general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if the Area Developer is a partnership. Each covenant required by this Article shall be in a form satisfactory to the Franchisor, including, without limitation, specific identification of the Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. The Area Developer's failure to obtain execution of a covenant required by this Article shall constitute a default under Article IX.

12.9 During the Term of this Agreement, and the Term of any Franchise Agreement executed incident to this Agreement, the Franchisor shall have the right to inspect, or to designate any third party to inspect any Café/Restaurant in which the Area Developer has an interest at reasonable times and during normal business hours to determine whether the conditions of this Article are being satisfied. If, by reason of such inspections or otherwise, the Franchisor has reason to believe that the Area Developer is not in full compliance with the terms of this Article, the Franchisor shall give notice of such default to the Area Developer, and specifying the nature of such default. If the Area Developer denies that they are in default, the Area Developer shall have the burden of establishing that such default does not exist and shall give notice of the Area Developer's position and identify all supporting evidence within ten (10) days of receipt of the notice provided herein. If the Area Developer does not deny the default, the Area Developer shall immediately take all steps to cure said default in a manner satisfactory to the Franchisor.

ARTICLE XIII **NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, overnight delivery service or facsimile to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party.

Notices to Franchisor
7 LEAVES FRANCHISE, LLC
16052 Beach Blvd., Ste. 240
Huntington Beach, CA 92647
Attention: President

Notices to the Area Developer
[NAME]
[ADDRESS]

Any notice that is sent by certified or registered mail shall be deemed given at the date and time of mailing.

ARTICLE XIV **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

14.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2 In all documents in all communications with federal, state, and local agencies, any third parties, and with the public in general, the Area Developer shall identify themselves as an independent contractor operating pursuant to this Agreement.

14.3 The Area Developer understands and agrees that nothing in this Agreement authorizes the Area Developer to make any contract, agreement, warranty or representation on behalf of the Franchisor, or to incur any debt or other obligation in the Franchisor's name, and that the Franchisor assumes no liability for, nor shall be deemed liable by reason of, any act or omission of the Area Developer or any claim or judgment arising therefrom. The Area Developer shall indemnify and hold the Franchisor and the Franchisor's officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with the Area Developer's activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Trademarks which are caused solely by the Franchisor's actions or by the negligent acts of the Franchisor or Franchisor's agents.

ARTICLE XV **APPROVALS**

15.1 Whenever this Agreement requires the Franchisor's prior approval or consent, the Area Developer shall make a timely written request to the Franchisor for such approval or consent, and, except as otherwise provided herein, any approval or consent granted by the Franchisor must be in writing to be effective.

15.2 The Franchisor makes no warranties or guarantees on which the Area Developer may rely, and the Franchisor assumes no liability or obligation to the Area Developer or to any third party to which the Franchisor would not otherwise be subject, solely by providing any waiver, approval, advise, consent or services to the Area Developer in connection with this

Agreement, or by reason of any neglect, delay or denial of any request therefor.

ARTICLE XVI **NON-WAIVER**

No failure by the Franchisor to exercise any power reserved under this Agreement or to insist on exact compliance with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the right to demand exact compliance with the terms of this Agreement. A waiver of any particular breach or default shall not constitute a continuing waiver or otherwise adversely affect or impair any rights that either party may have with respect to a subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission to exercise any power or right arising out of any breach or default of any of the terms or covenants of this Agreement constitute a waiver of such rights or the remedies available to that party as a result of such default or breach.

ARTICLE XVII **SEVERABILITY AND CONSTRUCTION**

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision in this Agreement is held unreasonable or unenforceable by a court or agency having jurisdiction in a decision to which the Franchisor is a party, the Area Developer expressly agrees to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer any rights on any person or entity other than the parties executing this Agreement, and such respective successors and assigns as may be contemplated by this Agreement.

17.4 All captions in this Agreement are intended solely for the convenience of the parties and no captions shall be deemed to affect the meaning or construction of any provision hereof.

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken shall be deemed jointly and severally undertaken by all persons and entities executing this Agreement.

17.6 This Agreement may be executed in duplicate, or in multiple counterparts, and

each copy of the executed Agreement, and each counterpart thereto, shall be deemed an original. As long as all parties have executed this Agreement, the Agreement shall be deemed effective, notwithstanding the fact that no single page contains the signatures of all parties hereto.

ARTICLE XVIII

ENTIRE AGREEMENT; APPLICABLE LAW

This Agreement, the Exhibits to this Agreement, and the documents attached to or referred to herein constitutes the entire, full and complete agreement between the Parties concerning the subject matter hereof and supersedes any and all prior agreements, provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. No amendment, change, or variance from this Agreement shall be binding on any party unless mutually agreed to by the other parties and executed by their authorized officers or agents in writing. To the greatest extent permitted by the laws of any state, this Agreement shall be interpreted and construed in California and under the laws of the State of California. The parties hereby consent to the jurisdiction of all courts located within the County of Orange, California, and each party affirmatively and irrevocably waiving any right to challenge the jurisdiction of the State of California.

ARTICLE XIX

DISPUTE RESOLUTION

19.1 Except to the extent the Franchisor elects to enforce the provisions of this Agreement by judicial process and injunction in Franchisor's sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation will be settled by binding arbitration in the County of Orange, California under the authority of California Statutes. The arbitrators will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The decision of the arbitrators will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment on the award of the arbitrators may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, the parties shall fully perform their respective obligations under this Agreement.

19.2 With respect to any claims, controversies or disputes which are not finally resolved through arbitration or as otherwise provided above, the Area Developer and all owners hereby irrevocably submit themselves to the jurisdiction of the state courts of California and the Federal District Court in Orange County, California. The Area Developer and all owners hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. The Area Developer and all owners hereby agree that service of process may be made on any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by California law. The Area Developer and all owners further agree that venue for any proceeding relating to or arising out of this Agreement shall be the

County of Orange, California, provided, however, with respect to any action: (a) for monies owed, (b) for injunctive or other extraordinary relief or (c) involving possession or disposition of, or other relief relating to, real property, the Franchisor may bring such action in any State or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under California law.

19.3 All parties acknowledge that the agreement regarding applicable state law and forum set forth in this Article provides the parties with the mutual benefit of uniform interpretation of this Agreement and consistency across any disputes arising out of this Agreement or the relationship created by this Agreement. All parties further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are a material term to this Agreement and form a significant part of the benefit of the bargain to each party to this Agreement.

19.4 Except for such remedies as have been specifically contemplated by the parties and expressly provided for in this Agreement, or in any other Agreements attached as an Exhibit to the Franchise Disclosure Document, all parties hereby waive, to the fullest extent permitted by law, any right to or claim for punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

ARTICLE XX

TIMELY PERFORMANCE

The Area Developer hereby acknowledges that timely development of the Café/Restaurants in the Territory in accordance with the Minimum Performance Schedule is of material importance to the Franchisor. The Area Developer agrees, as a condition of the continuance of the Development Rights granted hereunder, to develop and open Café/Restaurants within the Territory in accordance with the Minimum Performance Schedule, to operate such Café/Restaurants pursuant to the terms of the Franchise Agreements and to maintain all such Café/Restaurants in operation continuously. The Franchisor agrees to timely act on any request for approval from the Area Developer and any material delay in the Area Developer's ability to meet the Minimum Performance Schedule that is directly caused by the Franchisor's failure to act timely on a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which

for purposes of this Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage.

ARTICLE XXI **ACKNOWLEDGMENTS**

21.1 THE AREA DEVELOPER ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT ON THE AREA DEVELOPER'S ABILITY AS AN INDEPENDENT BUSINESS PERSON. THE FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND THE AREA DEVELOPER CONFIRMS NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 THE AREA DEVELOPER ACKNOWLEDGES HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE EXHIBITS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE DISCLOSURE DOCUMENT DELIVERED SIMULTANEOUSLY HERewith, AND THE FRANCHISOR HAVING AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF THE AREA DEVELOPER'S OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 THE AREA DEVELOPER ACKNOWLEDGES RECEIPT OF THE FRANCHISE DISCLOSURE DOCUMENTS AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO THE FRANCHISOR OR FRANCHISOR'S AFFILIATES.

21.4 THE AREA DEVELOPER AND ALL OWNERS, IF A CORPORATE ENTITY, EXPRESSLY ACKNOWLEDGE THAT THEY HAVE NOT RELIED ON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON THE FRANCHISOR'S BEHALF REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION OF A 7 LEAVES CAFÉ OR DEVELOPMENT OF THE TERRITORY.

ARTICLE XXII **EFFECTIVE DATE**

This Agreement shall be effective as of the date it is executed by all parties.

[space intentionally left blank; proceed to signature page]

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

7 LEAVES FRANCHISE, LLC

AREA DEVELOPER

By:
Title:

By:
Title:

EXHIBIT C

FINANCIAL STATEMENTS

7 Leaves Franchise, LLC

Financial Statements and
Independent Auditors' Report
December 31, 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
7 Leaves Franchise, LLC
Huntington Beach, California

Opinion

We have audited the accompanying financial statements of 7 Leaves Franchise, LLC which comprise the balance sheet as of December 31, 2023, and the related statement of income, changes in members' equity, and cash flows for the year 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 7 Leaves Franchise, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 7 Leaves Franchise, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to prove 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 7 Leaves Franchise, LLC's ability to continue as a going concern within one year after the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 7 Leaves Franchise, LLC'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 7 Leaves Franchise, LLC'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.



JNK Accountancy Group, LLP
Garden Grove, California
March 25, 2024

7 Leaves Franchise, LLC
Balance Sheet
December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$	883,064
Accounts receivable		124,856
Security deposit		5,072
Due from affiliates		24,970
Total current assets		<u>1,037,962</u>

Non-current assets

Property and equipment, net		<u>65</u>
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Total assets	\$	<u><u>1,038,027</u></u>
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Liabilities and members' equity

Current liabilities

Accounts payable	\$	7,950
Accrued expenses and others		79,315
Deferred revenue		226,933
Total current liabilities		<u>314,198</u>

Non-current liabilities

Deferred revenue (net of current portion)		<u>218,733</u>
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Total liabilities		532,931
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Members' equity

Members' capital		100,000
Retained earnings		405,096
Total members' equity		<u>505,096</u>

Total liabilities and members' equity	\$	<u><u>1,038,027</u></u>
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7 Leaves Franchise, LLC
Statement of Income
For the Year Ended December 31, 2023

Revenue	\$ 1,252,889
Selling, general and administrative expenses	<u>563,040</u>
Income from operations	689,849
Other expense	
(Loss) on disposal of fixed assets	<u>(5,928)</u>
Income before income tax provision	683,921
State income tax	5,724
State passthrough entity elective tax (PEET)	<u>64,600</u>
Total state income tax provision	<u>70,324</u>
Net income	<u><u>\$ 613,597</u></u>

7 Leaves Franchise, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2023

	Members'	Retained	Total
	Capital	Earnings	Members'
			Equity
Balance at beginning of the year	\$ 100,000	\$ 11,499	\$ 111,499
Distribution to members	-	(220,000)	(220,000)
Net income	-	613,597	613,597
Balance at end of the year	<u>\$ 100,000</u>	<u>\$ 405,096</u>	<u>\$ 505,096</u>

7 Leaves Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities	
Net income	\$ 613,597
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	688
Non-cash operating lease expense	807
Loss on disposal of fixed assets	5,928
(Increase) decrease in:	
Accounts receivable	31,412
Due from affiliates	(31,320)
Other receivable	5,902
Prepaid expenses	19,052
Increase (decrease) in:	
Accounts payable	(8,996)
Accrued expenses and others	6,236
Deferred revenue	(296,234)
Net cash provided by operating activities	<u>347,072</u>
Cash flows from financing activities	
Payments on borrowings to members	220,000
Distribution to members	(220,000)
Net cash provided by financing activities	<u>-</u>
Net increase in cash and cash equivalents	347,072
Cash and cash equivalents at beginning of the year	<u>535,992</u>
Cash and cash equivalents at end of the year	<u><u>\$ 883,064</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for income tax	<u>\$ 2,380</u>
Cash paid during the year for passthrough entity elective tax (PEET)	<u>\$ 34,152</u>
Cash paid during the year for operating lease	<u><u>\$ 5,045</u></u>

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2023

NOTE 1- Reporting Entity

7 Leaves Franchise, LLC (the “Company”) was organized in the State of California on July 06, 2017 and is owned by six members. One of the members holds a 26% ownership interest in the Company, three members each hold a 16% ownership interest, and the remaining two each hold a 13% interest.

The Company principally engages in the developing and franchising of 7 Leaves Cafés, cafes that serve coffee, tea, and light snacks. As of December 31, 2023, there were 34 executed franchise agreements within eight territories throughout the United States.

NOTE 2- Basis of Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 3- Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less of the purchase date of such investments.

The Company maintains its cash and cash equivalents accounts with several financial institutions. Accounts in each financial institution are insured by FDIC up to the federally insured limit of \$250,000. The amounts held in these accounts exceeded the limit at various times during the year. The Company has not experienced any losses in the said accounts.

Accounts Receivable and Allowance for Doubtful Account

Accounts receivable consists primarily of amounts due to the Company from its franchisees for initial franchise fees, area development fees, royalty fees, marketing fees and other receivables generated by services rendered. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in existing accounts receivable. At December 31, 2023, there was no allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values. The estimated useful lives used for financial statements purposes are:

Furniture and fixtures 7 years

Maintenance and repairs are charged to expense when incurred, while capital expenditures that enhance the value or materially extend the useful life of the related assets are capitalized and reflected as additions to property and equipment. When assets have been retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the other income (expense) section of the statement of income.

Fair Value Measurements of Assets and Liabilities

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB ASC No. 820, Fair Value Measurements, which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, security deposit, accounts payable and accrued expenses and others approximated their fair values due to their short-term nature.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2023

Revenue Recognition

The Company recognizes revenue under FASB ASC 606, Revenue from Contracts with Customers. The Company generates revenue by establishing franchises and collecting related franchise fees, such as area development fees, initial franchise fees, royalties, marketing and other miscellaneous fees. The Company recognizes revenue once the underlying performance obligations have been satisfied.

Fees received for area development arrangements are non-refundable and initially recognized as deferred revenue on the Company's balance. The revenue from the area development fee is recognized over the life of the expected benefits, which is the area development agreement term.

Initial franchise fees received from a franchisee to establish a new franchise are recognized as deferred revenue on the Company's balance sheet. The initial franchise fees are amortized and recognized as revenue based on the franchise agreement term. Initial franchise fees are also non-refundable.

Continuing royalties, which are a 6% of gross sales of franchisees, are recorded as revenue when the franchisees' sales occur.

Continuing marketing fees, which are computed at 2% of gross sales of franchisees, are recognized as marketing revenue when the marketing fund is under-spent during the period as compared to the marketing revenue received. Conversely, when the marketing fund is over-spent as compared to the marketing fee revenue received, the brand and system development fund fee expense will be recognized.

Other fees are recognized as revenue for the various performance obligations completed.

Operating Lease Right-of-Use Asset

Beginning January 1, 2022, the Company adopted a lease standard under ASU 2016-02, Leases (Topic 842). Under this new standard, operating leases are presented in operating lease right-of-use (ROU) assets, short-term operating lease liabilities and long-term operating lease liabilities on the Company's balance sheets. ROU assets represent the Company's right to control the use of an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments. The Company determines its incremental borrowing rate based on information available at a lease commencement date to calculate the present value of future lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

Brand and system development fund fee

The Company expenses brand and marketing development fund costs as they are incurred. Brand and marketing development fund fee expenses for the year ended December 31, 2023 was \$74,076.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2023

Income Taxes

The Company follows the provisions of FASB No. ASC 740-10, Income Taxes, which prescribes detailed guidance for financial statements recognition, de-recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements.

The Company is taxed as a partnership under the Internal Revenue Code and a similar state statute. In lieu of income taxes, the members of the LLC are taxed on their proportionate share of the LLC's taxable income. Therefore, no provision or liability for federal income taxes related to the LLC is included in the financial statements. Additionally, the Company is subject to California minimum franchise tax of \$800 and LLC Fee, and franchise tax to Georgia, and Virginia which is based on its gross revenue and taxable margin apportioned to the state.

Measurement of credit losses on financial instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, which modifies the measurement of expected credit losses of certain financial instruments in Topic 326. The updated standard adopts a current expected credit loss (CECL) model that requires financial institutions to immediately record the full amount of expected credit losses in their loan portfolios, instead of waiting until the losses qualify as "probable." The FASB expects the shift to the CECL model to produce more timely and relevant information. The ASU became effective for nonpublic companies for fiscal years beginning after December 15, 2022. At December 31, 2023, there were no credit losses on financial instruments.

Recent Accounting Standards

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosure, which is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdictions. It also includes certain other amendments intended to improve the effectiveness of income tax disclosures. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2025. Earlier application is permitted only for financial statements that have not been issued or made available for issuance. The Company is evaluating the potential effects this update will have on its financial statements.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial statements.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2023

NOTE 4- Property and Equipment, Net

Property and equipment, net consists of the following:

Furniture and fixtures	\$	2,455
(less) accumulated depreciation		<u>(2,390)</u>
Total property and equipment, net	\$	<u><u>65</u></u>

Depreciation expense for the year ended December 31, 2023 was \$688.

The Company is relocated to the new office. Leasehold improvements remaining at the previous location were abandoned. As a result, the Company recorded a loss of \$5,928.

NOTE 5- Lease

On October 6, 2020, The Company entered into a new 36-month operating lease agreement for the Company's vehicle, which was accounted for as ROU asset in the financial statements under the new standard. The lease expired on September 5, 2023, and the related ROU asset and lease liabilities were fully amortized.

On August 1, 2023, the Company entered into a new month-to-month lease agreement for the Company's headquarters in Huntington Beach, California from its affiliated entity. As of December 31, 2023, the Company has no operating lease subject to ASC 842.

NOTE 6- Accrued Expenses and Others

Accrued expenses and others consist of the following:

Accrued wages and salaries	\$	36,405
Payroll taxes payable		11,151
State income tax payable		31,092
Other payable		<u>667</u>
Total accrued expenses and others	\$	<u><u>79,315</u></u>

NOTE 7- Related Party Transactions

The Company follows FASB ASC NO. 850-10 for the identification of related parties and disclosure of related party transactions.

As part of the normal course of business, the Company makes payments of management fees and rent fees to 7 leaves holdings, Inc. As of December 31, 2023 and for the year then ended, the Company's related party transactions are summarized as follows:

Management fees	\$	180,000
Rent fees	\$	5,000

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2023

NOTE 8- Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. The Company has no contingencies as of December 31, 2023.

NOTE 9- Subsequent Events

In accordance with ASC Topic 855-10, the Company has evaluated its operations subsequent to December 31, 2023 to the date the financial statements were issued. The Company does not have any material subsequent events to disclose in these financial statements.

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
7 Leaves Franchise, LLC
Huntington Beach, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JNK Accountancy Group, LLP
Garden Grove, California
March 25, 2024

7 Leaves Franchise, LLC
Schedule of Selling, General and Administrative Expenses
For the Year Ended December 31, 2023

Selling, general and administrative expenses	
Auto	\$ 5,867
Brand and system development fund fee	74,076
Bank charge	199
Depreciation	688
Dues and subscriptions	2,942
Insurance	9,784
Legal and professional	35,166
Management fee	180,000
Office expenses	149
Payroll taxes	17,876
Rent	36,100
Repairs and maintenance	181
Reward	1,000
Salaries and wages	186,055
Travel	12,680
Telephone	277
Total selling, general and administrative expenses	<u>\$ 563,040</u>

CONSENT OF ACCOUNTANT

JNK Accountancy Group, LLP consents to the use in the Franchise Disclosure Document issued by 7 Leaves Franchise, LLC. ("Franchisor") on March 25, 2024, as it may be amended, of our report dated March 25, 2024, relating to the financial statements of Franchisor for the year ending December 31, 2023.

March 25, 2024



JNK Accountancy Group, LLP

7 Leaves Franchise, LLC

Financial Statements and
Independent Auditors' Report
December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
7 Leaves Franchise, LLC
Garden Grove, California

Opinion

We have audited the accompanying financial statements of 7 Leaves Franchise, LLC which comprise the balance sheet as of December 31, 2022, and the related statement of income, changes in members' equity, and cash flows for the year 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 7 Leaves Franchise, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 7 Leaves Franchise, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to prove 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 7 Leaves Franchise, LLC's ability to continue as a going concern within one year after the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 7 Leaves Franchise, LLC'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 7 Leaves Franchise, LLC'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.



JNK Accountancy Group, LLP
Garden Grove, California
April 18, 2023

7 Leaves Franchise, LLC
Balance Sheet
December 31, 2022

Assets

Current assets

Cash and cash equivalents	\$	535,992
Accounts receivable		156,268
Other receivable		5,902
Prepaid expenses		19,052
Security deposit		5,072
Due from members		220,000
Total current assets		<u>942,286</u>

Non-current assets

Property and equipment, net		6,681
Operating lease right-of-use asset		6,508
Total non-current assets		<u>13,189</u>

Total assets	\$	<u><u>955,475</u></u>
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Liabilities and members' equity

Current liabilities

Accounts payable	\$	16,946
Accrued expenses		73,079
Deferred revenue		272,900
Due to affiliates		6,350
Operating lease liabilities		5,701
Total current liabilities		<u>374,976</u>

Non-current liabilities

Deferred revenue (net of current portion)		<u>469,000</u>
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Total liabilities		843,976
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Members' equity

Members' capital		100,000
Retained earnings		11,499
Total members' equity		<u>111,499</u>

Total liabilities and members' equity	\$	<u><u>955,475</u></u>
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7 Leaves Franchise, LLC
Statement of Income
For the Year Ended December 31, 2022

Revenue	\$ 1,181,688
Selling, general and administrative expenses	<u>846,275</u>
Income from operations	335,413
Other income	
Interest income	<u>1,633</u>
Income before income tax provision	337,046
State income tax	3,300
State passthrough entity elective tax (PEET)	<u>31,304</u>
Total state income tax provision	<u>34,604</u>
Net income	<u><u>\$ 302,442</u></u>

7 Leaves Franchise, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2022

	Members'	Retained	Total
	Capital	Earnings	Members'
			Equity
Balance at beginning of the year	\$ 100,000	\$ (10,943)	\$ 89,057
Distribution to members	-	(280,000)	(280,000)
Net income	-	302,442	302,442
Balance at end of the year	<u>\$ 100,000</u>	<u>\$ 11,499</u>	<u>\$ 111,499</u>

7 Leaves Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities	
Net income	\$ 302,442
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	929
Non-cash operating lease expense	1,422
(Increase) decrease in:	
Accounts receivable	13,703
Other receivable	66,098
Prepaid expenses	(12,032)
Security deposit	(352)
Increase (decrease) in:	
Accounts payable	(9,054)
Accrued expenses	63,745
Deferred revenue	(96,733)
Due to affiliates	(356)
Net cash provided by operating activities	<u>329,812</u>
Cash flows from financing activities	
Due from members	(220,000)
Distribution to members	(280,000)
Net cash (used in) financing activities	<u>(500,000)</u>
Net (decrease) in cash and cash equivalents	(170,188)
Cash and cash equivalents at beginning of the year	<u>706,180</u>
Cash and cash equivalents at end of the year	<u><u>\$ 535,992</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for income tax	<u>\$ 2,500</u>
Cash paid during the year for passthrough entity elective tax (PEET)	<u>\$ 33,584</u>
Cash paid during the year for operating lease	<u><u>\$ 8,648</u></u>

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

NOTE 1- Reporting Entity

7 Leaves Franchise, LLC (the “Company”) was organized in the State of California on July 06, 2017 and is owned by six members. One of the members holds a 26% ownership interest in the Company, three members each hold a 16% ownership interest, and the remaining two each hold a 13% interest.

The Company principally engages in the developing and franchising of 7 Leaves Cafés, cafes that serve coffee, tea, and light snacks. As of December 31, 2022, there were 34 executed franchise agreements within eight territories throughout the United States.

NOTE 2- Basis of Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 3- Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less of the purchase date of such investments.

The Company maintains its cash and cash equivalents accounts with several financial institutions. Accounts in each financial institution are insured by FDIC up to the federally insured limit of \$250,000. The amounts held in these accounts exceeded the limit at various time during the year. The Company has not experienced any losses in said accounts.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

Accounts Receivable and Allowance for Doubtful Account

Accounts receivable consists primarily of amounts due to the Company from its franchisees for initial franchise fees, area development fees, royalty fees, marketing fees and other receivables generated by services rendered. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. At December 31, 2022, there was no allowance for doubtful accounts.

During the year ended December 31, 2022, the Company mutually agreed with a developer in northern California to terminate an area development contract due to financial hardship. The Company recognized \$120,000 of bad debt expense for the remaining uncollected balance related to the terminated contract for the year ended December 31, 2022.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values. The estimated useful lives used for financial statements purposes are:

Furniture and fixtures	7 years
Leasehold improvement	15 years

Maintenance and repairs are charged to expense when incurred, while capital expenditures that enhance the value or materially extend the useful life of the related assets are capitalized and reflected as additions to property and equipment. When assets have been retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the other income (expense) section of the statement of income.

Fair Value Measurements of Assets and Liabilities

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB ASC No. 820, Fair Value Measurements, which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Company's financial instrument is measured, on a recurring basis, on December 31, 2022:

	Adjusted Cost	Unrealized Gain (Loss)	Fair Value	Short-term	Long-term
Level 1:					
Cash and cash equivalents	\$ 535,992	\$ -	\$ 535,992	\$ 535,992	\$ -
Level 2:	-	-	-	-	-
N/A					
Level 3:					
Receivable	162,170	-	162,170	162,170	-
Security deposit	5,072	-	5,072	5,072	-
Accounts payable	(16,949)	-	(16,949)	(16,949)	-
Accrued expenses	(73,079)	-	(73,079)	(73,079)	-
Deferred revenue	(741,900)	-	(741,900)	(272,900)	(469,000)
Total	<u>\$ (128,694)</u>	<u>\$ -</u>	<u>\$ (128,694)</u>	<u>\$ 340,306</u>	<u>\$ (469,000)</u>

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, security deposit, accounts payable and accrued expense approximated their fair values due to their short-term nature.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

Revenue Recognition

The Company recognizes revenue under FASB, ASC 606 “Revenue from Contracts with Customers”.

The Company generates revenue by establishing franchises and collecting related franchise fees, such as area development fees, initial franchise fees, royalties, marketing and other miscellaneous fees. The Company recognizes revenue once the underlying performance obligations have been satisfied.

Fees received for area development arrangements are non-refundable and initially recognized as deferred revenue on the Company’s balance. The revenue from the area development fee is recognized over the life of the expected benefits, which is the area development agreement term.

Initial franchise fees received from a franchisee to establish a new franchise are recognized as deferred revenue on the Company’s balance sheet. The initial franchise fees are amortized and recognized as revenue based on the franchise agreement term. Initial franchise fees are also non-refundable.

Continuing royalties, which are a 6% of gross sales of franchisees, are recorded as revenue when the franchisees’ sales occur.

Continuing marketing fees, which are computed at 2% of gross sales of franchisees, are recognized as marketing revenue when the marketing fund is under-spent during the period as compared to the marketing revenue received. Conversely, when the marketing fund is over-spent as compared to the marketing fee revenue received, the brand and system development fund fee expense will be recognized.

Other fees are recognized as revenue for the various performance obligations completed.

Operating Lease Right-of-Use Asset

Beginning January 1, 2020, the Company adopted a new lease standard under ASU 2016-02, “Leases (Topic 842).” Under this new standard, operating leases are presented in operating lease right-of-use (ROU) assets, short-term operating lease liabilities and long-term operating lease liabilities on the Company’s balance sheets. ROU assets represent the Company’s right to control the use of an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments. The Company determines its incremental borrowing rate based on information available at a lease commencement date to calculate the present value of future lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

Income Taxes

The Company follows the provisions of FASB No. ASC 740-10, Income Taxes, which prescribes detailed guidance for financial statements recognition, de-recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements.

The Company is treated as a partnership for Federal and California income tax purposes and its net taxable income or loss is reported by its members on their respective income tax returns. Additionally, the Company is subject to California minimum franchise tax of \$800 and LLC Fee, and franchise tax to Texas, Georgia, and Virginia which is based on its gross revenue and taxable margin apportioned to the state.

Recent Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments", which modifies the measurement of expected credit losses of certain financial instruments in Topic 326. The updated standard adopts a current expected credit loss (CECL) model that requires financial institutions to immediately record the full amount of expected credit losses in their loan portfolios, instead of waiting until the losses qualify as "probable." The FASB expects the shift to the CECL model to produce more timely and relevant information. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2022.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial statements.

NOTE 4- Property and Equipment, Net

Property and equipment, net consists of the following:

Furniture and fixtures	\$	2,455
Leasehold improvement		8,672
(less) accumulated depreciation		(4,446)
Total property and equipment, net	\$	<u>6,681</u>

Depreciation expense for the year ended December 31, 2022 was \$929.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2022

NOTE 5- Lease and Commitments

On October 6, 2020, The Company entered into a new 36-month operating lease agreement for the Company's vehicle, which was accounted for into the financial statements under the new standards. The lease expires on September 5, 2023. As of December 31, 2022, the total operating lease liabilities are \$5,701.

NOTE 6- Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. The Company has no contingencies as of December 31, 2022.

NOTE 7- Subsequent Events

In accordance with ASC Topic 855-10, the Company has evaluated its operations subsequent to December 31, 2022 to the date the financial statements were issued. The Company does not have any material subsequent events to disclose in these financial statements.

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
7 Leaves Franchise, LLC
Garden Grove, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JNK Accountancy Group, LLP
Garden Grove, California
April 18, 2023

7 Leaves Franchise, LLC
Schedule of Selling, General and Administrative Expenses
For the Year Ended December 31, 2022

Selling, general and administrative expenses	
Auto	\$ 10,721
Brand and system development fund fee	151,836
Bad debt	120,000
Bank charge	40
Depreciation	929
Dues and subscriptions	1,186
Insurance	2,772
Legal and professional	142,967
Licenses and permits	356
Meals and entertainment	697
Office expenses	77
Payroll taxes	21,608
Rent	51,840
Repairs and maintenance	550
Salaries and wages	323,978
Travel	14,966
Telephone	1,752
Total selling, general and administrative expenses	<u>\$ 846,275</u>

CONSENT OF ACCOUNTANT

JNK Accountancy Group, LLP consents to the use in the Franchise Disclosure Document issued by 7 Leaves Franchise, LLC. ("Franchisor") on April 18, 2023, as it may be amended, of our report dated April 18, 2023, relating to the financial statements of Franchisor for the year ending December 31, 2022.

April 18, 2023



JNK Accountancy Group, LLP

7 Leaves Franchise, LLC

Financial Statements and
Independent Auditors' Report
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
7 Leaves Franchise, LLC
Garden Grove, California

Opinion

We have audited the accompanying financial statements of 7 Leaves Franchise, LLC which comprise the balance sheet as of December 31, 2021, and the related statement of income, changes in members' equity, and cash flows for the year 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 7 Leaves Franchise, LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 7 Leaves Franchise, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to prove 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 7 Leaves Franchise, LLC's ability to continue as a going concern within one year after the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 7 Leaves Franchise, LLC'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 7 Leaves Franchise, LLC'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.



JNK Accountancy Group, LLP
Garden Grove, California
March 14, 2022

7 Leaves Franchise, LLC
Balance Sheet
December 31, 2021

Assets

Current assets

Cash and cash equivalents	\$	706,180
Accounts receivable		169,971
Other receivable		72,000
Prepaid expenses		7,020
Security deposit		4,720
Total current assets		<u>959,891</u>

Non-current assets

Property and equipment, net		7,610
Operating lease right-of-use asset		16,270
Total non-current assets		<u>23,880</u>

Total assets	\$	<u><u>983,771</u></u>
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Liabilities and members' equity

Current liabilities

Accounts payable	\$	26,000
Accrued expense		9,334
Deferred revenue		251,900
Due to affiliate		6,705
Operating lease liabilities		8,341
Total current liabilities		<u>302,280</u>

Non-current liabilities

Operating lease liabilities (net of current portion)		5,701
Deferred revenue (net of current portion)		586,733
Total current liabilities		<u>592,434</u>

Total liabilities		<u>894,714</u>
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Members' equity

Members' capital		100,000
Accumulated deficit		(10,943)
Total members' equity		<u>89,057</u>

Total liabilities and members' equity	\$	<u><u>983,771</u></u>
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7 Leaves Franchise, LLC
Statement of Income
For the Year Ended December 31, 2021

Revenue	\$ 919,127
Selling, general and administrative expenses	<u>813,174</u>
Income from operations	105,953
Other income	
PPP loan forgiven	86,137
Employee retention credits	107,000
Interest income	<u>33</u>
Total other income	<u>193,170</u>
Income before income tax provision	299,123
Income tax provision	<u>3,300</u>
Net income	<u><u>\$ 295,823</u></u>

7 Leaves Franchise, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2021

	Members'	Accumulated	Total
	Capital	Deficit	Members'
			Equity
Balance at beginning of the year	\$ 100,000	\$ (6,766)	\$ 93,234
Distribution to members	-	(300,000)	(300,000)
Net income	-	295,823	295,823
Balance at end of the year	<u>\$ 100,000</u>	<u>\$ (10,943)</u>	<u>\$ 89,057</u>

7 Leaves Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Net income	\$ 295,823
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,003
Non-cash operating lease expense	1,667
PPP loan forgiven	(86,137)
(Increase) decrease in:	
Accounts receivable	96,371
Prepaid expenses	996
Increase (decrease) in:	
Accounts payable	16,603
Accrued expense	(10,363)
Deferred revenue	(164,067)
Due to affiliate	6,706
Net cash provided by operating activities	<u>158,602</u>
Cash flows from financing activities	
Distribution to members	<u>(300,000)</u>
Net (decrease) in cash and cash equivalents	(141,398)
Cash and cash equivalents at the beginning of the year	<u>847,578</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 706,180</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for income taxes	<u>\$ 6,000</u>
Cash paid during the year for operating lease	<u><u>\$ 8,648</u></u>

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

NOTE 1- Reporting Entity

7 Leaves Franchise, LLC (the “Company”) was organized in the State of California on July 06, 2017 and is owned by six members. One of the members holds a 26% ownership interest in the Company, three members each hold a 16% ownership interest, and the remaining two each hold a 13% interest.

The Company principally engages in the developing and franchising of 7 Leaves Cafés, cafes that serve coffee, tea, and light snacks. As of December 31, 2021, there were 29 executed franchise agreements within eight territories throughout the United States.

NOTE 2- Basis of Preparation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

NOTE 3- Summary of Significant Accounting Policies

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions, and all highly liquid investments with an original maturity of three months or less of the purchase date of such investments.

The Company maintains its cash and cash equivalents accounts with several financial institutions. Each account is insured by FDIC up to the federally insured limit of \$250,000. The amounts held in these accounts exceeded the limit at various time during the year. The Company has not experienced any losses in said accounts.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

Accounts Receivable and Allowance for Doubtful Account

Accounts receivable consists primarily of amounts due to the Company from its franchisees for initial franchise fees, area development fees, royalty fees, marketing fees and other receivables generated by services rendered. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. As of December 31, 2021, no allowance for bad debt was considered necessary.

Other Receivable

The Company is eligible for the Employee Retention Credit ("ERC") of \$107,000 under the CARES Act for the quarters ending on December 31, 2020, March 31, 2021 and June 30, 2021. The Company recorded the entire ERC as other income during the year ended December 31, 2021. Uncollected portion of ERC as of December 31, 2021 was \$72,000, for the quarters ending on December 31, 2020 and June 30, 2021, and was recorded as other receivable.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values. The estimated useful lives used for financial statements purposes are:

Furniture and fixtures	7 years
Leasehold improvement	15 years

Maintenance and repairs are charged to expense when incurred, while capital expenditures that enhance the value or materially extend the useful life of the related assets are capitalized and reflected as additions to property and equipment. When assets have been retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the other income (expense) section of the statement of income.

Fair Value Measurements of Assets and Liabilities

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with FASB ASC No. 820, Fair Value Measurements, which provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Company's financial instrument is measured, on a recurring basis, on December 31, 2021:

	Adjusted Cost	Unrealized Gain (Loss)	Fair Value	Short-term	Long-term
Level 1:					
Cash equivalents	\$ 706,180	\$ -	\$ 706,180	\$ 706,180	\$ -
Level 2:					
N/A					
Level 3:					
Receivable	241,971	-	241,971	241,971	-
Security deposit	4,720	-	4,720	4,720	-
Accounts payable	(26,000)	-	(26,000)	(26,000)	-
Deferred revenue	(838,633)	-	(838,633)	(251,900)	(586,733)
Total	\$ <u>88,238</u>	\$ <u>-</u>	\$ <u>88,238</u>	\$ <u>674,971</u>	\$ <u>(586,733)</u>

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, security deposits, accounts payable and accrued expense approximated their fair values due to their short-term nature.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

Revenue Recognition

The Company recognizes revenue under FASB, ASC 606 “Revenue from Contracts with Customers”.

The Company generates revenue by establishing franchises and collecting related franchise fees, such as area development fees, initial franchise fees, royalties, marketing and other miscellaneous fees. The Company recognizes revenue once the underlying performance obligations have been satisfied.

Fees received for area development arrangements are non-refundable and initially recognized as deferred revenue on the Company’s balance. The revenue from the area development fee is recognized over the life of the expected benefits, which is the area development agreement term.

Initial franchise fees received from a franchisee to establish a new franchise are recognized as deferred revenue on the Company’s balance sheet. The initial franchise fees are amortized and recognized as revenue based on the franchise agreement term. Initial franchise fees are also non-refundable.

Continuing royalties, which are a percentage of net sales of franchisees, are recorded as revenue when the franchisees’ sales occur.

The Company recognizes brand and system development fund revenue when the fund is under-spent during the year as compared to the revenue received. Conversely, when the fund is over-spent as compared to the revenue received, the brand and system development fund fee expense will be recognized.

Other fees are recognized as revenue for the various performance obligations completed.

Operating Lease Right-of-Use Asset

Beginning January 1, 2020, the Company adopted a new lease standard under ASU 2016-02, “Leases (Topic 842).” Under this new standard, operating leases are presented in operating lease right-of-use (ROU) assets, short-term operating lease liabilities and long-term operating lease liabilities on the Company’s balance sheets. ROU assets represent the Company’s right to control the use of an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments. The Company determines its incremental borrowing rate based on information available at a lease commencement date to calculate the present value of future lease payments. Lease expenses are recognized on a straight-line basis over the lease term.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

Income Taxes

The Company follows the provisions of FASB No. ASC 740-10, Income Taxes, which prescribes detailed guidance for financial statements recognition, de-recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements.

The Company is treated as a partnership for Federal and California income tax purpose and its net taxable income or loss is reported by its members on their respective income tax returns. Additionally, the Company is subjected to Texas franchise tax based on its gross revenue and taxable margin apportioned to the state.

Recent Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments", which modifies the measurement of expected credit losses of certain financial instruments in Topic 326. The updated standard adopts a current expected credit loss (CECL) model that requires financial institutions to immediately record the full amount of expected credit losses in their loan portfolios, instead of waiting until the losses qualify as "probable." The FASB expects the shift to the CECL model to produce more timely and relevant information. The ASU is effective for nonpublic companies for fiscal years beginning after December 15, 2022.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's financial statements.

NOTE 4- Property and Equipment, Net

Property and equipment, net consists of the following:

Furniture and fixtures	\$	2,455
Leasehold improvement		8,672
(less) accumulated depreciation		<u>(3,517)</u>
Total property and equipment, net	\$	<u><u>7,610</u></u>

Depreciation expense for the year ended December 31, 2021 was \$1,003.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

NOTE 5- Lease and Commitments

On October 6, 2020, The Company entered into a new 36-month operating lease for the Company's vehicle, which was accounted for into the financial statements under the new standards. As of December 31, 2021, the total operating lease liabilities are \$14,042.

Minimum lease payments for the next two years are as follows:

Year ended December 31,	
2022	\$ 8,341
2023	5,701
Total	<u>\$ 14,042</u>

NOTE 6- PPP Loan

On May 1, 2020, The Company received loan proceeds from the Small Business Administration (SBA) in the amount of \$86,137, pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The PPP loan and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels during a qualified covered period of 24-week. The amount of loan forgiveness would have been reduced if the borrower terminated employees or reduced salaries during 24-week period. As of December 31, 2021, the Company received a notice from the SBA that the PPP funds were used appropriately, and all amounts were fully forgiven.

NOTE 7- Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. The Company has no contingencies as of December 31, 2020.

7 Leaves Franchise, LLC
Notes to Financial Statements
December 31, 2021

NOTE 8- Subsequent Events

In accordance with ASC Topic 855-10, the Company has evaluated its operations subsequent to December 31, 2021 to the date the financial statements were issued. The Company does not have any material subsequent events to disclose in these financial statements.

INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
7 Leaves Franchise, LLC
Garden Grove, California

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JNK Accountancy Group, LLP
Garden Grove, California
March 14, 2022

7 Leaves Franchise, LLC
Schedule of Selling, General and Administrative Expenses
For the Year Ended December 31, 2021

Selling, general and administrative expenses	
Auto	\$ 10,316
Brand and system development fund fee	96,704
Bank charge	176
Depreciation	1,003
Dues and subscriptions	1,744
Insurance	12,328
Legal and professional	168,372
Licenses and permits	3,332
Meals and entertainment	198
Office expenses	243
Payroll taxes	33,467
Rent	53,856
Salaries and wages	425,433
Travel	3,767
Telephone	1,580
Total selling, general and administrative expenses	<u>\$ 813,174</u>

CONSENT OF ACCOUNTANT

JNK Accountancy Group, LLP consents to the use in the Franchise Disclosure Document issued by 7 Leaves Franchise, LLC. ("Franchisor") on March 14, 2022, as it may be amended, of our report dated March 14, 2022, relating to the financial statements of Franchisor for the year ending December 31, 2021.

March 14, 2022



JNK Accountancy Group, LLP

EXHIBIT D

7 LEAVES

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7 LEAVES CAFÉ

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EXHIBIT E

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

ALABAMA

Securities Commission
401 Adams Avenue, Suite 280
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Montgomery, AL 36130-4700
(334) 242-2984
(800) 222-1253

CALIFORNIA

Department of Financial Protection and
Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500
(866) 275-2677

ALASKA

Department of Commerce, Community and
Economic Development
Division of Banking and Securities
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P.O. Box 110807
Juneau, AK 99811-0807
(907) 465-2521
(888) 925-2521

COLORADO

Division of Securities
1560 Broadway, Suite 900
Denver, CO 80202
(303) 894-2320
(800) 866-7675

ARIZONA

Corporation Commission
Securities Division
1300 West Washington Street, 3rd Floor
Phoenix, AZ 85007
(602) 545-4242
(866) 837-4399

CONNECTICUT

Department of Banking
Securities and Business Investments
Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8230
(800) 831-7225

ARKANSAS

Securities Department
Heritage West Building
201 East Markham, Room 300
Little Rock, AR 72201-1692
(501) 324-9260
(800) 981-4429

DELAWARE

Delaware Department of Justice
Investor Protection Unit
Carvel State Office Building
820 North French Street, 5th Floor
Wilmington, DE 19801
(302) 577-8424

DISTRICT OF COLUMBIA

Department of Insurance, Securities and
Banking
Securities Bureau
1050 First Street, NE, Suite 801
Washington, DC 20002
(202) 442-7800

FLORIDA

Office of Financial Regulation
Division of Securities
200 East Gaines Street
Tallahassee, FL 32399-0372
(850) 410-9500

GEORGIA

Secretary of State
Securities and Charities Division
2 Martin Luther King, Jr. Drive, SE
Suite 317, West Tower
Atlanta, GA 30334
(404) 654-6023
(844) 753-7825

HAWAII

Department of Commerce and Consumer
Affairs
Business Registration Division
Securities Enforcement Branch
335 Merchant Street, Room 205
P.O. Box 40
Honolulu, HI 96813
(808) 586-2744
(877) 447-2267

IDAHO

Department of Finance
Securities Bureau
800 Park Boulevard, Suite 200
Boise, ID 83712
(208) 332-8000
(888) 346-3378

ILLINOIS

Secretary of State
Securities Department
69 West Washington Street, Suite 1220
Chicago, IL 60602
(312) 793-3384

INDIANA

Secretary of State
Securities Division
302 West Washington, Room E-111
Indianapolis, IN 46204
(317) 232-6681
(800) 223-8791

IOWA

Insurance Division
Securities and Regulated Industries Bureau
Two Ruan Center
601 Locust Street, 4th Floor
Des Moines, IA 50309
(515) 281-5705

KANSAS

Office of the Securities Commissioner
A Division of the Kansas Insurance
Department
109 SW 9th Street, Suite 600
Topeka, KS 66612
(785) 296-3307
(800) 232-9580

KENTUCKY

Department of Financial Institutions
Division of Securities
1025 Capital Center Drive, Suite 200
Frankfort, KY 40601
(502) 573-3390
(800) 223-2579

LOUISIANA

Office of Financial Institutions
Securities Commission
8660 United Plaza Boulevard
Second Floor
Baton Rouge, LA 70809
(225) 925-45-12

MAINE

Department of Professional & Financial
Regulation
Office of Securities
121 State House Station
(207) 624-8551
(877) 624-8551

MARYLAND

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202
(410) 576-7786
(888) 743-0023

MASSACHUSETTS

Office of the Secretary of the
Commonwealth
Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108
(617) 727-3548
(800) 269-5428

MICHIGAN

Department of Licensing and Regulatory
Affairs
Corporations, Securities and Commercial
Licensing Bureau
2501 Woodlake Circle
Okemos, MI 48864
(517) 241-6470

MINNESOTA

Department of Commerce
Commissioner of Commerce
85 East 7th Place East, Suite 280
Saint Paul, MN 55101
(651) 539-1638
(800) 657-3602

MISSISSIPPI

Secretary of State
Securities Division
125 South Congress Street
P.O. Box 136
Jackson, MS 39201
(601) 359-1334

MISSOURI

Secretary of State
Securities Division
600 West Main Street, Suite 229
Jefferson City, MO 65101
(573) 751-4136

MONTANA

Office of the State Auditor
Securities Department
840 Helena Avenue
Helena, MT 59601
(406) 444-2040
(800) 332-6148

NEBRASKA

Department of Banking and Finance
Bureau of Securities
1526 K Street, Suite 300
Lincoln, NE 68508
(402) 471-3445
(877) 471-3445

NEVADA

Secretary of State
Securities Division
555 East Washington Avenue, Suite 5200
Las Vegas, NV 89101
(702) 486-2440

NEW HAMPSHIRE

Department of State
Bureau of Securities Regulation
107 North Main Street, Suite 204
Concord, NH 03301
(603) 271-1463
(800) 994-4200

NEW JERSEY

Office of the Attorney General
Division of Consumer Affairs
Bureau of Securities
153 Halsey Street, 6th Floor
Newark, NJ 07102
(973) 504-3600
(866) 446-8378

NEW MEXICO

Regulation and Licensing Department
Securities Division
2550 Cerrillos Road, 3rd Floor
Santa Fe, NM 87505
(505) 476-4580

NEW YORK

Office of the Attorney General
Investor Protection Bureau
28 Liberty Street, 15th Floor
New York, NY 10005
(212) 416-8222
(800) 771-7755

NORTH CAROLINA

Secretary of State
Securities Division
2 South Salisbury Street
P.O. Box 29622
Raleigh, NC 27626
(919) 814-5400
(800) 668-4507

NORTH DAKOTA

Securities Commission
600 East Boulevard
State Capitol, 5th Floor
Bismarck, ND 58505
(701) 328-2910
(800) 297-5124

OHIO

Division of Securities
77 South High Street, 22nd Floor
Columbus, OH 43215
(614) 644-7381
(800) 788-1194

OKLAHOMA

Department of Securities
204 North Robinson Avenue, Suite 400
Oklahoma City, OK 73102
(405) 280-7700

OREGON

Department of Consumer and Business
Services
Division of Financial Regulation
350 Winter Street, NE, Room 410
Salem, OR 97301
(503) 378-4140
(866) 814-9710

PENNSYLVANIA

Department of Banking and Securities
Market Square Plaza
17 North 2nd Street, Suite 1300
Harrisburg, PA 17101
(717) 787-2665

PUERTO RICO

Commissioner of Financial Institutions
Division of Securities
1492 Avenida Ponce de León
P.O. Box 11855
San Juan, PR 00910
(787) 723-3131

RHODE ISLAND

Department of Business Regulation
Securities Regulation Division
1511 Pontiac Avenue
John O. Pastore Complex Building 69-1
Cranston, RI 02920
(401) 462-9527

SOUTH CAROLINA

Office of the Attorney General
Securities Division
Rembert C. Dennis Building, Suite 501
1000 Assembly Street
P.O. Box 11549
Columbia, SC 29211
(803) 734-9916

SOUTH DAKOTA

Department of Labor and Regulation
Division of Insurance and Securities
Securities Regulation
124 South Euclid Avenue, 2nd Floor
Pierre, SD 57501
(605) 773-3563

TENNESSEE

Department of Commerce and Insurance
Securities Division
Davy Crockett Tower, Suite 680
500 James Robertson Parkway, 8th Floor
Nashville, TN 37243
(615) 741-2947
(800) 863-9117

TEXAS

State Securities Board
208 East 10th Street, 5th Floor
P.O. Box 13167
Austin, TX 78701
(512) 305-8300

U.S. VIRGIN ISLANDS

Division of Banking and Insurance
5049 Kongens Gade
Charlotte Amalie
Saint Thomas, VI 00802
(340) 774-7166

UTAH

Department of Commerce
Division of Securities
160 East 300 South, 2nd Floor
P.O. Box 146760
Salt Lake City, UT 84114
(801) 530-6600
(800) 721-7233

VERMONT

Department of Financial Regulation
89 Main Street, 3rd Floor
Montpelier, VT 05620
(802) 828-3420

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, VA 23219
(804) 371-9733

WASHINGTON

Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, WA 98507
(360) 902-8760
(877) 746-4334

WEST VIRGINIA

Office of the State Auditor
Securities Commission
Building 1, Room W-100
Charleston, WV 25305-0230
(304) 558-2257
(877) 982-9148

WISCONSIN

Department of Financial Institutions
Division of Securities
201 West Washington Avenue, Suite 300
P.O. Box 1768
Madison, WI 53701
(608) 266-2139

WYOMING

Secretary of State
Compliance Division
2020 Carey Avenue, Suite 700
Cheyenne, WY 82002
(307) 777-7370

EXHIBIT F

STATE SPECIFIC ADDENDA

California

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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

Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

Neither the franchisor nor any person identified in Item 2 of this 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 the person from membership in the association or exchange.

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

The highest applicable interest rate in California is 10%.

No disclaimer, questionnaire, clause, or statement signed by the franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other inconsistent term of any document executed in connection with the franchise.

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 that continues after the termination of the franchise. This provision may not be enforceable under California law.

Under both the California Franchise Relations Act and the Franchise Investment Law, a provision in a Franchise Agreement that requires you to waive your rights under either or both of these laws is void. Any release of claims that the franchisor asks you to sign will specifically exclude claims under these franchise laws.

Section 31125 of the California Corporations Code requires the franchisor to give the franchisee a special disclosure document before soliciting a proposed material modification of an existing franchise.

The franchise agreement and development agreement contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement and development agreement requires binding arbitration. The arbitration will occur in Orange County, California, and the arbitrators have the discretion to assess the costs of arbitration, including reasonable arbitrators' and attorneys' fees in proportions as the arbitrators may determine. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

OUR WEBSITE ADDRESS IS 7LEAVESCAFE.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

Minnesota

The Franchise Agreement is amended to including the following:

- Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)
 - that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
 - that consent to the transfer of the franchise will not be unreasonably withheld.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

Signed: _____

Print: _____

New York

The following information is added to the **Cover Page** of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

The following is added to the end of **Item 3**:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of

1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

The following is added to the end of **Item 4**:

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

The following is added to the end of **Item 5**:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

The following is added to the end of the “**Summary**” sections of **Item 17(c)**, titled “**Requirements for franchisee to renew or extend**” and **Item 17(m)**, entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “**Summary**” section of **Item 17(d)**, titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

The following is added to the end of the “**Summary**” section of **Item 17(j)**, titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

The following is added to the end of the “**Summary**” sections of **Item 17(v)**, titled “**Choice of forum**”, and **Item 17(w)**, titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

North Carolina

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

Rhode Island

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

In spite of the provisions of Item 17v and Item 17w of the Disclosure Document, any litigation or arbitration arising under the Franchise Agreement will take place in Rhode Island or other place mutually agreed to by the franchisee and franchisor.

To the extent required by § 19-28.1-14 of the Rhode Island Franchise Investment Act, the Franchise Agreement will be governed by the laws of the State of Rhode Island.

Virginia

The following statements are added to Item 17.h.

Pursuant 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 ground for default or termination stated in the franchise agreement does not constitute “reasonable cause”, a 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 you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

Washington

The language of this addendum acts as an addendum to the Franchise Agreement and the Area Development Agreement

The State of Washington has a statute, RCW 19.100.180, that may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

The terms of Article 17 of the Franchise Agreement concerning termination of the Franchise Agreement may not apply, if and to the extent that those terms are in conflict with RCW 19.100.180(2)(j).

In any arbitration involving a franchise purchased in Washington, the arbitration or mediation site shall be either in the State of Washington, or in a place mutually agreed on at the time of arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchise shall not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to jury trial may not be enforceable.

Transfer fees are collectable to the extent they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such

provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20____.

FRANCHISOR

FRANCHISEE

EXHIBIT G

FRANCHISEE CONTACT INFORMATION

CURRENT FRANCHISEE CONTACT INFORMATION

*Ken Pham

1743 Berryessa Rd.
San Jose, California 95131
(714) 651-4551

*Timothy Dang

3959 Spring Mountain Rd.
Las Vegas, Nevada 89102
(714) 580-2986

*Jessica Liew

4020 Satellite Blvd. Ste. 118
Duluth, Georgia 30096
(770) 680-1267

*Tony Nguyen

9292 Warren Parkway
Frisco, Texas
(817) 851-8430

*Jackson Long

9798 Bellaire Blvd.
Houston, Texas 77036
(626) 215-3589

*Vu Nguyen

[not yet opened]
Phoenix, Arizona
(714) 803-8800

*Danh Nguyen

[not yet opened]
Fairfax, Virginia
(540) 840-8563

*Area Developer

FORMER FRANCHISEE CONTACT INFORMATION

Binh Tran

San Francisco, California
(949) 370-7747

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

EXHIBIT H

7 LEAVES

RECEIPT

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 Franchise Disclosure 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
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.

RECEIPT

(RETURN ONE COPY TO US)

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT, THE AREA DEVELOPMENT AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF 7 LEAVES FRANCHISE, LLC OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE. NEW YORK LAW REQUIRES A FRANCHISOR TO PROVIDE THE FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR TEN (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 7 LEAVES FRANCHISE, LLC DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE ADMINISTRATORS LISTED IN EXHIBIT E.

The sellers of 7 LEAVES franchise are:

7 LEAVES FRANCHISE, LLC
16052 Beach Blvd., Suite 240
Huntington Beach, CA 92647
(714) 660-3165

Date of Issuance: March 25, 2024

I have received a disclosure document dated March 25, 2024 that included the following Exhibits:

- A: FRANCHISE AGREEMENT
- B: AREA DEVELOPMENT AGREEMENT
- C: FINANCIAL STATEMENTS
- D: OPERATIONS MANUAL TABLE OF CONTENTS
- E: STATE AGENCY LIST
- F: STATE SPECIFIC ADDENDA
- G: FRANCHISEE CONTACT INFORMATION
- H: RECEIPT

Dated: _____

Franchisee: _____

RECEIPT

(RETURN ONE COPY TO US)

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